



## Goldcorp Inc.: Should You Buy the Latest Pullback?

### Description

**Goldcorp Inc.** (TSX:G)(NYSE:GG) is down more than 15% since mid-February, and investors are wondering if this is a good opportunity to pick up the stock.

Let's take a look at the current situation to see if the gold producer deserves to be in your portfolio.

### Gold market

Gold has been on the slide in recent weeks as investors re-evaluate geopolitical risks and try to decide how big a headwind Fed rate hikes are likely to be through the end of the year.

In Europe, much of the concern surrounding the French election has subsided, as market-friendly Emmanuel Macron is expected to beat the far-right candidate Marine Le Pen in the May 7 run-off vote.

In the event that Le Pen pulls off a surprise victory, investors could rush into safe-haven assets amid concerns she would follow through on plans to leave the euro and hold a referendum on France's membership in the European Union (E.U.).

At the same time, Brexit is now underway, and while the U.K.'s exit from the E.U. is no longer in the headlines, the process could upset markets over the next two years if things get ugly.

If that weren't enough, Italy's banks still pose a threat to the broader European financial system.

So, there is ample potential for Europe to rock the markets in the near to middle term.

What about the Fed?

Interest rate hikes in the United States have held back a strong gold rally and could continue to offset any safe-haven demand.

The Fed raised its target rate in December and again in March. Most pundits anticipate two more hikes this year.

If the Fed hints at more aggressive moves, gold could take a significant hit.

## Looking at Goldcorp

Goldcorp is making progress on its turnaround efforts and is investing in future growth.

Management has done a good job of reducing production costs, and more improvements are on the way with all-in sustaining costs (AISC) expected to fall 20% in the next five years.

Over that time frame, Goldcorp is also forecasting a 20% increase in reserves and a 20% production boost.

The company's recent announcement of a US\$1 billion deal to purchase a 50% partnership position with **Barrick Gold** on major projects in Chile shows a willingness to cooperate with competitors when it is in the best interest of both companies.

That should bode well for investors over the long term.

## Should you buy today?

Gold prices could see additional downward pressure in the near term, so there probably isn't a rush to buy the stock today.

However, if you believe gold is setting up for a broader long-term recovery, it might be worthwhile to add a bit of Goldcorp to your portfolio on further weakness. The turnaround efforts are bearing fruit, and the market might not be pricing that in yet.

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