



Gold Is Drifting Higher: Time to Buy Goldcorp Inc.?

Description

The price of gold is back up to US\$1,250 per ounce, and investors are wondering if this is the right time to pick up some of the miners, including **Goldcorp Inc.** (TSX:G)(NYSE:GG).

Let's take a look at the current situation to see if Goldcorp should be in your portfolio right now.

Gold market

Gold has spent most of 2017 bouncing back and forth between US\$1,200 and US\$1,300 per ounce. The relative stability is a welcome sign for gold bulls after the metal's downward move through the back half of 2016.

Support for higher prices is now coming from a weaker U.S. dollar, safe-haven demand due to financial and geopolitical concerns, and reduced expectations for aggressive interest rate hikes.

What's going on?

A drop in the U.S. dollar, in which gold is priced, can drive stronger demand from holders of other currencies.

On the safe-haven front, concerns about investigations into President Trump's Russia ties might be providing some support, and lingering financial threats from Italy's banks and the Brexit process are also in play.

Regarding interest rates, the market is very sensitive to upward moves in the Federal Reserve's target rate. Higher interest rates are often negative for gold because they increase the opportunity cost of holding non-yielding assets.

The Fed already raised rates two times in 2017 and the market is trying to decide if more moves are on the way.

Every time positive economic data comes out, the mood shifts towards an expectation of another rate

hike before the end of the year, and gold tends to slip as a result.

For the moment, the market appears to be of the mind that the Fed might be done for 2017.

Is Goldcorp a good bet right now?

Goldcorp used to be the name investors picked first when buying gold miners, but the company ran into some operational problems in recent years and has fallen out of favour.

Management is working hard to turn things around, and it looks like better days are on the horizon.

Goldcorp expects to reduce its all-in sustaining costs by 20% over the next five years, while boosting production and reserves by 20%. The market might not be pricing in the potential benefits at this point.

Should you buy?

Everything depends on your outlook for the precious metal.

Gold fans might want to start nibbling on Goldcorp while the stock is still being largely ignored, but I wouldn't back up the truck.

The price of gold will probably stay-range bound in the near term, unless a major political or financial event sends it soaring. Any indication the Fed is going to get more aggressive would likely send the precious metal back towards US\$1,200.

If you are not a long-term gold bull, it might be better to look at other opportunities.

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