

Will Geopolitical Tensions Continue to Propel Gold and Silver Miners?

Description

Gold and silver prices have reached their highest point since mid-June in response to heightening tensions on the Korean peninsula — hovering around the \$1,280 mark. Rhetoric from both North Korea and the United States hinted at the possibility of a potential breakout of war over the North Korean nuclear program, causing investors to run to the safe havens of gold and silver.

The North Korea–U.S. rift has worsened throughout 2017 and has contributed to the 10% rise in gold since the beginning of the year. A long-lasting resolution on the peninsula appears to be far away, but how should investors respond? Canadian gold equities jumped on the news, but is this just another spike in what has been a volatile precious metals market since mid-2016?

Shares of **Pan American Silver Corp.** ([TSX:PAAS](#))(NASDAQ:PAAS) rose 1.27% on August 9 to close at \$15.96 for the day. The stock has experienced a 5% gain in 2017, but it has fallen steadily after surging above the \$21 mark in early February. The company announced its second-quarter earnings the same day and reported net income of \$36 million compared to \$34.2 million in Q2 2016. Revenue was up 5% to \$201.3 million from \$192.3 million in the second quarter the previous year. The company offers a dividend of \$0.03 per share, representing a 0.63% dividend yield.

Alamos Gold Inc. ([TSX:AGI](#))([NYSE:AGI](#)) jumped 2.92% on August 9 to \$9.88. On August 3, the company reported its second-quarter results. The company posted net earnings of \$2.4 million, or \$0.01 per share. Strong operating margins pushed cash flow from operations activity to \$51.4 million — up 156% from the first quarter. Alamos Gold reported \$18 million in free cash flow, and the company paid a semi-annual dividend of \$0.01 per share with a 0.27% dividend yield.

The stock price of **B2Gold Corp.** ([TSX:BTO](#)) gained 2.63% on August 9 to close at \$3.12. It also reported earnings the same day. The company posted revenue of \$164.3 million on an average price of \$1,247 per ounce. It consolidated cash operating costs of \$596 per ounce — 12% below budget. The company also secured a \$500 million corporate revolving credit facility — a \$75 million increase. The stock has fallen 2% in 2017 and 28% year over year.

Each of the above stocks experienced an uptick on the back of the recent geopolitical tensions as well as solid earnings reports for all three. It goes without saying that speculating on geopolitical events is not a good investment strategy. Gold and silver had been trending down since late 2016 on a strengthening dollar and the promise of rising rates. Those factors combined with overall economic performance will likely continue to be the leading indicators.

The viability of precious metals as an effective haven is being tested by the rise of cryptocurrencies, but August 9 should be a lesson that investors will still look to gold and silver in uncertain times. Investors should look to add small portions of both to their portfolios as unease grips the world powers.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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1. Editor's Choice

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2. NYSE:PAAS (Pan American Silver)
3. TSX:AGI (Alamos Gold Inc.)
4. TSX:BTO (B2Gold Corp.)

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