



Gold Is Surging: Should You Buy Yamana Gold Inc.?

Description

Gold hovered around the \$1,300 mark to start the trading week on August 21 after nearing year-to-date highs late in the previous week. The price of the yellow metal has soared on a weak U.S. dollar and due to tensions on the Korean Peninsula. The threat of war has since dissipated, but concerns over political turmoil in Washington have continued to drive investors to gold.

The period from August 11 to 18 saw a political earthquake following a far-right rally in Charlottesville that descended into brutal violence. A series of responses from President Trump set off a firestorm of reactions from both major political parties and culminated with the resignation of Trump's chief strategist Steve Bannon.

There was also concern early in the week that chief economic adviser Gary Cohn, former chief operating officer at **Goldman Sachs Group Inc.** ([NYSE:GS](#)), would consider resignation as reports indicated he was furious following the president's remarks. This worried investors as Cohn is considered to be the individual most capable of pushing forward tax reform for the administration.

The departure of Bannon may represent a reset that will see the administration become more conventional, at least compared to what it has been up until this point. On the international front, the U.S. staged joint military exercises with South Korea, demonstrating that the political conflict there is far from over.

With that in mind, investors should be looking at gold equities on the TSX.

Shares of **Yamana Gold Inc.** ([TSX:YRI](#))([NYSE:AUY](#)) have risen 4.8% month over month as of August 21. The company announced its second-quarter results on July 27. It posted a net loss of \$34.7 million with an average price of \$1,256 per ounce. The company missed expectations on revenue, which was reported at \$428.1 million. Yamana reported \$132.3 million cash on hand, which represented a 35.8% increase from the previous fiscal quarter.

The stock has declined 8.2% in 2017 and has not been able to breach the \$4 mark since April; it has decreased 48% year over year. It also offers a dividend yield of 0.71% at \$0.01 per share. Gold prices also showed strength in June, but Yamana stock failed to find traction. Do investors have reason to

believe that this time is any different? Moreover, do gold prices have the momentum to reach above \$1,300 and stay there?

The head of precious metals at a Russian investment bank suggested that gold will jump to \$1,400 an ounce by the end of 2017 on the back of geopolitical tensions. The last time gold reached above the \$1,350 mark in the summer of last year, Yamana stock threatened the \$8 mark. If this projection comes to fruition, the stock has the potential to more than double based off of the recent price history.

Investors should note that gold prices have teased the \$1,300 mark on three separate occasions this year: in April, June, and now in August. But each time, the rally collapsed.

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