



Should You Avoid Gold and Silver Stocks After the Recent Dip?

Description

Gold prices dropped to a six-week low on October 2, and silver prices hit a seven-week low, as the U.S. dollar continued to show strength after a mid-September rally. A surge that began in early July and was powered by international and domestic tensions, along with a weakening dollar, ended in early September.

The U.S. dollar strengthened in mid-September following the conclusion of a Federal Reserve meeting on September 20. Experts and analysts came away from the meeting with the impression that the Fed would move to raise rates at least one more time before 2017 comes to an end. Perhaps more crucial will be the unwinding of the asset-purchasing program by the Fed, which has ushered in some degree of anxiety.

Gold stocks

Shares of **Yamana Gold Inc.** ([TSX:YRI](#))([NYSE:AUY](#)) have fallen 9.3% month over month as of close on October 2. The company is expected to release its third-quarter results on October 26. Second-quarter results saw Yamana post a net loss from operations of \$36.8 million. Gold production increased 13%, and the company reported gold sales on less than \$1,100 per ounce, which could bode well for third-quarter earnings. Silver and copper production jumped 22% and 10%, respectively. The stock also offers a humble dividend yield of 0.7%.

IAMGOLD Corp. ([TSX:IMG](#))([NYSE:IAG](#)) stock dropped 6.7% month over month as of close on October 2. The company reported its second-quarter results on August 9. Gold production was up 13%, and all-in sustaining costs per ounce sold was \$975. IAMGOLD saw net profit climb 47% to \$35.9 million from \$11.5 million in Q2 2016. Net earnings jumped to \$506.5 million, or \$1.09 per share, compared to a net loss of \$12.2 million, or \$0.03 per share, in the previous year.

With both companies set to report third-quarter results during a positive period for the yellow metal, it is possible better results could coincide with a future bounce back for gold.

Silver stocks

Wheaton Precious Metals Corp. ([TSX:WPM](#))([NYSE:WPM](#)) stock rose 1.81% on October 2 and has dropped 6.6% month over month. The company released its second-quarter results on August 10. The company produced 7.2 million ounces of silver and 78,100 ounces of gold in the second quarter. Wheaton posted net earnings of \$68 million, or \$0.15 per share, compared to \$60 million, or \$0.14 per share, in Q2 2016 — up 12%. The company also declared a quarterly dividend of \$0.10 per share, representing a dividend yield of 2%.

Shares of **Fortuna Silver Mines Inc.** ([TSX:FVI](#))([NYSE:FSM](#)) jumped 2.38% on October 2 and have declined 7.6% month over month. Fortuna released its second-quarter results on August 14. Silver production increased to 2.1 million ounces and gold production was reported at 14,547 ounces. Quarterly sales climbed to \$63.9 million compared to \$44.5 million in Q2 2016. Fortuna posted net income of \$8.9 million compared to a net loss of \$1.4 million the previous year.

Bottom line

Silver rallied with gold in July and August, but it did not reach its 2017 highs seen in the spring. I prefer gold equities for the remainder of 2017.

CATEGORY

1. Investing
2. Metals and Mining Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:AUY (Yamana Gold)
2. NYSE:FSM (Fortuna Silver Mines)
3. NYSE:IAG (IAMGOLD Corporation)
4. NYSE:WPM (Wheaton Precious Metals Corp.)
5. TSX:FVI (Fortuna Silver Mines)
6. TSX:IMG (IAMGOLD Corporation)
7. TSX:WPM (Wheaton Precious Metals Corp.)
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