



Global Growth Strengthens: Time to Sell Gold Stocks?

Description

Members of the International Monetary Fund (IMF) were optimistic about global growth prospects in a meeting on October 14. However, even with positive trends in many areas, the IMF and other institutions are still focused on the inflation target.

Federal Reserve chair Janet Yellen was confident that gradual interest rate hikes would continue, but she emphasized the surprisingly low inflation. Unemployment has dropped to its lowest point in over a decade, and the participation rate has also experienced positive movement. Wages have also seen modest growth. Ultimately, the Federal Reserve is anticipating one more rate hike before 2017 comes to an end.

The U.S. Consumer Price Index climbed 0.5% in September with analysts expecting a 0.6% increase. Gold prices moved upward on the news and back over the key US\$1,300 price mark over the weekend of October 14-15. After bouncing back in mid-September, the U.S. dollar has flattened somewhat on mixed economic news.

With global growth improving and interest rates continuing the gradual move upward, is it time to flee gold or at least reduce exposure?

Some Canadian gold miners have been hot in 2017

Shares of **Premier Gold Mines Ltd.** (TSX:PG) have increased 45.7% in 2017 as of close on October 13. The Ontario-based gold and silver producer released its second-quarter results on August 8. It posted revenue of \$74.6 million and record net income of \$14.6 million.

IAMGOLD Corp. ([TSX:IMG](#))([NYSE:IA](#)) has surged 47.7% in 2017 and 72% year over year. The Toronto-based gold producer posted its second-quarter results on August 9. The company reported gross profit of \$35.9 million, which represented an increase of 47% from Q2 2016. It saw net earnings surge to \$506.5 million compared to a \$12.2 million loss the previous year.

Agnico Eagle Mines Ltd. ([TSX:AEM](#))([NYSE:AEM](#)) is a Toronto-based gold producer that operates in Canada, Finland, and Mexico. Shares have climbed 3.3% in 2017 and dipped 2.8% year over year.

The stock offers a modest dividend of \$0.12 per share, representing a 0.8% dividend yield. The company has posted net income of \$137.8 million, or \$0.60 per share, in the first six months of 2017 compared to \$46.8 million, or \$0.21 per share, in the first half of 2016.

Where is gold heading in the last months of 2017?

Gold will continue to attract attention as a safe haven. Tensions between the U.S. and North Korea have continued to bubble in recent weeks. President Donald Trump also moved to decertify the Iran nuclear deal. Now U.S. Congress has 60 days to decide if it will re-impose sanctions on the nation, which could dramatically increase tensions in the Middle East.

Within the U.S., the Trump administration has moved aggressively to pass significant tax reform, including dropping the corporate tax rate by 15%. Some experts and analysts expect the windfall to spark a period of higher growth for the U.S. if the reform passes.

Continued tightening and a strengthening U.S. dollar will likely apply downward pressure on the yellow metal heading into 2018.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:AEM (Agnico Eagle Mines Limited)
2. NYSE:IAG (IAMGOLD Corporation)
3. TSX:AEM (Agnico Eagle Mines Limited)
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