



Comeback in 2018? Yamana Gold Inc. vs. Barrick Gold Corp.

Description

Gold prices have continued to lag after surging above \$1,350 in early September. Concerns over geopolitical tensions between the United States and North Korea have dissipated somewhat, but the two sides still trade verbal barbs. Moreover, strength in the U.S. dollar has generated a headwind for the yellow metal.

Global growth has also [strengthened](#) in 2017, but uncertainties remain. Let's take a look at two gold stocks that have had a difficult 2017 but could be due for a comeback next year.

Barrick Gold Corp.

Barrick Gold Corp. ([TSX:ABX](#))(NYSE:ABX) is the largest gold-mining company in the world. The Toronto-based miner has seen its stock fall 13.2% in 2017 as of close on October 26 and is down 17% year over year. Barrick has the bulk of its mining operations in the Americas, with mines in Argentina, Chile, Peru, and others.

Barrick released its third-quarter results on October 25. Lower gold production and prices led to a net loss of \$11 million, or \$0.01 per share, in comparison to net earnings of \$175 million, or \$0.15 per share, in Q3 2016. The company was also weighed down by debt extinguishment costs, mining, exploration, and evaluation costs, and depreciation expenses.

The company has managed to reduce its total debt by \$1.5 billion in 2017, beating its own projections. Barrick also appears confident that its recent agreement with the government of Tanzania will lead to a resolution for its operations in 2018.

Barrick stock also offers a dividend of \$0.04 per share with a 0.8% dividend yield.

Yamana Gold Inc.

Yamana Gold Inc. ([TSX:YRI](#))([NYSE:AUY](#)) is another Toronto-based gold and silver miner with producing mines in Brazil, Argentina, and Chile. Shares of Yamana Gold have declined 15.6% in 2017 and 37% year over year. Yamana Gold released its third-quarter results on October 26.

Yamana saw its silver production increase 8% over the second quarter to 1.43 million ounces, and its gold production also jumped 5%. Copper production climbed 27% as the company moved to capitalize off of the [copper bull market](#) this year. The company posted third-quarter revenue of \$493.4 million compared to \$464.3 million in Q3 2016. Yamana reported net earnings of \$38.3 million, or \$0.05 per share, compared to a net loss of \$2.1 million the previous year.

Gold and silver revenue per ounce dropped year over year, but revenue per pound of copper increased to \$2.43 from \$1.86 in the third quarter of 2016. The stock also offers a modest dividend of \$0.01 per share with a 0.7% dividend yield.

Should you buy either stock?

Gold prices have rebounded following big losses in the latter half of 2016, but even a consistent slide in the U.S. dollar in 2017 was not enough to overcome other headwinds. With tax reform looming and U.S. growth potentially strengthening in 2017, gold could experience significant downward pressure.

Investors should exercise extreme caution with gold equities at this stage, but I like Yamana Gold in 2018 over Barrick.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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aocallaghan

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