



## Could U.S. Tax Reform Bury Gold Stocks?

### Description

The spot prices of gold and silver continue to experience downward pressure, as the Trump administration is pushing forward with its planned U.S. tax reform. The plan itself has received universal pushback from the Democrats, and some are criticizing the reform for its unequal distribution. GOP leaders decided to hold the top personal rate at 39.6%, but have held a commitment to remove the estate tax.

Perhaps most importantly, the corporate tax rate, which will represent a drop from 35% to 20%, which be immediate and permanent. This appears to contradict earlier reports that House Republicans were mulling a multi-year rollout, which U.S. markets reacted negatively to.

Analysts at **Royal Bank of Canada** have projected U.S. GDP to receive a 0.5% annual bump from the proposed tax reform. In addition to the windfall from offshore holdings that the Trump administration is touting, U.S. companies will be able to immediately apply the new rates. In an early October article, I discussed how [U.S. tax reform could boost Canadian bank stocks](#) with significant exposure south of the border.

### Canadian precious metals equities are falling

In another October article, I [discussed](#) how strengthening global growth could have an adverse effect on precious metals stocks. Gold and silver fell sharply following the election of Donald Trump and the pro-growth policies that were forthcoming.

Shares of **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) have dropped 12.7% month over month as of close on November 3. The stock has been battered after the company released its third-quarter results on October 25. Barrick posted a net loss of \$11 million, or \$0.01 per share. The company has managed to reduce its total debt by almost \$1.5 billion with a goal of reduction to \$5 billion by the end of 2018.

Barrick holds a majority ownership in London-based **Acacia Mining**, which has been in turmoil following a \$190 billion tax bill from Tanzania and a national ban on concentrated precious metals exports. The company was hit with more bad news after a November 2nd announcement that both the

chief executive officer and chief financial officer of Acacia were stepping down.

Toronto-based **Agnico Eagle Mines Ltd.** ([TSX:AEM](#))([NYSE:AEM](#)) saw its stock spike after third-quarter results were released on October 25. Net earnings jumped to \$70.9 million in comparison to \$49.4 million in Q3 2016, representing 43% growth. The company posted record gold production in the quarter of 454,362 ounces. Agnico also boosted its quarterly dividend by 10% to \$0.14 per share, representing a 1% dividend yield.

The stock reached above the \$60 mark on October 26 immediately following earnings, but it has since dropped 6% as of close on November 3.

The Trump administration is optimistic that tax reform can be pushed through by the end of the year. Some internal disagreements regarding the proposal remain, including protestations from housing lobbyists displeased with the cap on mortgage interest deductions.

Even so, the reform has been a prize eyed by the GOP for some time. If it is pushed through expect U.S. markets to surge along with the dollar, which could put significant downward pressure on precious metals equities.

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1. Investing
2. Metals and Mining Stocks

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1. Editor's Choice

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2. NYSE:B (Barrick Mining)
3. TSX:ABX (Barrick Mining)
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**Date**

2025/08/26

**Date Created**

2017/11/09

**Author**

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