As the U.S. Dollar Falls, Invest in Gold Stocks for Capital Appreciation and Yield

Description

With the U.S. dollar continuing to fall, we would be well served to remember the inverse relationship between the dollar and the price of gold, especially if we believe this weakness will continue for the next while. And with doubts over the U.S. tax plan and geopolitical uncertainty, this may very well prove to be the case.

Gold prices continue to rally, as the U.S. dollar is falling, and at the time of writing, gold stands at just under $1,300 per ounce. With this backdrop, investors may want to revisit their portfolios and add to their gold exposure.

And while there are certainly many questions that remain with respect to where gold is going from here, one thing is sure: we continue to see a definite increase in uncertainty and risk in the world, and the price of gold is reflecting this.

In late 2011, gold prices peaked at close to $1,900 per ounce, then retreated steadily to levels of just over $1,000 per ounce at the end of 2015.

The industry has suffered through a period of record production and declining demand and, in response, has worked hard at reducing costs and improving balance sheets, and this leaves gold producers in a good position operationally and financially to reap the rewards of rising gold prices.

Agnico Eagle Mines Ltd. (TSX:AEM)(NYSE:AEM) is a great place to start.

With the company reporting third-quarter results that were well above expectations (EPS of $0.29 versus expectations of $0.16), and guidance being increased again, this stock makes a great addition to investors' portfolios.

The stock has a dividend yield of 1%, but the key here is that the dividend was increased by 10%, and the company continues to perform better than its guidance.

Gold production in the quarter was 454 ounces, 9.1% higher than the same quarter last year. And, just as important, the company achieved an all-in sustaining cost per ounce (AISC) of $789, which was also better than expected.

Going forward, the company increased its gold production target and decreased its AISC to $820-870. This compares to prior guidance of $830-880 and initial 2017 guidance of $850-900.

Those are pretty significant changes for the better.

Lastly, worth noting is the fact that Agnico Eagle has shored up its balance sheet and currently has a debt-to-capitalization ratio of 21.9% and almost $1 billion in cash and short-term investments.

In summary, for investors interested in ramping up their gold holdings, consider Agnico Eagle Mines for its operational excellence and strong organic growth profile.

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Date
2025/08/25
Date Created
2017/12/01
Author
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