



## Contrarian Investors: Is This the Right Time to Buy Gold Stocks?

### Description

Contrarian investors are always searching for [oversold stocks](#) that could be on the verge of a recovery.

Let's take a look at the gold sector to see if some of the top names deserve to be in your portfolio today.

### Gold outlook

Gold currently trades for US\$1,350 per ounce, up more than US\$100 from the December low.

The rally is somewhat of a surprise given the upward trend in interest rates and the lack of fear in equity markets.

Higher interest rates in the United States increase the opportunity cost of owning non-yielding gold. Last year, the U.S. Federal Reserve increased rates three times, and pundits speculate another three increases could be in the cards in 2018.

That should be a headwind for gold, but it has not been the case in the past two months.

On the fear side, gold is often bought when investors are concerned a geopolitical or economic event could trigger unrest in the financial markets. Concerns about North Korea provided a bit of a boost last year, but that didn't last long, and there hasn't been much in the news of late to trigger a rush to gold.

So, what's going on?

The U.S. dollar has lost ground against a basket of foreign currencies, and that might be part of the story. Gold is priced in American dollars, and foreign buyers often move into the market when the greenback weakens.

Another theory suggests funds could be rotating out of cryptocurrencies and into gold amid fears the digital currency market is headed for a crash.

Finally, traders might be taking profits after the huge rally in the stock market and simply parking the

cash in gold.

## Should you buy gold stocks?

The [miners](#) have moved higher in the past month, but not as much as one might expect given the surge in the price of gold.

As a result, the sector could be trading at a discount right now, and that's why contrarian investors are starting to kick the tires on the popular names.

If you are a gold bull, it might be worthwhile to take a look at **Goldcorp Inc.** (TSX:G)(NYSE:GG) today.

The company is making progress on a turnaround program and expects strong improvements over the next five years. In fact, management is targeting a 20% increase in resources and production, while reducing all-in-sustaining costs by 20%.

At the time of writing, the stock trades at \$17.50 per share, which is far below the \$23 investors paid last February when gold was US\$100 lower than it is today.

For investors who are gold bears, other interesting opportunities are emerging in the market right now.

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aswalker

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