



Gold Stocks Rally: Time to Invest in This Safe Haven?

Description

As the U.S. dollar continues to weaken to 15-month lows, the price of gold continues to strengthen.

Gold continues to make a comeback, with the price of gold rallying to four-month highs, as it surpasses \$1,355 an ounce and actually hit \$1,358 in trading this week. Recall that 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. So, here we are with gold at four-month highs, as the U.S. dollar falls to lows — the playing out of this well-known inverse relationship between the two.

There are certainly many questions that remain with respect to where gold is going from here, but one thing is sure: the industry has suffered through a period of record production, declining demand, and weak prices, and in response it has worked hard at reducing costs and improving balance sheets, and this leaves the industry well positioned to reap the rewards of rising gold prices.

February 14 was yet another day of relatively [strong performance](#) of gold shares on the TSX, and I thought it would be useful to review some of the names that I view as the most promising in the gold sector for investors who would like to get invest in this space as it experiences shifting fundamentals.

Agnico-Eagle Mines Ltd. (TSX:AEM)(NYSE:AEM) was up strong after reporting [better-than-expected results](#), but the stock was weaker yesterday, down 1.7%. The stock is trading at levels below last year, despite the fact that the price of gold has increased 10%.

Here's what to like about the results and the company:

Earnings per share increased to \$1.06 compared to \$0.71 in 2016 for a 50% growth rate, as volumes and sales prices rose. Production of 1.7 million ounces exceeded the company's guidance of 1.68 million ounces. This represents a 2.5% production increase. And costs came in below expectations, as the company's all-in sustaining cost came in at \$804 per ounce.

Agnico-Eagle stands to benefit from a shift in investor sentiment toward more stable, risk-averse investments such as gold, as well as from its operational excellence and good organic growth profile.

Goldcorp Inc. (TSX:G)(NYSE:GG) also saw a strong improvement in earnings and cash flow, with EPS more than doubling from last year's levels and cash flow increasing more than 30%.

Lastly, **OceanaGold Corporation** ([TSX:OGC](#)) is delivering stellar results on the production side of things as well as on the cost side.

In 2017, the company reported a 38% increase in gold production and an 8.6% reduction in all-in sustaining costs.

It is a little higher risk due to the location of one of its mines, but with record production, declining costs, and a strong balance sheet, this stock has big upside.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:AEM (Agnico Eagle Mines Limited)
2. TSX:AEM (Agnico Eagle Mines Limited)
3. TSX:OGC (OceanaGold Corporation)

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