



## Gold Is on the Move! Should You invest in a Miner?

### Description

Gold is one of the most peculiar investments on the market today. We've been mining the metal and using it as a store of wealth for thousands of years, and it has been the reason for countless wars and economic booms throughout the ages.

To that end, when confidence in the market starts to wane, investors have been known to seek shelter in gold, knowing that it will weather an economic storm, and many times it come out ahead of stocks.

Gold has been on the rise this year, and over the past week it hit the US\$1,350 per ounce level that gold bugs have been watching for with anticipation.

If gold is able to maintain this level or break through it, it will be the first time in over four years that the price of gold has appreciated back to that level following the multi-year drop that ended in 2015.

If you are considering an investment in a precious metals stock, here are a few to consider.

**Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) is the world's largest gold miner, with a diversified portfolio of mines that cross the Americas and into Papua New Guinea and Australia. In the years following the 2011-2015 drop in gold prices, Barrick engaged in an aggressive debt-cutting exercise that has so far erased over US\$4 billion of debt from the balance sheet, with another US\$1.5 billion targeted to be erased by the end of the year.

If that were the only thing making Barrick a good investment, it would be compelling, but there are a few other factors to consider.

Barrick looked at the other side of operations and focused on becoming more efficient. As a result, over the past few years, Barrick has become one of, if not the most, efficient miners on the market with an all-in-sustaining cost averaging in the US\$750-800-per-ounce range.

Once you factor in rapidly dropping debt, rising gold prices, and increasingly efficient operations, you can begin to realize the [opportunity for investment](#).

**Wheaton Precious Metals Corp.** ([TSX:WPM](#))([NYSE:WPM](#)) is another intriguing option for precious metals investors.

Unlike Barrick, which is a traditional miner, Wheaton is a streamer. Streamers provide the upfront capital for traditional miners to set up operations in the mine. In exchange for that capital injection, streamers can purchase a share of the metals extracted from the mine at a heavily discounted price. The streamer can then sell the metals at the going market rate and pocket the difference.

In terms of how significant that discount can be, an ounce of gold is sold to Wheaton for nearly US\$400, and an ounce of silver is sold for US\$4.50. Considering the current US\$1,350 per ounce price of gold and US\$16.50 per ounce price for silver, that's an impressive margin.

This is one of the main reasons that streamers are regarded as such [great investments](#), but by no means is it the only reason.

Another unique point about streamers is the flexibility that comes from investing in a mine and moving on to the next project. This is vastly different from a traditional miner that needs to constantly monitor and run the mine.

### **Should you invest in precious metals?**

Having a diversified portfolio of investments is important, and an investment in the precious metals sector, irrespective of whether that is in a miner or streamer, is always a good idea. Gold prices are subject to many different factors beyond simple supply and demand, encompassing economic and even political shake-ups.

Industry pundits believe that gold prices should continue to appreciate, topping US\$1,400 per ounce over the next year. Both Barrick and Wheaton hold significant potential over the long term as well that shouldn't be ignored.

Barrick's diversified portfolio of mines had a bad production year in 2017 and has more than likely bottomed out. Wheaton continues to diversify its own portfolio following a name change last year, with a greater mix of gold forming part of its balance sheet and less reliance on silver.

In my opinion, a miner or streamer should form part of any well-balanced portfolio.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

1. NYSE:B (Barrick Mining)
2. NYSE:WPM (Wheaton Precious Metals Corp.)
3. TSX:ABX (Barrick Mining)
4. TSX:WPM (Wheaton Precious Metals Corp.)

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