



Should Goldcorp Inc. Be on Your Buy List Right Now?

Description

Gold is significantly higher than it was a year ago, but for the most part, [gold stocks](#) have not benefitted from the surge in the yellow metal.

Let's take a look at the current situation in the market to see if one might be an attractive pick right now.

Gold market

A year ago, gold traded for US\$1,245 per ounce. Today the precious metal is fetching US\$1,330, which is down from the recent high of US\$1,350.

Gold bears are likely surprised at the strength given the interest rate headwinds facing the gold market. The U.S. Federal Reserve raised interest rates three times in 2017, and the consensus is that three more rate hikes could be on the way in 2018.

Higher U.S. rates tend to be negative for the price of gold, as they can trigger a shift of funds from the non-yielding metal to fixed-income alternatives. In addition, rising rates can put upward pressure on the U.S. dollar, in which gold is priced, although that hasn't been the case over the past year. In fact, the greenback lost value against a basket of major currencies over the past 12 months.

Gold bulls are looking at improving [global growth](#) and the potential for an overheated U.S. economy in the next few years. This could lead to higher-than-anticipated inflation, which has historically resulted in stronger gold demand, as the yellow metal is often viewed as a means of hedging against inflation.

In addition, safe-haven demand could be increasing amid ongoing concerns over President Trump's unorthodox management style, whether it be related to nuclear tensions with North Korea or threats of a trade war with China.

Where things go from here is anyone's guess, but gold producers are starting to look cheap, even if gold simply remains at its current level, and **Goldcorp Inc.** (TSX:G)(NYSE:GG) might be good way to play a shift in sentiment.

Why?

Goldcorp has made good progress on its turnaround efforts in recent years, and better days should be on the horizon. The company reported Q4 2017 net earnings of US\$242 million, compared to US\$101 million in Q4 2016. Adjusted operating cash flow for the quarter rose to US\$401 million compared to US\$306 million the previous year.

The miner implemented US\$200 million in sustainable annual efficiencies last year, and the positive trend is set to continue in 2018. In addition, management is targeting a 20% increase in both reserves and production through 2021, while reducing all-in-sustaining costs by 20% over that timeframe. As a result, cash flow could improve significantly.

The stock currently trades at just under \$18 per share. At this time last year, investors paid \$19.40 for Goldcorp when gold was nearly US\$90 per ounce cheaper than it is today.

The bottom line

You have to be a gold bull to own any of the producers, but if you fall in that camp, Goldcorp might be an attractive pick right now given the company's outlook for the next four years and the current price of the precious metal.

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Date

2025/07/20

Date Created

2018/03/31

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