



Could a U.S.-North Korea Breakthrough Sink Gold Stocks?

Description

In the summer of 2017, the spat between the United States and North Korea took centre stage and proved a boon for precious metals prices. [Geopolitical events](#) have been a key mover not just for precious metals, but also for oil in recent weeks. Gold breached the key \$1,350 threshold in early September. Prices have once again been influenced by geopolitical events in the wake of heightening tensions between the key powers involved in the Syrian Civil War.

However, prices have been subdued after North Korea announced that it would suspend its nuclear missile testing program. This was heralded as an early victory by U.S. president Donald Trump, who has signaled that North Korea is ready and willing to denuclearize. However, in statements to the Workers Party of Korea, Kim Jong-un has said that the tests are no longer needed, as North Korea had completed work on a viable nuclear deterrent.

The extent of North Korea's nuclear capabilities amount to guesswork at the current stage. Some analysts see recent ICBM tests as evidence that North Korea is capable of delivering a nuclear warhead to the entire U.S. mainland. Others have expressed skepticism over the range of North Korea's ICBMs.

In the eyes of South Korean and U.S. negotiators, the suspension of the missile program has the potential to pave the way for de-nuclearization and even a normalization of relations between North and South Korea. With NAFTA talks making [significant progress](#), could a breakthrough agreement with North Korea bury gold this spring?

Goldcorp Inc. (TSX:G)(NYSE:GG) stock has climbed 12.8% in 2018. However, the stock fell 0.88% on April 23. Gold production exceeded guidance in 2017, and Goldcorp has established itself as one of the best-performing gold miner equities on the TSX so far this year.

Alamos Gold Inc. ([TSX:AGI](#))([NYSE:AGI](#)) fell 1.29% on April 23, and shares have dropped 15.6% in 2018 so far. The stock has plunged 32% year over year. In 2017 Alamos gold produced a record 429,400 ounces of gold and reported record revenues of \$542.8 million. The company marked the third consecutive year that guidance had been achieved.

Barrick Gold Corp. ([TSX:ABX](#))(NYSE:ABX) is a Toronto-based company that is engaged in the production of gold and copper. Shares are down 8.8% in 2018 so far but have climbed 2.8% month over month. In the first quarter, Barrick reported net income of \$158 million, which was down from \$679 million in Q1 2017. However, adjusted earnings rose to \$0.15 per share, which beat analyst expectations.

Barrick has scaled back production and made an effort to dramatically cut down its debt load. Higher prices allowed the company to make up ground in spite a 20% drop in gold production in the first quarter, as revenues fell 10% year over year to \$1.79 billion.

Easing tensions on the Korean Peninsula could generate downward pressure for gold ahead of what is usually a slow period in the summer months. This means gold equities are likely to be a gamble for investors as we look ahead to the month of May.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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2. NYSE:B (Barrick Mining)
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Date

2025/07/03

Date Created

2018/04/24

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