



## Contrarian Investors: Does Goldcorp Inc. (TSX:G) Stock Deserve to Be on Your Buy List?

### Description

Gold continues to trade near its lowest levels in the past year, which is putting pressure on the stock prices of the [gold miners](#), including **Goldcorp Inc.** (TSX:G)(NYSE:GG).

Let's take a look at the current situation to see if this is the right time to add the miner to your contrarian portfolio.

### Gold market

Gold has fallen from US\$1,360 per ounce in early April to the current price near US\$1,225. The drop is consistent with the metal's volatility over the past five years, rising and falling in a range between US\$1,050 and US\$1,400.

What causes the moves?

The gold market is sensitive to changes in [interest rates](#), primarily in the United States. When interest rates increase, investors have more reason to sell gold holdings, which do not provide a return, and shift their money into fixed-income alternatives.

The U.S. Federal Reserve just kept its target rate steady at 1.75-2%, after two increases earlier this year and three rate hikes in 2017. Heading into 2018, the market anticipated three moves for the year, but strong employment and economic data has analysts thinking that the Fed might bump rates up two more times before the end of 2018.

As a result, gold has come under added pressure, and the downward trend could continue if the market sees additional economic strength and potential higher-than expected inflation. For the moment, the Fed says inflation is trending near its target rate of 2%.

### Speed bump?

Trade war risks could result in the Fed sitting on its hands in the coming months, or at least slowing the

expected pace of rate hikes. If things start to get ugly on the trade front, gold could catch a new tailwind.

This brings us to the safe haven side of the equation. Gold is widely viewed as a go-to place for money to hide when investors see financial instability on the horizon. A full-blown trade war with China could rattle investors and send a flood of funds into gold.

As always, we have no idea where things will go next, but I suspect the downward pressure could continue in the near term.

### **Should you own Goldcorp?**

Goldcorp is making good progress on its turnaround efforts and the outlook for the coming years is positive.

The company continues to ramp up production at its Eleonore and Cerro Negro mines and is ahead of schedule and under budget on two other projects. The company has also reached key agreements with stakeholders at the Coffee and Borden projects.

Goldcorp hit its goal of implementing US\$250 million in sustainable efficiencies and has identified an additional US\$100 million in improvements through 2019.

Overall, Goldcorp says it is on track to boost production and its resource base by 20% by 2021. All-in sustaining costs are expected to fall by 20% over that timeframe.

The stock currently trades for \$16 per share at the time of writing. Four years ago, it was above \$30, so there is potential for strong gains on improved gold prices.

You have to be a gold bull to buy any of the miners. If you fall in that camp, Goldcorp might be an attractive pick while it is out of favour. However, I would keep any new position small until gold's latest pullback shows clear signs of a bottom.

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