



## Is Goldcorp Inc. (TSX:G) Stock a Buy?

### Description

Gold miners, including **Goldcorp** (TSX:G)(NYSE:GG), have had a rough run this year. A recent bounce, however, has [contrarian investors](#) wondering if a recovery is in the works.

Let's take a look at the current situation to see if this is the right time to add the miner to your [portfolio](#).

### Gold rout

Gold fell from US\$1,360 per ounce in early April to the August low near US\$1,170. In recent days, buyers have emerged to push the price back to US\$1,200, but it might be a bit early to call the bottom.

Why?

Low unemployment and a strong U.S. economy have yet to push inflation above the U.S. Federal Reserve's 2% target, but tax cuts are adding fuel to the economic strength, and tariffs on steel and aluminum could turn out to be the inflation tipping point. With that possibility on the radar, the Fed will likely stick to its rate-hike program or even become more aggressive, despite grumbling from President Trump.

Higher rates tend to be negative for gold, as they increase the opportunity cost of owning the non-yielding metal.

Another point to consider is the strengthening American dollar. The currency slid against most major currencies over the past couple of years, but a recent turnaround could have some legs. Trade war threats and recent fears around potential contagion across Europe from the meltdown in the Turkish lira have driven investors into the safety of the greenback.

Gold is priced in U.S. dollars, which means a strong American currency makes gold more expensive for foreign buyers, and that can have a negative impact on demand. If you look at the performance of the U.S. dollar index over the past few months, you can see the rising value of the dollar against a basket of key international currencies coincides with the steep drop in the price of gold. In recent days, the dollar has given back some gains, and that is probably why gold has bounced.

Where we go from here is anyone's guess, but rising inflation fears and continued strength in the U.S. dollar are strong gold headwinds.

### **Should you buy Goldcorp?**

Goldcorp is up from \$13.70 per share last week to \$14.50. Five years ago, investors paid \$32, and if you go back to the 2011 peak when gold hit US\$1,900 per ounce, Goldcorp traded for more than \$50. The recent lows took the stock close to a level not seen in more than 15 years, so the trend isn't your friend right now.

On the positive side, Goldcorp is making good progress on its turnaround efforts. The company expects to reduce all-in-sustaining costs by 20% over the next five years while boosting production and the resource base by 20%.

If you are a long-term gold bull, think inflation fears are unwarranted, and are of the opinion the U.S. dollar is headed lower, it might be a good time to start a contrarian position in Goldcorp. I doubt that's where things are headed, but stranger things have happened, and when the tide turns in a meaningful way, Goldcorp could soar.

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**Date**

2025/07/04

**Date Created**

2018/08/23

**Author**

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