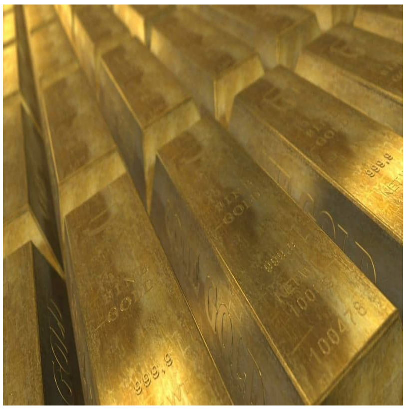

The 3 Worst Gold Stocks of 2018 So Far: Watch 1, Avoid 2

Description

Nearly 70% of the gold stocks listed on Canadian stock exchanges have dropped double digits so far this year. That's not surprising, given how geopolitical concerns sent gold prices tumbling to 17-month lows last week. Here's how badly the three worst-performing gold stocks so far this year have fared:

1. **New Gold** (TSX:NGD): Down 69.6%.
2. **Eldorado Gold** (TSX:ELD)(NYSE:EGO): Down 34.4%.
3. **Kinross Gold** (TSX:K)(NYSE:KGC): Down 33.1%.

The point to note is that gold prices alone aren't to blame for the fate of these stocks. They're batting other challenges, but one of the above three gold stock looks like it might be bottoming.

Don't be lured by this gold stock

New Gold has more than 90% gold reserves in Canada and the remaining in the U.S. and Mexico. The company ended fiscal 2017 on a strong note, generating record operating cash flow driven by higher production for the start-up of its most important project, Rainy River.

However, Rainy River's ramp-up is hugely falling short of New Gold's initial estimates of the mine contributing almost 60% to its total production this year.

Last month, New Gold slashed production estimates from Rainy River drastically, so much so that it now projects its total gold production to grow barely 4% at the midpoint this year, despite the huge mine coming online. Significantly higher costs will further hurt profits and cash flows.

Not surprisingly, investors are miffed and can't seem to trust New Gold management's forecasts anymore. New Gold is a risky bet.

Avoid this gold stock at all costs

A month ago, Eldorado Gold raised its full-year gold production substantially to 330,000-340,000 ounces of gold, representing almost 20% improvement from 2017 production.

Yet the market wasn't impressed, as Eldorado incurred a net loss of US$18.5 million during the first half of 2018 versus a profit of $13 million in the comparable period last year because of rising costs.

Meanwhile, Eldorado suspended dividends earlier this year and is now considering a reverse stock split to remain listed on the New York Stock Exchange. A reverse stock split is usually considered a negative move.

To add to its woes, Eldorado Gold's key projects in Greece are stuck in limbo after the government initiated arbitration proceedings to settle drawn-out disputes last year. In short, buying Eldorado Gold shares now is as good as making a speculative bet.

Keep an eye on this gold stock

Kinross Gold shares have had a steep fall in the past couple of months for two reasons. First, the company's gold production has decelerated in recent quarters, although it is still managing its costs well.

Second, and more importantly, Kinross Gold has halted phase two expansion at its key growth project, Tasiast mine in Mauritius, given regulatory uncertainties. Tasiast's first phase expansion, however, is complete and expected to boost Kinross Gold's production by as much as 60% annually.

Overall, Kinross Gold is much stronger that New Gold and Eldorado Gold in all aspects, including asset base, production costs, and financials — it has a strong cash balance and a well-structured debt profile. Investors might want to keep Kinross Gold on their radar.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:EGO (Eldorado Gold Corporation)
2. NYSE:KGC (Kinross Gold Corporation)
3. TSX:ELD (Eldorado Gold Corporation)
4. TSX:K (Kinross Gold Corporation)
5. TSX:NGD (New Gold Inc.)

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Date
2025/08/13
Date Created
2018/08/23
Author
nehams