



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

Description

Gold stocks have not participated in the rally enjoyed by the broader equity markets, yet many have undergone important transitions that position them well for an improvement in gold prices.

Let's take a look at **Goldcorp** (TSX:G)(NYSE:GG) to see if it deserves to be in your [portfolio](#) right now.

Turnaround

Goldcorp is making good progress on a turnaround program that is designed to drive efficiency into the company's operations while focusing on high-return developments.

In the Q2 2018 earnings report, the company said it had already achieved US\$250 million in sustainable annual efficiencies and had identified an additional US\$100 million in improvements that should be completed through the end of 2019.

On the development side, Goldcorp has a number of promising projects, including Coffee and Borden. The company signed key agreements with First Nations communities this year that should enable the developments to move forward.

In addition, the ramp up of production at the Eleonore and Cerro Negro projects continued during the second quarter and Goldcorp sees production improving through the end of the year.

The company confirmed 2018 guidance of roughly 2.5 million ounces of gold production at all-in sustaining costs (AISC) of about US\$800 per ounce. Gold currently trades at close to US\$1,250 per ounce, so there are decent margins to be made, even at the current price.

Outlook

Goldcorp remains on track to deliver even better results in the coming years. The company is targeting a 20% rise in production and a 20% increase in the resource base, while cutting AISC by 20% through 2021. Good progress is being made at the Penasquito Pyrite Leach project, which is two quarters ahead of schedule. The Musselwhite Materials Handling project is also on schedule and expected to

come in 10% below budget.

Goldcorp's balance sheet is in good shape and the company doesn't have any hedging positions in place, so it can fully benefit from a rise in gold prices.

Gold market

Gold has shown some recent signs of support, despite solid headwinds coming from the United States Federal Reserve, which has raised interest rates three times in 2018. The market is anticipating an additional three moves to the upside next year.

This upward trend is broadly viewed as negative for gold for two reasons. Higher rates can entice investors to sell non-yielding gold in favour of fixed-income alternatives. In addition, higher rates in the U.S. can boost demand for the U.S. dollar, in which gold is priced, potentially making the metal more expensive for holders of other currencies.

A strengthening of the dollar against a basket of currencies in recent months is partly to blame for the weakness in the price of gold.

Lately, gold has found some support, despite a strong dollar and a tightening labour market in the U.S., which could lead to more aggressive rate hikes. One reason for the buying could be investor concerns over a potential trade war with China. Buyers might also be starting to add gold to their holdings as an inflation hedge.

Where we go from here is anyone's guess, but the recent uptick is worth noting.

Should you buy Goldcorp?

The company is driving down costs, increasing production and boosting its resource base. At the current price of \$13 per share, Goldcorp might be getting oversold, and investors could see a substantial jump if gold prices continue to recover.

If you have some cash on the sidelines and are bullish on the yellow metal, this might be a good time to take a contrarian position in Goldcorp.

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Date

2025/07/27

Date Created

2018/10/05

Author

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