



Is Goldcorp Inc. (TSX:G) an Attractive Stock Today?

Description

Gold producers are catching a tailwind as the price of gold continues to claw back the losses it sustained over the past six months.

Let's take a look at the current situation that is driving [gold stocks](#) higher and see if this is the right time to add **Goldcorp** (TSX:G)(NYSE:GG) to your [portfolio](#).

Gold rally

Safe-haven demand has apparently returned to the gold market. The price of the yellow metal has surged from US\$1,200 per ounce to above US\$1,234 in the past week, supported by a steep drop in the stock market, ongoing trade concerns between the U.S. and China, and the potential fallout from new tensions between the U.S. and Saudi Arabia.

That's a lot for the market to handle in a short period.

Stock prices tanked last week as investors finally started to get worried that rising bond yields in the United States could begin to lure big money away from equities. With the bull run now one of the longest in history, a correction is expected and investors might be shifting some money into safe-have assets, such as gold, in order to protect profits.

On the trade front, the recent trilateral deal between the United States, Mexico, and Canada was a welcome relief, but investor attention is now turning to China, which is arguably a more complicated situation.

The ramp up of retaliatory tariffs between China and the U.S. will soon start to have an impact on prices in the United States and could put pressure on Chinese growth. Neither of those scenarios are not investor-friendly, as rising inflation in the United States could force the Federal Reserve to increase rates at a faster pace, potentially triggering an even larger sell-off in the stock market.

The NAFTA negotiations took more than a year. Pundits suggest negotiations with China could go on even longer and the situation might get ugly.

Finally, the recent disappearance of a Saudi Arabian citizen who was working for *The Washington Post* has some U.S. politicians calling for the United States to impose sanctions on Saudi Arabia. The Saudi government says it has no knowledge of what happened to the man who entered the Saudi consulate in Turkey on October 2. Any sanctions imposed by the U.S. could potentially drive oil prices significantly higher and destabilize the global economy.

The latest rally in gold could ramp up on a major oil or trade shock and send the price back to its 2018 high.

Should you buy Goldcorp?

Safe haven rallies often fade as quickly as they arrive, so I wouldn't back up the truck on gold stocks today. That said, many advisors suggest having some gold exposure to serve as a hedge when the market hits a speed bump, as it has in the past week.

Goldcorp is making good progress on its turnaround efforts. Over the next five years, the company expects to boost production and the resource base by 20% while reducing all-in sustaining costs by 20%. The stock is up more than 10% in recent trading, but still looks oversold after a rough ride over the past couple of years.

If you are a gold bull and think the latest recovery has legs, Goldcorp should be an attractive pick today.

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