



Gold Tops US\$1,270: How High Could it Go?

Description

Investors are starting to warm up to the yellow metal again, and that is bringing new interest in the Canadian [mining](#) stocks.

Let's take a look at the current situation to see if this might be a good time to put one of the beaten-down gold miners in your [portfolio](#).

Golden opportunity

Gold has moved steadily higher since hitting a 2018 low near US\$1,170 in August. The \$100-per-ounce advance takes it about halfway back to the US\$1,360 per ounce high it hit in April.

Surges in the past seven years have proven to be short-lived events, so investors have reason to be cautious, and that's probably why gold stocks have not taken off quite as one might expect, given the recent strength in the gold market.

Time will tell, but there are indications the current recovery could have legs.

Why?

Safe-haven demand is picking up amid a broad array of financial and geopolitical risks.

Equity indexes in United States recently dipped 20% from their highs, meaning they have entered a "bear" market. Previous pullbacks have attracted bargain hunters, but that hasn't been the case in recent months, and unless the Boxing Day bounce in the U.S. can hold, things could get worse.

Brexit risks and Italy's shaky financial situation could keep buyers on the sidelines through March, and the ongoing uncertainty around trade negotiations between China and the United States are adding fuel to the fire.

The other side of the gold story is U.S. interest rates. Gold normally comes under pressure when the

U.S. is raising rates, or at least when the market is of the opinion that more rate hikes are on the way. The Federal Reserve raised rates four times in 2018, and initial projections had the market pricing in three more moves next year, but analysts are now looking at two moves or less, and that could be providing more gold support.

If it starts to look like the Fed will sit on its hands through 2019, gold could have more room to run in the coming months.

Things could certainly turn on a dime, so I wouldn't back up the truck, but the momentum appears to be in favour of more gains for gold.

Which stock should you buy?

Rising gold prices should lift all stocks in the sector. If you think gold is headed higher over the long term, **Goldcorp** (TSX:G)(NYSE:GG) might be an interesting pick today.

The company has hit a few speed bumps in its turnaround efforts, but the foundations are in place for the company to see strong results in the coming years. Goldcorp is targeting a 20% increase in resources and production, while reducing all-in sustaining costs by 20% through 2021.

If it can hit the targets amid an environment of rising gold prices, the stock could see nice upside. At the time of writing, Goldcorp trades for close to \$13 per share. In 2011, it was above \$50 per share.

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