



Has Gold Entered a New Bull Market for 2019?

Description

Gold has rallied [significantly](#) since the end of November 2018 to see it trading at around US\$1,285 per ounce, which is slightly lower than the six-month high of US\$1,291.80 reached last week. Despite some poor fundamental indicators for gold, including a stronger U.S. dollar and higher interest rates, there is increasing speculation that the yellow metal has entered a new bull market. Higher gold and its steadily improving outlook bode well for gold miners as well as precious metals streamers. An appealing play on firmer gold is **Osisko Gold Royalties** ([TSX:OR](#))([NYSE:OR](#)), which reported some solid third-quarter 2018 results where it beat analyst estimates.

Key drivers of higher gold

The key driver of the latest gold rally was a flight to safety by investors, as growing uncertainty and fears of an [economic slowdown](#) engulfed markets. Poor economic data out of China, including weaker manufacturing activity as well as growing apprehension of a trade war between the U.S. and China fanned those fears, causing stocks to pull back and gold to surge.

A firmer U.S. dollar, which has gained 4% over the last year, won't be enough to prevent gold from firming further. Typically, a strong dollar is bad news for the yellow metal, because it makes it more expensive to buy gold using other currencies, thereby causing demand to wane. Even the Fed mulling over two more interest rate hikes, which are also believed to bode poorly for gold, in 2019 as it moves to normalize rates won't hold the yellow metal back.

Growing market volatility, fears of a global economic slowdown, and rising uncertainty sparked by Trump's erratic policies are fueling a flight to safety among investors, as they move to hedge against economic and political crisis. This is creating considerable upside momentum for gold.

There are some analysts who believe that gold will appreciate to above US\$1,500 an ounce during 2019; while this does appear overly optimistic, it is highly probable that the precious metal will firm to above US\$1,300 an ounce. That will give the shares of gold miners a healthy lift.

One of the best means of cashing in on the bullish outlook for gold is Osisko Gold Royalties. Because

it is a precious metals streamer with a highly diversified portfolio of streaming and royalty agreements, it is a less-risky investment than a miner. This is because it doesn't engage in mining activities, but rather provides financing to miners in exchange for a royalty payment or the right to purchase a portion of the precious metals produced at a price significantly lower than market.

Osisko Gold Royalties's coffers recently received a healthy boost; it received a payment of \$159 million from **Pretium Resources**, which repurchased the streamer's interest in its Brucejack gold mine. The company plans to use these proceeds to repay the \$58 million outstanding on its revolving credit facility and fund the purchase of up to \$100 million of its shares. A share buyback represents a tremendous vote of confidence in a company's future by management and typically helps to buoy its market value.

These positive developments come after Osisko Gold Royalties's solid third-quarter results; it reported net earnings of \$5.5 million, which fell by 17% compared to a year earlier because of softer precious metal prices. It also ended the quarter with \$137 million in cash and \$420 million in long-term debt, which was 10% lower year over year. That debt will fall further once the precious metals streamer makes the planned debt repayment, thereby further bolstering its balance sheet.

Why buy Osisko Gold Royalties?

The company's growing production and high-cash margins, along with firmer gold will give Osisko Gold Royalties earnings a solid lift over the course of 2019. That combined with its stronger balance sheet should propel its stock higher, especially as gold rallies higher.

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2. Metals and Mining Stocks

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