



Will Gold Break Through \$1,500 Before the End of 2019?

Description

Fears of a trade war, growing concerns that a recession is looming and that the market is due for correction are all fueling a rally in gold. The yellow metal has inched closer to the U.S. \$1,500 per ounce mark to be trading at US\$1,465 an ounce at writing, representing a notable 15% gain since the start of 2019.

This has been a boon for gold miners, with many rallying sharply in recent weeks. There are indications that gold has further to [appreciate](#), making now the time for investors to boost their exposure to the yellow metal.

One of the best ways of doing so is to invest in **Kirkland Lake Gold** (TSX:KL)(NYSE:KL).

Growing uncertainty

It isn't only the looming trade war between the world's two largest economies the U.S: and China which is pushing gold higher. There are a range of geopolitical and economic risks that will support higher prices for the yellow metal.

These include rising tensions in the Middle East, particularly concerning Iran, with Trump ratcheting up the war rhetoric as Tehran seizes tankers and attempts to restrict traffic in the critical Straits of Hormuz.

There are also economic strains, as Trump's trade war and higher oil prices weigh on global growth. Gold is a popular asset to hold during times of political and economic uncertainty.

President Trump's erratic approach to trade and foreign policy have ratcheted up the degree of risk globally.

The latest rate cut, which saw the Fed shave 0.25% off the headline rate, is a positive development for gold, as lower rates reduce the opportunity associated with holding non-yielding assets such as gold and weigh on the dollar making it cheaper to buy the yellow metal in other currencies.

For these reasons, analysts are predicting that gold will rally higher as political tensions grow and investors bolster their exposure to gold as a hedge against growing uncertainty.

There is every likelihood that the yellow metal will reach U.S. \$1,500 an ounce or higher before the end of 2019.

Strong results

That bodes well for Kirkland Lake, which reported some solid second quarter 2019 results and is poised to rally higher, even after gaining 63% since the start of the year. Kirkland Lake's gold production for the period shot up by 30% year over year to 214,593 ounces.

More important, however, is that all-in sustaining costs (AISCs) fell by 16% compared to a year earlier to US\$638 per ounce mined. That makes Kirkland Lake one of the lowest cost gold producers in its industry and underscores the considerable profitability of its operations in an operating environment that sees gold trading at over US\$1,400 per ounce at writing.

As a result of higher production, firmer gold and lower costs, Kirkland Lake's adjusted net earnings grew by 66% year over year to just under US\$106 million. Free cash flow for the quarter was an impressive US\$146 million.

That strong performance allowed Kirkland Lake to further bolster its balance sheet, including increasing its cash on hand by 41% to US\$469 million. The miner also has no long-term debt and minimal liabilities aside from rehabilitation costs associated with its operations.

This firmly places Kirkland Lake on track to achieve its full-year 2019 guidance. The miner expects production at its Fosterville and Holt mines to increase over the remainder of 2019 and that unit production costs will fall.

This will allow Kirkland Lake to achieve its forecast gold output of 950,000 to one million ounces at a cash cost of up to US\$305 per ounce produced and AISCs of US\$520 to US\$560 per ounce mined.

Upon reporting that it has successfully achieved its guidance, Kirkland Lake's stock will rally higher. The miner's market value will also increase as gold rallies and moves closer to the US\$1,500 per ounce mark.

Foolish takeaway

Kirkland Lake is well positioned to continue delivering value for investors. The quality of its Fosterville and Macassa assets, including high ore grades, means that production will continue to grow and operating costs will fall.

This — Along with [firmer gold](#) — bodes well for increased profitability which will boost its share price.

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