



Will Gold Break Through US\$1,600 Per Ounce Before the End of 2019?

Description

Gold keeps surging to [multi-year highs](#), as the threat of a full-blown trade war between the world's largest economies, China and the U.S., escalates. It is feared that this could trigger a major downturn for a global economy riddled with geopolitical and economic uncertainties.

Firmer gold will be a boon for gold miners with one of the top performers, **Kirkland Lake Gold** (TSX:KL)(NYSE:KL), poised to soar further even after gaining a stunning 167% over the last year.

Improved outlook

Gold is perceived by many investors to be the ultimate safe-haven asset, which explains its popularity during times of political as well as economic crisis. Aside from heightened trade tensions and the threat a full-blown trade war poses, there are also a range of other geopolitical and economic fissures that could trigger a global downturn.

Those hazards include escalating conflict in the Middle East, Western Europe's ongoing economic weakness, softer emerging markets, and the increasing likelihood of a no-deal Brexit.

The Fed's latest interest rate cut also boosted gold's appeal because typically low rates point to a softer dollar, which makes the precious metal less expensive to buy in other currencies.

In a world riven by economic and political instability, it is likely that gold will reach US\$1,600 an ounce before the end of 2019.

Strong results

Kirkland ranks as one of [the best](#) levered plays on the higher gold and has a proven history of delivering value for shareholders. The miner has gold reserves of 5.6 million ounces, which have an impressive average grade of 15.8 grams of gold per tonne of (g/t).

Such high-grade reserves underscore Kirkland's profitability, because it makes it more economic to extract the precious metal from the surrounding ore. Kirkland is focused on developing its flagship Macassa and Fosterville mines, which, for the second quarter 2019, were responsible for 86% of its gold production.

Fosterville reported record quarterly production of 140,7000 gold ounces, which was 10% greater than the previous quarter and a whopping 82% year over year. During that period, Kirkland spent US\$37 million on sustaining and growth-related development activities at Fosterville, which will ensure that ore grades remain high and production grows.

This strong operational performance was responsible for Fosterville's earnings from operations soaring by 144% year over year to US\$140.1 million. It places the mine on track to achieve its 2019 guidance.

Despite Macassa's second-quarter gold production falling by 19% year over year to 49,000 ounces, that mine is also on track to fulfill its targeted production.

Overall, Kirkland expects to achieve its 2019 guidance, which will see gold production rise by up to 38% when compared to 2018 to one million ounces.

The miner expects all-in sustaining costs to fall by as much as US\$165 per ounce mined to a low US\$520 an ounce. In an operating environment where gold is trading at over US\$1,536 per ounce, this significant increase in production coupled with notably lower costs will give Kirkland's earnings a solid boost, causing its stock to rally higher.

Foolish takeaway

There is every indication that gold will surge higher in coming months and that it will reach US\$1,600 per ounce before the end of 2019.

A combination of growing production, lower costs, and high-quality assets makes Kirkland one of the best positioned miners to benefit from firmer gold and deliver considerable value for investors.

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Author

mattdsmith

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