



Why Did New Gold Stock Climb 10% on Wednesday?

Description

New Gold ([TSX:NGD](#))(NYSE:NGD) is a small-cap gold producer that is headquartered in Toronto, Ontario. The gold producer achieved its updated 2021 guidance with 419K ounces of gold produced last year.

What happened?

New Gold stock climbed 10% yesterday. A similar rally is seen across many other gold and silver stocks, including **Pan American Silver** and [Barrick Gold](#).

Yesterday, Jaime Carrasco, portfolio manager of **Canaccord Genuity**, shared some [expert opinions](#) on the precious metal stock rally. He believes high inflation is the driving force of the rally.

“In preparation for rising inflation resulting from central bank policy, I continue to advise that clients hold some asset allocation in precious metals... Currently, the producers and royalty companies offer a great entry point because while gold is at US\$1,800, their valuations are trading as though gold is much lower, which means that investors that are willing to buy right and sit are acquiring historically low price to cash flow assets that will quickly accelerate as the price of gold begins to price in true inflation.”

Jaime Carrasco

So what?

New Gold has two operating mines — one in British Columbia and one in Ontario. The gold stock has strong liquidity of about \$775 million, including cash and cash equivalents of \$151 million and \$326 million of undrawn credit facility. Additionally, it has no debt repayment until 2025. 12 analysts have an average 12-month price target of US\$1.92 per share on the stock. So, the gold stock's price is getting close to being fully valued for the near term.

Now what?

As a small-cap gold producer, New Gold will benefit significantly from successful exploration efforts. From the 2020 level, management forecasts gold production growth of about 25% by 2022-2026. Furthermore, it expects the all-in sustaining costs to reduce by about 33% in the period to drive higher margins and greater cash flow generation.

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2. Metals and Mining Stocks

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