



Why New Gold (TSX:NGD) Stock Sank Nearly 32% Last Week

Description

What happened?

New Gold ([TSX:NGD](#))(NYSE:NGD) stock tanked by 31.6% last week, posting its biggest weekly losses since March 2020. By comparison, the **TSX Composite Index** ended the week with 3.3% gains as fears about a near-term recession continue to haunt investors. After last week's massive selloff, NGD stock just became the lowest-priced TSX Composite component, as it now trades at \$0.91 per share.

So what?

Last week's big crash in New Gold stock came after the company [announced](#) its disappointing second-quarter operational results and lowered its 2022 operational outlook.

On July 11, the Vancouver-based [gold mining](#) company revealed that heavy rainfall and flooding around the Fort Frances area in northwestern Ontario badly affected its operations at the Rainy River Mine. As a result, the mine "utilized the low-grade ore material during the quarter, resulting in both lower grades processed and lower gold ounces produced." Similarly, New Gold's production at its New Afton mine also remained lower than expected due to an early shutdown of its low grade-higher cost recovery level zone for B3 and C-Zone development.

Given these obstacles, the Canadian [metals and mining](#) firm cut its 2022 gold production outlook range to 260,000-290,000 ounces from its earlier guidance of 295,000-335,000 ounces. New Gold also lowered its copper production guidance range to 25-35 Mlbs from 35-45 Mlbs and increased its total operating expenses guidance. These factors badly hurt investors' sentiments, triggering a big selloff in NGD stock last week.

Now what?

After last week's massive selloff, New Gold stock is now trading with 52% year-to-date losses. Its president and CEO Renaud Adams said that "while we've announced revisions to New Afton's copper guidance for the year, the priority remains on the B3 ramp-up and advancing C-Zone development, which remains on time for first ore in the second half of 2023." He added that the company remains focused on high-priority targets and expects to provide a planned exploration update in Q3.

While New Gold stock is heavily oversold at the moment, conservative investors still may want to avoid it for now, as the recent changes in its guidance and its operational challenges might keep it extremely volatile in the near term.

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