



THE DAY TRADING ACADEMY
—SUCCESS WEALTH FREEDOM—
Let's Create Your Lifestyle

October 05, 2014 - Now Is The Time To Invest In Gold Mining- By Jeffrey Hagenmeier

GOLDCORP Given the recent price action in gold an investor should consider a **long term investment** in a mining stock at this time. The choice needs to be based on which company can maintain profitability during this period of declining gold prices. As you know, I have earlier determined the industry average for the **cost of production** from ore to finished product to be **\$1200.00 USD** (United States Dollar). If a company is going to stay in production and profitability, it will need to reduce the cost of mining and processing below this figure.

A company eventually needs to shutter the least productive mines or lower the cost of production. They sometimes will need to pursue both. What makes a mine less productive is that the ore there cannot be processed, at a cost the market will bear. The company that has been an industry leader in reducing costs in production is **Goldcorp Inc.** The company has decreased the cost of production from **\$1,227.00 USD** in **2013**, to **\$852.00 USD** in **2014** which is **31% reduction**.



Goldcorp stock ended trading at \$23.60 on October 02 after a 1.68% increase, but in pre-market trading on **Friday October 03**, the stock had declined \$0.49 a 2.08% decline. The stock price would list for **\$23.11 USD**. It has since dropped further to **\$22.76 USD**, since the market opened. This was the result of a better than expected, positive job market report in the United States. The previous market close was \$23.21 USD. The 52 week range has been from a low of \$20.54 USD to a high of \$29.65 USD. The volume for Thursday was 6,229,111 shares traded. The three month average has been 4,411,380 shares. Market capitalization is \$19.19 billion USD. The yearly stock dividend and yield is \$0.60 USD and 2.60% respectively.

In the last month the stock has declined an average of \$3.00 USD from around \$26.50 USD to \$23.50 USD. The share price has declined over 13% in those 30 days. This is not surprising considering what has happened to gold prices during this period. They have dropped over \$100.00 USD. This is a 7% decline. Gold has just dipped below \$1200.00 USD in early market trading on Friday October 03rd. A month ago gold was still selling for just below \$1300 USD an ounce. Correspondingly, silver has dipped below \$17.00 USD. Production costs for silver average \$18.00 USD.



Canadian based Goldcorp was founded in 1954 and is headquartered in Vancouver, British Columbia. It employs more than 16,000 people worldwide. The company is engaged in the operation of precious metals properties in Canada, Central and South America, Mexico and the United States. The company is still acquiring and exploring properties for future development.

Why buy stock in a gold company now? Well, Goldcorp is continuing to become more efficient in the product process. It is unlike a number of other companies, increasing gold production. It is expanding operations at some established mines and even opening new ones despite present market conditions. This will allow the company to take full advantage of positive price action, when the marketplace in gold reverses.

The company is on target to produce 2.95 and 3.10 million ounces of gold in 2014. True, this is the low end of what the company expected to be able to sell, but capital costs have been reduced by at least \$100 million USD. It also is expected to



THE DAY TRADING ACADEMY
—SUCCESS WEALTH FREEDOM—
Let's Create Your Lifestyle

sell 25% more silver this year as well. Projections call for a total of spending to be between \$2.3 billion and \$2.4 billion USD this year. Besides, in the present environment lower production at some sites makes sense.



Goldcorp finished the second business quarter (June) with \$1.3 billion USD on hand. Metal sales have lead to revenues above \$1.1 billion USD. Despite declining gold prices the company was able to report net earnings of \$181 million USD. After factoring in other costs, the company still managed to report earnings in the second quarter at \$164 million USD.

The company is well managed and since it is still paying a dividend, profitable. It will be able to stay this way even if the price of gold drops to \$1,100 USD, which is unlikely. If gold returns to \$1300.00 USD expect shares in the company to approach \$30.00 USD. If gold goes up to \$1400.00 USD, expect the share price of the company to hit the middle 30s.

An additional advantage in investing in Goldcorp, is that most of the company's operations are located in politically and economically stable countries. Argentina and Guatemala being the exception here. Goldcorp is better positioned geographically, in weathering the present international situation than a number of other companies. Keep in mind, a great deal of global gold supplies are produced in West Africa and a pandemic may occur there in the near future, along with increasing civil strife.

Given the present situation of the company, a price target can be set for **\$30.00 USD** in the **long term**. This would be near a **30% increase** over present prices. **Shorter and medium term investors** can look for targets at **\$26.00 USD** and up.