

Canadian Gold Equities Drop After Price Falls: Toronto Mover

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By Liezel Hill on April 04, 2012

Canadian gold stocks fell to a 2-year low after bullion declined for a second consecutive day, as the dollar strengthened on signs the Federal Reserve may refrain from increasing monetary stimulus.

The S&P/TSX Global Gold Index (SPTSGD) fell 3.6 percent to 315.79 at 4:20 p.m. in Toronto, the lowest since March 31, 2010. Barrick Gold Corp. (ABX), the world's largest gold producer, declined 3.2 percent to C\$41.16, and Vancouver-based Goldcorp Inc. (G), the second-biggest gold miner by market value, fell 5 percent to C\$40.98.

Gold futures for June delivery fell 3.5 percent on the Comex in New York to \$1,614.10 an ounce. .

"The interpretation of the comments from the Fed yesterday that quantitative easing is not in the near term plans for the Federal Reserve in the United States has really been very much a driver for the gold price, and for the equities as well," Paul Burchell, a Toronto-based analyst at Dundee Securities Corp., said in a telephone interview.

"We are seeing a movement of capital away from materials largely because of that statement."

Lower gold prices will put pressure on gold producers' cash flows, Pawel Rajszel, a Toronto-based analyst at Veritas Investment Research Corp, said in a telephone interview.

"The problem is that as the gold price falls, the producers' costs are still going up, so those margins are getting squeezed on both ends."