

# Barrick Gold Corp.: Why \$1,500 Gold Is a Legitimate Possibility

## Description

In a recent report, HSBC said that we are likely in the beginning of a new bull market for gold and that the yellow metal will “probably” surge to US\$1,500 per ounce. The bank even said that this bull market “has the potential eventually to exceed the speculative frenzy seen in 2011.”

**Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) president Kelvin Dushnisky was asked about this report in a recent interview on *The Business News Network*, and he agreed that US\$1,500 gold is “very achievable.” Of course, Mr. Dushnisky will always make the best case for his company, but at the same time, he and HSBC both have a compelling case.

On that note, below are the main reasons why HSBC and Mr. Dushnisky are so optimistic.

### 1. Investor sentiment

To put it bluntly, investors are flooding back into gold. In January alone, gold ETFs took in US\$1.8 billion. And there are a few reasons why gold looks more attractive now.

First of all, the stock markets are reeling, which tends to push investors towards safe havens. Secondly, concerns about the global economy are bringing forth the prospect of negative interest rates, and this makes gold appear yet more attractive.

Finally, it is worth noting that gold investors tend to have a herd mentality. Thus once gold prices increase, that alone will prompt other investors (or perhaps we should call them speculators) to pile back into the metal.

### 2. China and India

Gold bulls often point to China and India as major reasons why the gold price should increase.

The trends look especially promising out of China. Physical delivery from the Shanghai Gold Exchange reached 2,596 tonnes last year, an all-time record. The central bank also significantly added to its gold reserves, buying up 16.44 tonnes in January in an effort to support the renminbi.

Demand from India was more modest in 2015, growing at just 2%. But the world’s second-most-populous country should see demand pick up in 2016, mainly due to easing uncertainty about U.S. interest rate hikes. Indian jewelry demand has also been strong, despite the first back-to-back drought in nearly 30 years (rural demand accounts for nearly two-thirds of India’s total).

### 3. Supply fundamentals

For quite a while now there have been reasons to believe that gold supply will slip. Mine grades are slipping, as are mine lives. It now takes 17 years to go from discovery to production. And capital expenditures across the gold-mining sector are far too low to sustain production in the long term.

So when looking at the short-term trends as well as the long-term fundamentals, US\$1,500 looks like a very distinct possibility indeed. And Barrick shares are a great way to bet on that happening.

## **CATEGORY**

1. Investing
2. Metals and Mining Stocks

## **TICKERS GLOBAL**

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)

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