



## Barrick Gold Corp.: Should You Buy This Stock Today?

### Description

**Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) is up 110% in 2016, and investors who missed the rally are wondering if the stock has more room to run.

Let's take a look at the current situation to see if Barrick deserves to be in your portfolio.

### The gold market

Coming into 2016, most pundits figured gold was destined for more pain because the U.S. Federal Reserve was widely expected to implement four rate hikes during the year. Higher rates are negative for gold because they make the opportunity cost of holding the yellow metal, which doesn't pay anything, much higher. Rate increases also tend to drive up the value of the U.S. dollar against a basket of other currencies.

Today, most analysts are calling for just one or two rate moves this year. That has taken some steam out of the U.S. dollar's rally, which in turn makes gold more affordable for holders of other currencies.

Gold is also getting a safe-haven boost as investors fret about global financial risks and the move by many governments toward a position of negative interest rates. If you give the government \$100 and it only promises to give you \$99 back, you might as well buy gold. No return is better than negative returns.

### Barrick's earnings

Barrick just reported Q1 2016 adjusted net earnings of US\$127 million, or \$0.11 per share. The company generated \$181 million in free cash flow during the period—the fourth consecutive quarter the number has been in the black.

Cost reductions and improved operational efficiency are driving the strong results.

Barrick produced 1.28 million ounces of gold in the first quarter at all-in sustaining costs (AISC) of US\$706 per ounce, down 24% from the same period last year. The company is now the lowest-cost

producer among the big miners.

For 2016, Barrick has lowered its target AISC from US\$775-825 per ounce to US\$760-810 per ounce based on expected output of 5-5.5 million ounces of gold.

### Turnaround progress

Barrick launched a major turnaround project last year that few market observers believed would succeed, but the company met its objective of reducing the US\$13 billion debt pile by US\$3 billion in 2015 and is well on the way to meeting its goal of shaving off another US\$2 billion this year.

In fact, the company has already reduced total debt by an additional US\$842 million year-to-date.

### Should you buy?

If you believe the gold rally is just getting started, Barrick should be one of your top picks in the sector. The company is doing a great job of driving down costs, and the debt load is being reduced at a healthy clip. With four straight quarters of positive free cash flow under its belt, the company is regaining the respect of investors, and that trend should continue.

The stock has already had a nice run, but there is more torque in this name if gold continues to rise. With production of five million ounces, a mere US\$200 per ounce rise in the average price of gold adds a cool US\$1 billion in revenue.

### CATEGORY

1. Investing
2. Metals and Mining Stocks

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1. Editor's Choice

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

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### Date

2025/08/03

### Date Created

2016/04/29

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