



Barrick Gold Corp.: Is it Too Late to Buy?

Description

Barrick Gold Corp. ([TSX:ABX](#))(NYSE:ABX) is up more than 180% in 2016, and investors who missed the big rally to start the year are wondering if the stock can extend its run.

Let's take a look at the world's largest gold producer to see if this is a good time to buy.

A new Barrick

For years Barrick held the view that bigger is better regardless of the costs, and that mentality was toxic for shareholders.

It appears that things have finally changed, and investors are now flooding back into the stock.

Barrick's current management team is orchestrating a turnaround that few pundits believed would succeed. In just over a year the company has reduced its massive debt load by nearly US\$4 billion and has streamline operations to the point where the company's all-in sustaining costs (AISC) are the lowest among the industry's big players.

Barrick produced 1.28 million ounces of gold in Q1 at AISC of just US\$706 per ounce. The company says AISC for all of 2016 should be US\$760-810 per ounce on production of 5-5.5 million ounces.

Over the next three years, AISC is expected to fall below US\$700 per ounce.

Barrick has delivered four straight quarters of positive free cash flow, and the trend is set to continue given the strong rise in the price of gold over the past six months.

Gold outlook

Gold has staged an impressive rally this year, and the current outlook suggests more upside could be in the cards.

The party started when investors began to realize that the U.S. Federal Reserve was unlikely to raise rates as fast as initially expected. Most analysts were looking for a total of four moves in 2016. Now the

market is pricing in two rate hikes or fewer.

That has put pressure on the U.S dollar, and a falling greenback is generally positive for gold.

Gold is also benefiting from a flight to safety as investors fear the fallout of the Brexit vote. Concerns about a financial meltdown in China are adding fuel to the fire, and that situation is not going away in the near term.

Another factor is the move by Japan and several European countries to a position of negative rates. The big beef against gold is the fact that it doesn't pay you anything to own it. No return starts to look like a good opportunity when governments begin to charge you to hold your money.

Should you buy now?

An investor has to be a gold bull to step in at this point. If you belong to that camp, Barrick looks like a compelling bet. The stock is highly leveraged to rising gold prices, and Barrick is generating some serious margins with gold at US\$1,350 per ounce.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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1. NYSE:B (Barrick Mining)
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