



## Billionaire George Soros Sold Barrick Gold Corp.: Should You?

### Description

Soros Fund Management sold most of its position in **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) during the second quarter.

What happened?

Barrick had been the fund's largest single U.S. holding, but the firm's regulatory filing for the second quarter indicates Soros took some profits in Q2 and reduced the position from 19.4 million shares to 1.07 million.

George Soros is widely viewed as one of the planet's top investors, so his moves are closely watched to see where opportunities might lie.

Let's take a look at the gold market and Barrick to see if the sale makes sense.

### Gold market

Gold wasn't supposed to surge in 2016. In fact, the anticipation of a series of interest rate hikes in the United States had most analysts expecting another tough year for the metal.

Why?

Higher rates push up the value of the American dollar against other currencies. Gold is priced in U.S. dollars, so a stronger greenback makes gold more expensive for global investors.

Rising rates in the U.S. also increase the opportunity cost of holding gold, which doesn't pay anything.

The gold rally began when fears about the global economy and weak data out of the U.S. put the Fed on its heels in the first part of the year. That took some of the wind out of the sails of the American dollar and sent gold higher.

As the year has progressed, analysts have adjusted their predictions for rate moves. Before the Brexit, the consensus had come down to two rate hikes or fewer.

Now that the U.K. has voted to leave the European Union, the economic impacts are being closely watched. Early indications of extensive U.K. pain suggest there is a good chance the Fed won't hike rates at all in 2016.

But there's a catch.

Mixed signals from the U.S. economy in recent weeks have put the gold rally on pause. As a result, analysts continue to debate the timing of the next Fed move, and every time a strong number comes out, the odds increase that a rate hike could arrive by the end of the year.

## **Barrick**

The world's largest gold miner is up 170% in 2016 and is pretty much flat compared to where it finished the second quarter.

Barrick is in the middle of a major turnaround effort that few pundits believed would succeed. The company reduced its massive debt load by US\$3 billion last year and is well on its way to shaving off another US\$2 billion in 2016.

Operating costs are also falling. The company produced 1.34 million ounces in Q2 at all-in sustaining costs (AISC) of US\$782 per ounce. Guidance for the full year is 5-5.5 million ounces at AISC of US\$750-790.

Based on those metrics, Barrick is the largest producer with the lowest cost structure among the big gold miners.

## **Should you buy or sell?**

Gold's next move is tough to call.

Fears about a debt bubble in China and the repercussions of the Brexit are going to keep investors nervous, and that bodes well for gold. The move by many countries to negative rates is also providing support for the metal.

At the same time, U.S. economic reports continue to send conflicting signals. So, things could go either way at this point.

Investors who had the courage to buy Barrick early in the year should probably follow Soros's lead and take some profits. It's simply the prudent thing to do.

However, if you believe gold is at the beginning of an extended move higher, Barrick deserves to be a top pick as further strength in the precious metal should send the stock even higher.

Given the huge move to date, I would keep any new position small, just in case the rally has run its course.

## CATEGORY

1. Investing
2. Metals and Mining Stocks

## TICKERS GLOBAL

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

### Category

1. Investing
2. Metals and Mining Stocks

### Date

2025/08/03

### Date Created

2016/08/16

### Author

aswalker

default watermark

default watermark