



## Barrick Gold Corp.: Should This Stock Still Be in your Portfolio?

### Description

**Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) is up more than 120% in 2016, and investors are wondering if the rally can continue.

Let's take a look at the current situation to see if the mining giant should be one of your holdings.

#### Gold's 2016 surge

Gold took off this year as investors realized the U.S. Federal Reserve wasn't going to raise interest rates anywhere near as much as expected.

Why do rates impact gold prices?

Stronger U.S. rates tend to drive up demand for American dollars as more foreign money shifts into U.S. treasuries. This pushes up the value of the U.S. dollar against a basket of foreign currencies. Since gold is priced in American dollars, a stronger greenback tends to put pressure on bullion as it becomes more expensive for international buyers.

Higher interest rates also increase the opportunity cost of holding non-yielding assets such as gold.

#### The current pullback

Weak data and concerns about global financial instability have kept the Fed on hold in 2016. After the Brexit vote many analysts figured the Fed would have to wait until 2017 to raise rates.

In recent weeks, however, the mood has shifted. Fed officials are sounding more hawkish in their public comments, and U.S. data is showing stronger inflation and a healthy employment market have pundits wondering if a hike could now be in the cards before the end of the year.

That's why the gold rally has stalled out and mining stocks have given back as much as 20% of their gains.

For the moment, it looks like the tug-of-war will continue, and investors should expect more near-term

volatility.

## **Barrick's appeal**

Barrick is the world's largest gold miner. The company expects to produce 5-5.5 million ounces this year at all-in sustaining costs (AISC) of US\$750-790 per ounce.

Most of its peers are pulling the precious metal out of the ground at a much higher cost structure, so Barrick is by far the most appealing name in the group based on that metric.

The company got into trouble in recent years because it loaded up on debt to make ill-timed acquisitions. Last year, the new management team launched an aggressive turnaround plan that few pundits though would succeed.

So far, the results have been impressive.

Barrick reduced its US\$13 billion debt load by US\$3 billion in 2015 and is expected to shave off another US\$2 billion this year.

With the surge in the stock price and the reduction in the debt load, Barrick's balance sheet now looks a lot better.

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

Everything depends on your outlook for gold. If you are a bullion bull and see much higher prices on the way, Barrick is an attractive pick.

At the moment, however, I would be inclined to sit on the sidelines, or even take some profits, and wait for confirmation that pullback has run its course before starting a new position or adding to your holdings in this stock.

## **CATEGORY**

1. Investing
2. Metals and Mining Stocks

## **TICKERS GLOBAL**

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

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