



Barrick Gold Corp.: Is the Sell-Off a Golden Opportunity to Buy?

Description

Barrick Gold Corp. ([TSX:ABX](#))(NYSE:ABX) is down more than 30% from its 2016 high, and investors who missed the rally earlier in the year want to know if they should buy the pullback.

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

Strong numbers

Barrick is making great progress on its turnaround efforts.

The company reduced its massive US\$13 billion debt pile by US\$3 billion last year and is on track to knock off another US\$2 billion in 2016.

Going forward, Barrick plans to get the debt below US\$5 billion in the next three to five years, and investors could see the company debt-free within a decade.

On the operational side of the equation, things are also looking good. Barrick is working hard to make the business more efficient and reduced its all-in sustaining costs (AISC) forecast three times this year.

The latest 2016 guidance is for AISC of US\$740-775 per ounce on production of 5.25-5.5 million ounces. Even after the recent slide in gold prices, Barrick is still looking at healthy margins.

The company is generating significant free cash flow and continues to divest non-core assets as part of its plan to strengthen the balance sheet.

Gold outlook

Barrick's sell-off is directly connected to falling gold prices.

The gold market was already giving back gains leading into the U.S. election, but the surprise win by Donald Trump has impacted the market in a way that few analysts expected.

Trump's victory has bolstered equity markets as well as the U.S. dollar. This has all been negative for

the gold market, which tends to thrive on economic fear and a lower greenback.

Looking ahead, gold might still shine under the Trump administration.

Why?

Trump's plan to cut taxes and spend big on new infrastructure projects could trigger stronger-than-expected inflation. One of the traditional strengths of gold is its appeal as an inflation hedge.

The president-elect is also planning to cancel or renegotiate several trade deals. This could set off trade wars and potentially upset the global economy, resulting in increased economic fear and higher demand for safe-haven assets, such as gold.

Where gold goes from here is anyone's guess, but the slide has been dramatic enough in recent weeks that we could see bargain hunters start to put a floor under gold prices in the near term.

What about copper?

Barrick is the world's largest gold producer, but the company also has significant copper operations, and copper has been on fire in recent weeks.

In fact, the base metal has rallied 30% since the middle of October.

Market watchers say the fundamentals don't support the oversized move, but copper keeps pushing higher on expectations of a huge demand surge connected to Trump's infrastructure plan.

If copper can hold its gains through the end of the year, Barrick's Q4 numbers could come in better than expected.

Should you buy Barrick?

Investors have to be long-term believers in the gold story to own any of the gold producers today. If you fall in that camp, Barrick is an attractive pick right now.

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