



## Barrick Gold Corp.: Are Big Gains on the Way?

### Description

**Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) started 2016 with a bang, but the stock has struggled since early July.

Let's take a look at the current situation to see if Barrick might be setting up for another surge.

### Gold market

Gold got a big boost in the first half of 2016 as investors realized the U.S. Federal Reserve wasn't going to raise interest rates as quickly as expected.

Higher rates tend to have a negative effect on the price of gold because they raise the opportunity cost of holding the non-yielding metal. They also provide support for the U.S. dollar, in which gold is priced. This makes gold more expensive for buyers holding currencies other than the American dollar.

Why did the rally run out of steam?

After Brexit turned out to be a non-event for global markets, investors started to worry about rate hikes again, and that theme has carried through the back half of the year.

The Fed will probably raise its rate today, which will be the only move for 2016. Looking forward, the market is trying to decide how aggressive the Fed could be in 2017.

Is the expected move today another "one and done" hike?

### Possible shocks

A number of concerns could keep the Fed on the sidelines next year.

Trump might decide to get nasty with key trading partners as he moves to renegotiate or cancel existing agreements. That would likely put global markets at risk and force the Fed to take a wait-and-see approach.

Europe could also be a point of volatility in 2017. Brexit is still cause for concern, especially if E.U. members decide to make the process painful. On top of that, Germany and France have elections next year, and it is quite likely Italy will, too.

Regarding Italy, several Italian banks remain on the brink of a major collapse, and an election victory by an anti-Eurozone party could push them over the edge as investors balk at recapitalization efforts. If that happens, we could see a new financial crisis emerge in Europe.

So, there are a number of events that could put the Fed on hold and trigger a rush into safe-haven assets in the coming year. Whether or not that will happen is anyone's guess, but the possibilities are worth considering.

### **Barrick's appeal**

Barrick is making good progress on its turnaround program.

The company reduced its debt by US\$3 billion last year and is on track to cut another US\$2 billion in 2016.

Efforts to reduce costs and improve efficiency are also bearing fruit. Barrick expects to finish this year with production of 5.25-5.5 million ounces of gold at all-in-sustaining costs of US\$740-775 per ounce. That makes Barrick both the largest producer and the one with the lowest cost structure in the industry.

Barrick is also a major producer of copper, which has surged 30% in the past two months. If the copper rally holds up, Barrick's numbers could come in better than expected for both Q4 and Q1 of 2017.

### **Should you buy?**

Gold is actually rising ahead of today's expected rate announcement from the Fed, so there is the possibility that the market has been oversold and a new upward trend is on the way.

Owning any gold stock today requires the belief that gold is headed higher in 2017 and beyond. If you are in that camp, Barrick should be at the top of your buy list.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

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

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### **Date**

2025/08/02  
**Date Created**  
2016/12/14  
**Author**  
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