



Barrick Gold Corp.: Is a New Rally Underway?

Description

Barrick Gold Corp. ([TSX:ABX](#))(NYSE:ABX) is catching a bit of a tailwind in recent trading, and investors are wondering if this is the right time to start a position in the stock.

Let's take a look at the world's largest gold miner to see if it deserves to be in your portfolio today.

Turnaround progress

Barrick launched an aggressive turnaround program in early 2015 that few pundits thought would succeed. It was a reasonable position to take, as gold continued to fall and Barrick's US\$13 billion debt load threatened to crush the company.

Despite a difficult market, Barrick managed to sell non-core assets, secure new partnerships and sign streaming agreements that allowed it to reduce its debt by US\$3 billion by year-end.

In 2016, the company is on track to cut another US\$2 billion in debt, and management says the balance sheet could be debt-free within a decade.

Barrick is also making headway on its operational improvements. Costs are coming down to the point where Barrick's all-in sustaining costs for 2016 are expected to be an industry-leading US\$740-775 per ounce.

That produces some attractive margins, even as gold has pulled back from its mid-2016 highs.

Another area to watch is copper.

Barrick isn't viewed as a copper play, but the company has significant copper operations, and the price of the base metal has surged over the past two months. If the market can build on that momentum, investors could see better than expected results in Q1 2017.

Gold market

Gold has been in retreat since early July. This trend could continue in the near term if investors feel the

U.S. Federal Reserve will follow through on its plans to raise interest rates three times in 2017, so investors have to be careful jumping into the space.

For the moment, it is tough to tell how things will play out, but there are a few speed bumps that could derail the rate-hike train.

Donald Trump could actually follow through on his plan to get aggressive with China. If that happens, global markets could get a bit shaky next year, which might cause the Fed to sit on its hands and push funds into safe-haven assets, such as gold.

Europe could also destabilize global markets in 2017. France and Germany are set to have national elections, and Italy's banking crisis is already starting to make financial markets nervous.

Investors shrugged off Brexit and the Trump victory this year, so the same could happen in 2017 with other big events, but it would be naïve to assume the coming year will be trouble-free for financial markets.

Should you buy?

The latest uptick in the stock might just be another head fake, so I would keep any new position small until there is a clear sign the momentum has changed. At this point, you still have to be a gold bull to be buying the sector.

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