



## Barrick Gold Corp.: Is This Stock Headed Back to \$30?

### Description

**Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) has quietly risen more than 20% in the past two weeks, and investors are wondering if this is the start of another big rally.

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

### Turnaround progress

Barrick embarked on an ambitious turnaround program in early 2015 that few pundits believed would succeed.

Gold was still falling, Barrick carried US\$13 billion in debt, and the company's track record of looking out for the interest of investors wasn't great.

So, it was easy for analysts to be skeptical of the new, radical plan.

Fast forward nearly two years, and pundits are singing a completely different song, as Barrick has delivered on its promises, and then some. The company managed to reduce the debt load by US\$3 billion in 2015, and the Q4 2016 report should show the company shaved off another US\$2 billion last year.

Barrick's operational improvements are also catching the eye of investors. The company has reduced costs to the point where it now boasts industry-leading all-in sustaining costs (AISC) of less than US\$800 per ounce.

At current prices, that translates into some attractive margins, and Barrick should continue to generate healthy free cash flow through 2017.

### Gold market

Gold had a big run in the first half of 2016 amid fears about the Chinese economy, stalled rate hikes in

the U.S., and the Brexit vote, but it gave back a big part of the gains in the second half of the year as investors shrugged off the Brexit, forgot about China, and began to worry about aggressive rate hikes in the United States in 2017.

In November, the Trump win was supposed to cause market chaos and drive investors back into safe-haven gold, but, as is often the case, the opposite occurred and gold continued its downward trend.

The U.S. Federal Reserve finally raised its target rate in December and signaled three more moves for 2017, sending even more gold investors toward the exits.

Is sentiment changing?

In the past two weeks, the market appears to be waking up to the fact that 2017 might not be as negative for gold as anticipated.

Trump's tough stance on Chinese trade and currency policies is causing some concern, and a follow-through on his plans to cancel or renegotiate trade agreements with other countries could upset global markets.

In addition, the Italian banking crisis is getting worse, and surprise results in national elections in France and Germany could put financial markets in disarray.

Investors are also looking at the Fed with a doubtful eye. Last year was supposed to bring four rate hikes, but only delivered one. Weaker-than-expected data in the U.S. now has some pundits wondering if 2017 will bring a similar result.

So, there are potential catalysts for a gold rally in 2017, and some investors are starting to move back into the yellow metal.

### **Could Barrick surge back to \$30?**

At the time of writing, Barrick is trading at \$23 per share, about \$4 higher than where it sat December 20, so you can see how far the stock can move in a short period of time.

If the market starts to get nervous and gold continues to rally in the near term, Barrick is going to go along for the ride, and I wouldn't be surprised to see it take out the 2016 high as a result.

At this point, it is too early to tell if the latest surge is the start of something sustainable, or simply a head fake before another dip. However, if you are a gold bull, Barrick is worth owning, and contrarian types who think we might be at the start of a new rally might want to add a small position to their portfolios.

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