



Barrick Gold Corp.: Is the Latest Pullback an Opportunity to Buy?

Description

Barrick Gold Corp. ([TSX:ABX](#))(NYSE:ABX) is down more than 10% since the middle of February.

Let's take a look at the reason for the pullback and see if it presents an opportunity to buy.

Gold tug-of-war

Gold prices surged in the first half of 2016 amid reduced expectations for rate hikes from the U.S. Federal Reserve and concerns about geopolitical threats to global financial markets.

The Fed entered last year with plans to raise rates four times. In the end, the only rate hike for the year came in December.

Rising U.S. rates tend to be negative for gold because they increase the opportunity cost of holding the non-yielding metal. Higher interest rates also tend to put upward pressure on the value of the American dollar, in which gold is priced, making gold more expensive for holders of other currencies.

With the Fed sitting on its hands last year, gold pick up a tailwind, but the market is always forward thinking, and once Brexit was out of the way, investors set their sights on 2017 and sold gold down.

The U.S. election result initially extended the gold sell-off as investors dumped safe-haven assets and piled into equities, but the tide began to turn in December, despite the Fed rate hike.

Why?

Most of gold's gains through the last two weeks of 2016 and the first part of 2017 have have been attributed to concerns over President Trump's tough attitude toward trading partners, particularly China. Worries about the state of Italian banks and France's upcoming election have also helped fuel the gold rebound.

However, it appears the Fed headwind is picking up strength again, as markets brace for a potential rate hike this month.

The Fed has indicated it wants to raise rates three times in 2017. If it begins the process in March, markets are more likely to believe it will follow through on the plan this time.

If that turns out to be the case, gold might have a tough time moving above the recent highs.

Should you buy Barrick today?

Owning any of the miners requires a belief that gold is in the early stages of a long-term recovery. If you fall in that camp, Barrick looks like a top pick. The company is the world's largest producer with one of the lowest cost structures and now has its debt situation under control.

At this point, though, I wouldn't back up the truck. Rate hikes are now in focus, and unless something significant happens in Europe to set off a global equities reversal, the downward trend in gold might continue for some time.

I like Barrick as a gold pick, but there might be a better opportunity to add the name to your portfolio in the coming weeks.

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