Gold Prices Are Rising! Is it Time to Invest in Gold Stocks?

Description

Gold prices are up.

The precious metal is nearing the US$1,300 mark, which gold bugs and pundits last year signaled would occur sometime this year. For **Barrick Gold Corp.** (TSX:ABX)(NYSE:ABX) the steady gain in gold prices could signal a repeat of the rally last year that resulted in a handful of gold stocks surging over 150% at one point.

Here's why this latest surge makes Barrick a great investment option for your portfolio.

The multi-year drop in gold was what the precious metals sector needed

Back in 2011, gold prices were approaching US$1,900 per ounce. Gold producers like Barrick were making huge profits, and little regard was made to making operations more efficient or reining in costs. That all changed when the price of gold finally stopped rising and began a multi-year decline.

Over the next few years, gold steadily declined, hitting sub-US$1,100 per ounce. Producers were left with huge amounts of debt and an expensive, inefficient process. Barrick had a massive US$13 billion in debt, far exceeding the cap of the company itself.

Left with few other options, Barrick embarked on an aggressive turnaround plan that was focused on reducing costs, slashing debt, and becoming more efficient in operations. Higher-producing facilities were given priority over others, and the company set aggressive debt-reduction targets for each fiscal year that were to be met through cost-cutting, asset sales, and other efficiencies.

Not only did Barrick meet those targets, but the company became the most efficient producer in the market. Barrick leads peers in maintaining all-in sustaining costs just over US$700 per ounce level — a significant improvement over the +US$1,000 level this figure was back in 2011.

Barrick has slashed over US$5 billion of debt in the past two years, and management has spokenabout the possibility of the company being completely debt free within the next decade. By the end ofthe next fiscal year, Barrick is targeting to have just US$5 billion in debt left.

In some ways, the lean years following the price drop of 2011 were exactly the catalyst that gold producers needed to prepare for an eventual gold market recovery.

The gold market recovery

When gold prices finally started to rise, Barrick was in a much better position. With lower-cost operations and significantly less debt, the increased gold price added straight onto Barrick's margins.

This has made the stock shoot upwards by over 150% in the past year.

Recent events have started to signal another rally on gold may be beginning. Between the posturing of North Korea, upcoming elections in France, and the ongoing Brexit negotiations, there's plenty of uncertainty in the market now, which leads traditional investors back to the perceived safety of gold investments.

Gold experts have said that the price of gold could hit US$1,400 per ounce this year, which would be hugely beneficial to Barrick's bottom line, helping the company generate free cash.

Should you add Barrick to your portfolio?

Experts consider Barrick to be one of the most efficient, if not *the* most efficient, gold producers on the market. Between Barrick's shrinking debt and improving financials, the company makes a compelling case for investors looking to diversify with a gold stock, or for those who believe gold prices will continue to appreciate.

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