



Bullion Investors: Is it Time to Buy Barrick Gold Corp.?

Description

Barrick Gold Corp. ([TSX:ABX](#))(NYSE:ABX) is down about 15% in the past two months, and investors are wondering if this is a good time to buy the stock.

Let's take a look at the current situation to see if Barrick deserves to be in your portfolio today.

Gold rising

Gold has picked up a tailwind in recent weeks and now trades above US\$1,280 per ounce.

That's the highest price since late April, and some pundits see the precious metal heading to a new 2017 high above US\$1,300 per ounce.

What's going on?

Europe has endured a number of terror attacks in recent months, including two events in the U.K. in the past two weeks. As a result, gold is seeing some safe-haven demand.

Weaker-than-expected jobs data in the U.S. is also providing some support.

Why?

Investors sold gold through the second half of 2016 on the anticipation of aggressive interest rate hikes in the United States this year. Rising rates tend to be negative for gold because they increase the opportunity cost of holding non-yielding assets, such as precious metals. Higher rates also put upward pressure on the U.S. dollar, in which gold is priced. This makes gold more expensive for holders of other currencies.

The U.S. Federal Reserve raised its target rate in December and again in March. Until recently, most pundits expected two more moves to the upside through the end of 2017.

Weak economic reports could force the Fed to scale back the pace, and that would provide more support for gold prices.

Barrick's situation

Barrick currently trades for \$22 per share, which is much lower than the \$26 investors were paying when gold was at US\$1,280 in early April.

The company's Q1 2017 numbers are part of the reason for the spread. Barrick lowered its production guidance for its Veladero mine for the year when it reported the first-quarter results and posted net earnings that missed analyst expectations.

The Veladero situation is a negative in the short term, but Barrick continues to make good progress on its efforts to reduce debt and is generating strong free cash flow.

Management even raised the dividend earlier this year.

Should you buy?

Barrick is the world's largest gold producer with some of the lowest production costs in the industry.

If you believe gold is at the beginning of a long-term recovery, Barrick is worth considering at the current level.

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