



Barrick Gold Corp.: Is This the Right Time to Buy?

Description

Barrick Gold Corp. ([TSX:ABX](#))(NYSE:ABX) is down more than 20% in the past three months.

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

Gold market

Gold took a run at US\$1,300 per ounce in April and again at the beginning of June, but it has since pulled back and is now threatening to break below US\$1,200.

What's going on?

Rising interest rates are taking a toll, and safe-haven demand has waned.

The U.S. Federal Reserve raised its target rate in June, marking the second increase this year. Pundits now expect at least one more move to the upside by the end of 2017 amid strengthening economic data.

Just a short time ago, a weak employment report had investors wondering if the Fed would be forced to sit on its hands through the end of the year.

Rising rates are normally negative for gold as they increase the opportunity cost of holding non-yielding assets, such as the precious metals.

Higher rates in the United States can also put upward pressure on the American dollar, in which gold is priced. This makes gold more expensive for holders of other currencies.

In recent weeks the U.S. dollar has actually come under some pressure, so the sell-off in the precious metal is even more concerning for gold investors.

What about Barrick?

Barrick enjoyed a strong rally through 2016 as the company began to see strong results from its

turnaround efforts. Debt is down from US\$13 billion at the beginning of 2015 to below US\$8 billion and operating costs have also fallen.

Barrick even raised its dividend earlier this year.

On the negative side, Barrick's Q1 2017 results missed expectations, and the company upset the market by lowering its production guidance at its Veradero mine in Argentina.

Troubles in Tanzania are also making headlines, as a ban on mineral concentrate exports currently threatens about 6% of Barrick's 2017 production guidance via the company's 63.9% interest in **Acacia Mining plc**.

Should you buy?

You have to be a gold bull over the long haul to own any of the miners. If you are in that camp, Barrick deserves to be on your watch list. The company is the largest global producer and now has the debt situation under control.

For the moment, however, the downward trend might still have room to run. Gold prices remain under pressure, and Barrick has to get some operational issues sorted out before investors will move back into the stock.

I wouldn't bail out if you already own the shares, but a better opportunity to buy could be on the way in the near term.

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