



Barrick Gold Corp.: Buy or Sell?

Description

The gold market of 2017 is beginning to resemble a roller coaster again.

While, overall, precious metals have seen steady gains in 2017 following the incredible run up in 2016, precious metal producers such as **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) have split from following the run up in gold prices and have actually dropped.

Barrick's stock price has retreated nearly 5% year to date. Over the course of the past 12-month period, that drop is an even more concerning 20%.

That's not to say that Barrick hasn't performed well over the past few years. The company's efforts to improve efficiency and slash costs have seen the company go from US\$13 billion in debt and high costs to just US\$8 billion in debt. Barrick has achieved one of the most efficient operations in the business in a little over two years.

The company has even mentioned the prospect of being completely debt-free within a decade.

As impressive as these developments have been, Barrick's recent drop is more to do with the company missing on Q1 results, which were exasperated by Barrick calling for lower production at its Veradero mine in Argentina.

While Barrick can and will weather this temporary storm, there is downward pressure on the stock, which is also weakened by the current environment in the gold market.

What happened to the gold market?

The current woes in the gold market aren't limited to Barrick. On a macro basis, nearly all producers are feeling a pullback in prices which is due to a variety of factors.

Historically, gold has been viewed as a safe store of wealth. This view is being reconsidered by investors that aren't attached to gold itself but rather the opportunity that it represents.

The reason that gold was a safe store of wealth was that it was (and still is) rare, in high demand, and has a steadily increasing price. The more investors purchased it, the higher the price went.

Turning to more recent events, there are several developments that are bringing into question that long established view. Crypto-currencies, such as Bitcoin, are now challenging the safe-store-of-wealth and increasing-value viewpoints. Bitcoin has surged this year, more than doubling in value year over year with no end in sight. For the more connected investors, the returns on crypto-currencies are too good to ignore.

Another point worth considering is interest rates. The U.S. Fed has already raised rates this year, and now Canada has followed suit. Industry experts speculate that one more hike in the U.S. is likely later this year. Given the roller coaster of a ride that gold has been on in recent years, some investors may start to reconsider their precious metal investment in lieu of another that is appreciative of the changes underway in the economy.

Is Barrick a good investment?

Barrick's production woes will be resolved, and the company will return to higher production later this year. Barrick's efforts at slashing away debt will also continue to make strides and place the company in a much better standing over time. The stock may continue to drop before those improvements take place.

In my opinion, investors looking to buy into Barrick may soon see an opportunity to do so at a discounted rate, whereas existing shareholders should wait out the current storm.

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