



Should Barrick Gold Corp. Be in Your Portfolio?

Description

Barrick Gold Corp. ([TSX:ABX](#))(NYSE:ABX) is working through a turnaround plan that is beginning to produce results.

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

Gold market

Gold just hit a six-week high, driven by reduced expectations on additional interest rate hikes in the United States.

Why is this important?

Rising U.S. interest rates increase the opportunity cost of owning non-yielding assets, such as gold. The U.S. Federal Reserve has increased the target rate twice in 2017, and up until recently, the market expected at least one more move to the upside.

The Fed effect has counter balanced any safe-haven demand for most of this year.

However, the latest statements from the Fed suggest it might be finished raising rates until 2018, and this is putting pressure on the U.S. dollar, in which gold is priced.

When the dollar falls, gold becomes more affordable for holders of other currencies, and that can boost demand.

At the time of writing, gold is trading at US\$1,265 per ounce. The precious metal has bounced between US\$1,200 and US\$1,300 for most of this year, so a break through the upper end of that range could signal the start of a larger run to the upside.

While that is certainly possible, I don't think it will happen unless we see a major financial or geopolitical event that triggers a rush to safe-haven assets.

What about Barrick?

Barrick is making good progress on its turnaround program. The company reduced its debt load from US\$13 billion in 2015 to US\$7.9 billion at the beginning of this year.

Management says the company is on track to get the debt level down to US\$5 billion by the end of 2018.

The company is also making progress on the operational side. Barrick just reported Q2 2017 production of 1.432 million ounces of gold at all-in sustaining costs of US\$710 per ounce compared to production of 1.34 million ounces at all-in sustaining costs of US\$782 per ounce in the same period last year.

Barrick is pursuing more partnerships on its properties to reduce risk and improve the balance sheet. As an example, the company recently sold a 50% stake in its Veladero mine in Argentina and a 25% position in the Cerro Cassale project in Chile.

The stock took a hit in recent months due to issues at Veladero and a concentrate export ban in Tanzania that is impacting Barrick through its majority position in **Acacia Mining**.

Barrick is set to begin talks with the Government of Tanzania to find a way to resolve the situation. Earlier difficulties at Veladero have been resolved.

Should you buy?

You have to be a long-term gold bull to own any of the miners.

If you fall in that camp, Barrick is a good way to play a recovery in the price of the precious metal. The company's balance sheet is in much better shape today and all-in sustaining costs are among the lowest in the industry.

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