



Should You Own Barrick Gold Corp. Today?

Description

Gold is on the rise again, and investors are wondering which mining stocks offer a shot at some big gains on a continued rally.

Let's take a look at why **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) might be an attractive pick right now.

Gold drivers

Investor fear and interest rates tend to be the main drivers behind any moves in the price of gold.

Traders often shift funds into the yellow metal when they are worried about financial instability, or when a major geopolitical event threatens to destabilize global markets.

In recent years, the gold market has shrugged off big events, including Brexit and a string of terror attacks in Europe. Recently, however, that appears to have changed, as investors are getting more nervous about North Korea and the unpredictability of U.S. president Donald Trump.

The fear trade could cool off as quickly as it has picked up momentum, but there is a risk the geopolitical tensions could get even worse, especially after the recent missile launch by North Korea over Japan.

What about interest rates?

Rising rates tend to be negative for gold, as they increase the opportunity cost of owning the non-yielding precious metal. In 2017, the U.S. Federal Reserve has already increased rates twice, and the early forecasts called for at least one more move to the upside by the end of the year.

Turnaround efforts

Barrick is working through a turnaround plan which has seen the company reduce its debt from US\$13 billion at the beginning of 2015 to below US\$8 billion this year.

In addition, efforts to cut operating costs have been successful, and the company expects to make more progress in the coming years. The expense reductions have helped Barrick generate solid free cash flow for several quarters, and the company even increased the dividend in early 2017.

Production remains robust with 2017 guidance set at 5.3-5.6 million ounces.

Should you buy?

Gold can be volatile, so you have to be a long-term bull to own any of the miners.

If you are in that camp, Barrick is an attractive pick. The company is the largest producer in the sector, and modest moves in gold prices can have a big impact on the bottom line.

In fact, a US\$100-per-ounce improvement in the price of gold can add more than US\$500 million in additional cash flow if the gains hold up over the course of a year.

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