



Gold Tops US\$1,350: Is Barrick Gold Corp. a Buy Today?

Description

The price of gold has surged since early July, but some of the big names in the sector haven't kept pace.

Let's take a look at the current situation and see if **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) should be in your portfolio.

Gold surge

At the time of writing, gold is trading at US\$1,350 per ounce. That's nearly 12% above its level just over two months ago.

The strong move has caught many pundits by surprise, and followers of the yellow metal are trying to figure out where the market is headed next.

What's going on?

Gold is normally influenced by interest rates and market fear.

Higher U.S. interest rates tend to be negative for gold because they increase the opportunity cost of owning the non-yielding yellow metal. The U.S. Federal Reserve already raised rates twice this year, and most analysts originally thought a third increase was on the way. In recent weeks, however, the mood has changed, and the market seems to think the Fed might be done for 2017. As a result, gold is picking up a tailwind.

The other side of the story is safe-haven demand arising from fears that tensions with North Korea might escalate. At this point, it's tough to tell where the situation is headed, given President Trump's unpredictable nature.

This has the market concerned that things might get out of hand. If that turns out to be the case, gold could soar.

Sentiment can change quickly, as we have often seen in both the market's expectations for rate hikes, and trader fears about geopolitical situations, but it looks like gold could extend its run in the near term.

Is Barrick attractive?

Barrick has made good progress on its turnaround plan launched in early 2015, when the company carried a debt load of US\$13 billion and faced falling gold prices.

Management now has the debt down below US\$8 billion, and more reductions are on the way. In fact, the objective is to get it down to US\$5 billion in the next couple of years.

At the same time, efforts to improve operating cost are bearing fruit, and all-in sustaining costs (AISC) have dropped. Issues always come up in this industry, and Barrick is dealing with a few right now that appear to be holding the stock back, but those situations are likely short term in nature. The company is sticking to its 2017 guidance for AISC of US\$720-770 per ounce on production of 5.3-5.6 million ounces of gold.

Barrick is only up about 8% over the same timeline in which gold has gained nearly 12%, which is a bit surprising, as the mining stocks often outpace the gains in the metal when gold takes off.

Should you buy?

Gold can reverse directions quite quickly, so I wouldn't back up the truck. However, if you think the rally has legs, it might be worthwhile to take a small position in Barrick ahead of a potential shift of funds into the miners.

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