



Gold Surges Above US\$1,300: Time to Own Barrick Gold Corp.?

Description

Gold's recent recovery is picking up steam, and investors are wondering which stocks in the sector might be attractive today.

Let's take a look at the reasons for the recent bounce in gold, and see if the industry giant **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) deserves to be in your portfolio.

Gold volatility

The price of gold is generally impacted by market fear and interest rate moves.

Safe-haven seekers often shift funds into gold when they are concerned the market might be in for a rough ride. In recent years, gold has remained relatively immune to big shocks, including Brexit and increasing terror attacks.

However, the current geopolitical uncertainty around the world is starting to impact the market.

North Korea remains in the spotlight, and the unpredictability of President Trump has traders wondering if military action is in the cards. If the unthinkable happens, global markets would likely take a big hit, and investors could rush into gold.

Over in Europe, the declaration of independence by Spain's Catalonia region has some pundits warning of a domino effect through the continent. The E.U. is already facing a series of other challenges, and some market watchers think this could be a tipping point.

On the interest rate side of the equation, investors are trying to decide what the U.S. Federal Reserve will do in the coming months.

Rising interest rates tend to be negative for gold, as they increase the opportunity cost of owning the non-yielding metal. The Fed increased its target rate twice this year, and there is a debate as to whether or not another increase is on the way in December.

Through the summer, gold rallied on reduced rate-hike expectations, but the mood has changed again, and traders are now calling for a third move in 2017, which would be a headwind for gold.

Should you buy Barrick?

Where gold goes from here is anyone's guess, so you have to be a gold bull to own any of the producers.

If you fall in that camp, Barrick deserves to be on your watch list.

Why?

The company is the largest producer in the sector, so a big increase in the price of gold can have a significant impact on cash flow and profits.

In fact, Barrick is targeting 2017 gold production of 5.3-5.6 million ounces. That means a sustained US\$100 per ounce increase in the price of gold potentially adds more than US\$530 million to the bottom line.

Barrick is making good progress on its efforts to reduce costs and pay down debt. If gold continues to move higher, this stock should perform well.

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Date

2025/07/30

Date Created

2017/10/13

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