



## Contrarian Investors: Is Barrick Gold Corp. a Buy for 2018?

### Description

Contrarian investors are always searching for troubled stocks that could be on the verge of a [recovery](#).

Let's take a look at **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) to see if it deserves to be in your portfolio.

### Gold market

Barrick's fortunes are primarily tied to the price of gold, which is generally impacted by safe-haven demand and changing interest rates.

Gold has been volatile in the past 12 months, ranging in price from US\$1,130 to US\$1,350 per ounce, and the trend is likely to continue. At the time of writing, the metal trades at US\$1,275.

### Fear trade fading

On the safe-haven side, investors often flock to gold when there is a perceived risk to the global financial markets. This could be due to geopolitical conflicts, or regional financial threats.

In recent years, gold traders have shrugged off big events. The Brexit vote hardly moved the needle in the gold market, and terror attacks no longer trigger sharp knee-jerk reactions.

In 2017, gold picked up a bit of momentum when it looked like things were going to overheat with North Korea, but once the media attention shifted to other stories, everyone went back to business.

### What about interest rates?

Rising interest rates in the United States tend to be negative for gold, as they increase the opportunity cost of owning the non-yielding metal. In addition, higher rates can push up the value of the U.S. dollar, in which gold is priced, making it more expensive for holders of other currencies, although that hasn't been the case through most of this year.

The U.S. Federal Reserve raised rates three times in 2017, and the market is currently looking for

three more moves next year. This will likely serve as a headwind to gold and the [miners](#).

### **Cryptocurrency effect**

The rise in popularity of cryptocurrencies is also a potential factor for gold's weakness in recent months. Some market watchers say funds have shifted out of gold into the cryptocurrency market.

Cryptocurrency prices remain extremely volatile, and a significant rout in 2018 could send investors rushing back into gold.

### **What about Barrick?**

Barrick is down about 14% in 2017 and off considerably more than that from the highs it saw in the first part of the year.

The company is making good progress on its turnaround efforts. Barrick expects to get total debt down to US\$5 billion by the end of 2018. The debt load stood at close to US\$13 billion at the beginning of 2015.

Less than US\$100 million in debt is due before 2020.

Production is targeted at 5.3-5.5 million ounces in 2017 at all-in-sustaining costs of US\$740-770 per ounce. This makes Barrick the industry's largest producer with one of the lowest cost structures.

### **Should you buy?**

Volatility will likely continue in the gold market next year, so you have to be a long-term gold bull to own any of the miners today. If you fall in that camp, Barrick might be an interesting contrarian pick while it remains out of favour.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)

### **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

### **Category**

1. Investing
2. Metals and Mining Stocks

**Date**

2025/07/03

**Date Created**

2017/12/22

**Author**

aswalker

default watermark

default watermark