



## Could Barrick Gold Corp. Soar in 2018?

### Description

**Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) rose as much as 3% on the first day of trading in 2018, and investors are wondering if the mining giant is poised for a big year.

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

### Gold market

Gold is trading above US\$1,300 per ounce after a surprising surge in the back half of December that pushed the metal to its best annual performance since 2010.

Bullion bears might be scratching their heads a bit, as the market appears to be fighting through some serious headwinds.

The U.S. Federal Reserve raised interest rates three times in 2017 and provided guidance that suggests three more increases could be on the way in 2018.

Higher rates in the United States tend to be negative for gold, because they increase the opportunity cost of owning the non-yielding metal. As interest rates increase, the yield on fixed-income products tends to rise, and this can trigger a shift of funds out of gold.

Rising interest rates in the U.S. can also put upward pressure on the American dollar, although that was not the case in 2017, as the greenback weakened against a number of key currencies.

Safe-haven demand is the other traditional mover of gold prices, and we saw the impact briefly in 2017 when the [North Korea situation](#) dominated the headlines. In recent years, however, investors have become increasingly indifferent to geopolitical threats, and safe-haven surges tend to be short-lived.

Interest rates are headed higher, and fear is subdued, so what's driving the latest gold rally?

The U.S. dollar has weakened in recent weeks, hitting a three-month low on the first day of trading in 2018. Part of the reason is tied to analyst musings that the Fed might not move as quickly as expected

in the coming months due to weak inflationary signals.

The Fed uses rate hikes as a tool to keep inflation in check.

### **Cryptocurrency bubble**

Another theory making the rounds is the possible shift of funds back into gold from cryptocurrencies that have fallen sharply after their massive rally in Q4 2017.

A popping of the cryptocurrency bubble could trigger a rush to gold in 2018, and investors might be taking gold positions in expectation of this event.

### **Should you buy Barrick?**

Gold traded in a range of US\$1,140-1,350 in 2017, and investors should expect continued volatility.

As a result, you have to be a long-term gold bull to own the miners. If you fall in that camp, Barrick might be an interesting [contrarian](#) pick today.

The giant is making good progress on its debt-reduction plan and has one of the lowest cost structures, while being the industry's largest producer. If gold moves steadily higher, Barrick could see substantial gains.

At the time of writing, Barrick trades for about \$18.50 per share, which is far below the \$26 investors forked out last year when gold was about US\$1,280 last spring, so there is a chance the stock is oversold with gold currently above US\$1,300 per ounce.

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1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

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