



Has the Time Come to Buy Gold Stocks?

Description

Gold miners have underperformed most of the market over the past year, but [contrarian](#) investors are wondering if a recovery is on the way.

Let's take a look at the current situation to see if this is the right time to add some gold exposure to your portfolio.

Gold rally

Gold currently trades for close to US\$1,340 per ounce. That's US\$100 per ounce higher than the December low. The market continues to be somewhat volatile, but the upward trend might be getting some legs.

On the bull side, investors are starting to look at inflation risks in the United States. Gold is often viewed as a hedge against inflation, and that might be part of the reason the yellow metal is showing strength.

Safe-haven demand could also be a factor, as investors cash out gains in winning stocks and look for a place to put the funds in the event that we see an extended market [correction](#).

Finally, some pundits say the downturn in the cryptocurrency sector is triggering a movement of funds back into gold.

What about headwinds?

Rising interest rates in the United States could cap any meaningful upside moves in the price of gold. Higher rates increase the opportunity cost of owning non-yielding assets, such as gold, and the better returns in fixed-income options could draw money out of the gold market.

Any rise in the value of the U.S. dollar against a basket of foreign currencies can also dampen demand for gold by foreign buyers, as gold is priced in American dollars.

Which stock is attractive?

You have to be a gold bull to own any of the gold miners. If you fall in that camp, **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) might be worth a closer look.

The company has made good progress on its turnaround efforts over the past three years. Debt is now under control, and operational improvements have lowered the company's all-in sustaining costs.

In fact, Barrick is one of the lowest-cost miners in the industry. It is also the largest producer.

The stock currently trades at \$17 per share, down from \$25 at this time last year when gold was much lower. As a result, there is a chance Barrick is oversold right now.

Should you buy?

More volatility could be on the way, so I wouldn't back up the truck. However, if you are looking for a gold name to add to your portfolio, Barrick might be a good pick right now.

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