Now Is a Great Time to Consider Barrick Gold Corp.

Description

Gold remains firm, trading at over US$1,300 per ounce amid investor fears of a market correction prompted by concerns that stock valuations have decoupled from underlying economic fundamentals. There are also fears that Trump's fiscal stimulus, including the recently implemented tax changes, could overheat the U.S. economy and cause inflation to rise at a rapid clip. Higher inflation makes gold an attractive investment because it is generally perceived not only to be a safe-haven asset, but also an inflationary hedge.

While the Fed has flagged that it is considering hiking interest rates at least three times during 2018 as it moves to normalize monetary policy, this may not have the same impact on gold as traditionally believed.

You see, the Trump administration is focused on downplaying the value of the U.S. dollar as a means of making domestic industry more internationally competitive. A weaker dollar is a positive for gold because it makes it cheaper for holders of other currencies to purchase the yellow metal, typically leading to an increase in consumption.

For these reasons, the outlook for gold remains positive, and one of the best means of gaining exposure to gold is by investing in gold miners. A senior gold miner that stands out as being attractively valued is **Barrick Gold Corp.** (TSX:ABX)(NYSE:ABX).

Now what?

Barrick is the world's largest gold miner, owning and operating a geographically diversified portfolio of mines and development projects. It is also considered the lowest cost senior gold producer, reporting impressively low all-in sustaining costs or AISCs of US$750 per ounce of gold produced for 2017. This indicates just how profitable Barrick's operations are in an environment where gold is trading at well above US$1,300 per ounce, especially when it is considered that AISCs do not include production costs but also exploration and development expenses.

The miner finished 2017 with gold reserves of 64 million ounces, which was 22 million ounces lower than 2016. However, that sharp reduction can be attributed to the Pascua-Lama mine's reserves being changed to resources.

This has impacted Barrick's gold price, causing it to tumble by almost 37% over the past year, leaving it attractively priced, particularly so given that gold is almost $100 higher than a year ago.

Disappointingly, 2018 production is forecast to be lower than 2017 by up to 820,000 ounces. This reflects lower-than-anticipated gold production from the Barrick Nevada, Pueblo Viejo, and Veladero mines.

Nonetheless, Barrick has dialed up its investment in project development for 2018, increasing capital expenditures by US$270 million compared to 2017 as it moves to focus on the future of its business.

Barrick continues to conduct a successful exploration program, averaging a discovery cost of US$29 for every ounce of gold discovered over the last 28 years. This is roughly half the industry-wide average and highlights the quality of Barrick's assets.

The miner also remains committed to advancing a range of projects under development. The Nevada Goldrush underground mine is expected to begin sustained production in 2023, with output reaching 450,000 gold ounces annually. Barrick is also expanding its Turquoise Ridge mine, with the new shaft expected to start initial production in 2021.

So what?

Issues with the Pascua-Lama project and declining gold production have weighed on Barrick's stock. While no investor likes to see a gold miner's production or reserves decline, the sell-off has created an opportunity for investors seeking to bolster their exposure to gold.

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
2025/08/23

Date Created
2018/03/06
Author
mattdsmith