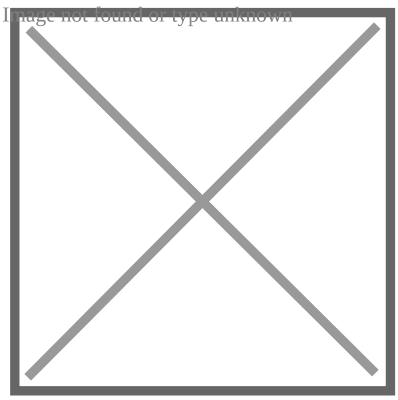

This China-Partnered Canadian Gold Stock Is a Solid Defensive Play

Description

Barrick Gold Corp. (TSX:ABX)(NYSE:ABX) is a stock Canadian investors should be proud of, as it's not only the largest global gold miner, it's also headquartered a stone's throw from the Toronto Stock Exchange. Barrick Gold has spent years minimizing debt and ratcheting up operational efficiency to emerge as one of the tightest and most productive gold miners on the market.

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Following a trend among Canadian miners to team up with Chinese firms in new mining acquisitions, Barrick Gold is planning a raft of new ventures with Chinese gold miner **Shandong Gold Group**. The two entities will be able to knowledge share in area of mining technology, information management, supplier networks, capital providers, and more.

Most interestingly, Barrick Gold and Shandong may take a second look together at the on-hold Pascua-Lama mining project bordering Argentina and Chile. Will Chile change its mind on its ordered closure of the site if China's Shandong comes on board? It's possible.

Let's dig a little deeper into this miner's multiples

Intrinsically overvalued by over 50% compared to its future cash flow value with a P/E that's a little high for a precious metals stock at 17.2 times earnings, value investors may be eyeing Barrick Gold with suspicion. An inscrutable PEG and a P/B ratio of 1.7 times book doesn't help. Nor are analysts estimating a positive expected annual growth in earnings.

However, what you're getting with Barrick Gold is a high profile and fairly healthy stock. Debt is well covered by operating cash flow, and servicing that debt is amply covered by earnings at 5.6 times interest coverage.

While it's not known as a dividend stock – indeed, few lucrative commodities stocks like these distribute earnings among shareholders – Barrick Gold does pay a yield of 0.86%.

While it was fairly cheap back in in March when it dipped to $11.42, its current price tag of $13.41 (at the time of writing) is still nowhere near what it could be if gold prices spike again.

Canny management and Chinese ties make for a strong stock

By deepening its ties with Shandong in an agreement that extends beyond their extant Argentinian mining operations, Barrick Gold is positioning itself as one of the most defensive stocks on the TSX.

Buying gold stocks makes all kinds of sense right now. You can use them as a proxy tech stock in lieu of other tech options if you've already loaded up on other options on the TSX. You can also buy up gold companies that trade with the U.K. as a way to profit from Brexit (yes, you can do that).

Cozying up to a state-owned Chinese gold miner is a smart move if you like a bit of the yellow stuff and are looking for the kind of stocks you can hold forever.

The bottom line

Strengthening ties with China is a good move for any Canadian entity at present. One of the driving forces in the BRICS economy group, China is set to dominate world markets as Western economies reposition themselves. Investors looking for solid long-term capital gains while hiding in defensive stocks should consider gold miners as a strong play. Barrick Gold in particular is a good choice if you look past its slightly inflamed multiples, as it ties a stable Canadian miner with a surging Asian economy.

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