



Is Barrick Gold Corp. (TSX:ABX) Stock a Top Buy Right Now?

Description

Gold is suddenly back in favour and investors are wondering if the recent surge is the start of a new extended bull market.

Let's take a look at the current situation and see if this is the time to buy **Barrick Gold** ([TSX:ABX](#))(NYSE:ABX), the world's largest producer.

Fear trade

Gold is back in vogue, as investors dump [high-flying stocks](#) and rush into safe-haven alternatives. Gold's appeal as a place to hide from geopolitical and economic chaos has waned in recent years, but the recent surge suggests the yellow metal might be making a comeback.

Investors continue to fret about the threat of a full-blown trade war between the United States and China. The retaliatory tariff measures being put in place by each country will soon start to bite consumers, and that could derail the strong U.S. economy.

At the same time, rising interest rates and, more specifically, a sell-off in bonds that drove the U.S. 10-year yield to a seven-year high, are fueling the fear fire.

Higher interest rates make debt payments for companies on variable rate loans more expensive and can potentially cut into funds allocated for investment and distributions. Higher U.S. rates also tend to push up demand for the American dollar, and that can boost the value of the greenback against other currencies. Many countries hold U.S. dollar debt, so it gets much more expensive to make those payments if the local currency takes a nose dive against the American dollar.

An interesting point to consider is the fact that higher rates and a stronger U.S. dollar normally tend to be bad for gold, and that has pretty much been the story since April of this year. However, fear might be overcoming those headwinds.

Where we go from here is anyone's guess, but the strong rally in gold might have some short-term legs, especially if the long-anticipated correction in the equity markets has finally arrived.

What about Barrick Gold?

Barrick has done a good job of cleaning up its balance sheet and is driving efficiency in the business, both at the corporate level and at the mines. In addition, the company recently announced a blockbuster merger with **Randgold** to create the world's largest gold company with five of the top 10 mines on the planet.

Randgold has found success in the attractive, but difficult African market, where Barrick has struggled. Overall, high-quality gold deposits are getting harder to find, and further consolidation in the industry should be expected.

Should you buy?

Gold [stocks](#) have underperformed the broader market, and the major players, including Barrick, are in much better shape than they were a few years ago. If you are a gold bull and think this is the start of an extended recovery, Barrick Gold should be an attractive pick today. The company's large production base has the capability of generating significant free cash flow on higher prices.

The market pullback is also creating some great opportunities for buy-and-hold investors to pick up top-quality stocks.

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