



Is This Really the Best Gold Stock on the TSX Index?

Description

Snapping up mining and mineral stocks can be a great route into investing for beginners — but with so much to choose from on the TSX index, picking a decently valued buy with enough relatively assured upside can be far from easy. One of the first things that newcomers tend to discover when they first start looking into how to invest in the stock market is that trading forums are packed with tips for stocks to buy now, rather than stocks to watch for value opportunities.

The reason for this is that one of the most popular ways to make money trading stocks is to jump on currently rising stocks, often regardless of valuation, in order to cash in at a higher price. While mining stocks are uniquely well placed to trade in this fashion, there are other ways to invest in gold and other precious metal miners. One such strategy is to buy for the mid to long term. This requires some attention to value and quality in addition to momentum. Let's take a look at a [popular gold miner](#) to see how this plays out.

Barrick Gold ([TSX:ABX](#))(NYSE:ABX)

One of the hottest TSX stocks to watch, Barrick Gold is suitably heavyweight with a market capitalization of \$19 billion. While Canadian stocks have taken a bit of a battering over the past month, Barrick Gold saw 16.7% one-month returns. This almost makes up for a one-year past earnings contraction by 130.4% that weighed down an otherwise positive five-year average past earnings growth of 61.4%.

A negative PEG, reasonable debt of 53.8% of net worth, and more inside buying than selling over the last three months make for a mixed stock. Let's delve deeper into the data and see what kind of signal we get for this big TSX index mining stock.

Value

Using a simple three-factor stock screening tool, I'm going to ascertain whether or not Barrick Gold is a buy today. The system works using a 33-point weighting per factor, giving a total score out of 100; each subsection will be scored out of 11. Starting with value, we have a negative P/E, P/B of 1.8 timesbook, and a pretty poor dividend yield of 0.9%, altogether giving 12 points out of 33.

Quality

A negative ROE last year coupled with last quarter's negative EPS makes for a low-quality stock; however, a 50.9% expected annual growth in earnings could see this ticker going on to do great things over the next one to three years. The latter bumps up Barrick Gold's quality score to 11 points out of 33.

Momentum

Barrick Gold gained 6.51% in the last five days, making this a buoyant stock with lots of upward momentum at the moment. Its five-year beta relative to the market of 1.65 indicates fairly high volatility, while its share price is overvalued by 2.7 times its future cash flow value. These three subsections make for a 29/33 score. But is it enough to tip the signal over to "buy?"

The bottom line

One of the first things new investors need to learn before they start to make money with stocks on the TSX index is how to screen tickers for buy, hold, and sell signals. While it's all well and good to rely on broadsheet analyses, it's a good idea to have your own strategy for screening stocks.

Using the model I detailed briefly above, Barrick Gold came out with a hold signal, meaning that while it's not necessarily the [best gold mining stock](#) on the TSX index right now, it's definitely one to keep a hold of — or keep an eye on. With better profits, this would be a moderate to strong buy, but at present it's really only fit for momentum investing.

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