

Should You Buy Barrick Gold Corp. (TSX:ABX) Today?

Description

Gold has picked up a tailwind in recent trading and that has investors kicking the tires on some of the top stocks in the industry.

Let's take a look at **Barrick Gold** ([TSX:ABX](#)) (NYSE:ABX) to see if it deserves to be in your [portfolio](#).

Gold market

At the time of writing gold trades for US\$1,239 per ounce. That's the best price since July and pundits are wondering if it could be the start of a rally back to the 2018 high above US\$1,360.

The latest surge is attributed to an improved trade dialogue between China and the United States. The two countries had a positive meeting on the sidelines of the recent G20 summit in Argentina and have agreed to halt the implementation of additional tariffs.

The United States already has a 10% tariff imposed on roughly US\$200 billion in Chinese goods, and had threatened to increase the rate to 25%. The ceasefire is a sign that China and the U.S. might be going back to the negotiation table, and reports suggest the two sides are aiming for a deal in the next three months.

The result of the news is a drop in the value of the U.S. dollar against a basket of other currencies. This often pushes up the price of gold, which trades in the American currency, as it makes the precious metal cheaper for international buyers. A strengthening U.S. dollar is primarily responsible for the drop in the price of gold since the spring of 2018.

Rising interest rates in the United States can also impact the price of gold. As rates increase, the return investors can get from GICs and fixed income investments tend to rise, making non-yielding gold less attractive. The U.S. Federal Reserve recently indicated it might be less aggressive with its rate-hike program in 2019, and that could be supporting gold.

This month the Fed is expected to increase rates for the fourth time in 2018. For 2019, the original forecast was for three more increases, but analysts say that could be reduced to just one or two, based on the latest Fed comments.

Should you buy Barrick Gold?

Barrick Gold has worked hard to shore up the balance sheet in recent years, bringing debt down from US\$13 billion to US\$5.7 billion for the end of Q3 2018.

The recently approved merger with Randgold will create a global gold giant that owns five of the top 10 mines on the planet. In addition, the new Barrick will have the largest production at the lowest total cash cost among the big players in the sector.

Barrick generated US\$319 million in free cash flow in Q3 and just raised its dividend. The current [yield](#) is 1%.

You have to be a gold bull to own any of the miners, but investors who fall in that camp might want to add Barrick to their portfolios while the stock is still reasonably priced. Barrick's shares have gained 30% in the past two months and more upside could be on the way.

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

2025/09/11

Date Created

2018/12/04

Author

aswalker

default watermark

default watermark