

Gold Tops \$1,250: Time to Buy Barrick Gold Corp. (TSX:ABX) Stock?

Description

Gold continues to add to its recent gains and investors are wondering if this might be a good time to start adding gold stocks to their [portfolios](#) heading into 2019.

Let's take a look at the current situation and see if the industry's largest player, **Barrick Gold** ([TSX:ABX](#))(NYSE:ABX), deserves to be on your [buy list](#).

Gold rally

Gold traded for US\$1,360 per share in April, but a rally in the U.S. dollar against a basket of key foreign currencies through the summer sent the price of the yellow metal on a downward spiral, which eventually bottomed out in August around US\$1,170 per ounce. Since then, gold has staged a recovery and investors want to know if this is just the beginning of a new extended rally.

Weakness in equity markets in recent weeks has likely led to safe-haven demand as investors move cash into gold while they wait for the market volatility to subside. In addition, ongoing concerns around a potential U.S. trade war with China are keeping traders on their toes.

At the G20 meeting in Argentina, the U.S. and China agreed to halt the increase of punitive tariffs, but the recent arrest by Canada of a senior executive from a top Chinese technology company has the market wondering if the bad feelings will escalate. Canada detained Huawei's Chief financial Officer, Wanzhou Meng, on the request of U.S. authorities who want her extradited to face potential charges connected to suspected violations of Iran trade sanctions.

In addition, gold might be catching a bid on reduced expectations for rate increases by the U.S. Federal Reserve in 2019. Originally, the market had priced in three moves to the upside next year, but recent Fed comments suggest that might not be the case, and analysts are now looking for one or two hikes. Higher rates can be negative for gold as they increase the opportunity cost of owning the non-yielding precious metal.

Where we go from here is anyone's guess, but the trend appears positive for gold in the near term.

Should you buy Barrick Gold?

Barrick Gold is in the process of buying Randgold. The deal creates a global gold giant that controls five of the top 10 mines on the planet, as well as two more tier 1 development projects.

Barrick has worked hard to get its balance sheet in order in recent years, bringing debt down from US\$13 billion to less than US\$6 billion at the end of the most recent quarter. Net debt is just US\$4 billion.

The company has also streamlined its corporate structure and has made operations more efficient. Barrick now has one of the lowest cost structures among the industry's largest players.

Additional gains in the price of gold stand to generate significant free cash flow for Barrick, given its large production. The company recently raised the dividend, so management appears to be positive on the outlook.

The stock has enjoyed a nice bounce in recent weeks but still appears oversold. If you like gold over the long term, Barrick deserves to be on your radar today.

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