



Gold Tops US\$1,300: Should You Buy Barrick Gold Corp. (TSX:ABX) Stock?

Description

The price of gold surged above US\$1,300 per ounce last week, hitting a high not seen in seven months, and investors are wondering if the rally is just getting started.

Let's take a look at the current situation in the market and see if this might be a time to add one of the industry's largest players to your portfolio.

Sustainable recovery?

Gold bulls are finally seeing some relief after a seven-year downtrend that saw gold fall from the 2011 peak of US\$1,900 per ounce. Bullion actually bottomed out near US\$1,050 in late 2015 and has since traded in a US\$1,150-1,350 range.

The latest rally has picked up steam since the middle of November, adding nearly US\$100 per ounce.

What's going on?

Gold often attracts funds when investors and traders are concerned about destabilization in global financial markets. At this point in time, there are a number of issues that could tip the apple cart. Brexit is fast approaching, and the threat of a no-deal exit for the U.K. from the European Union is now considered a real possibility. The fallout from such an event could be ugly, and that uncertainty might be supporting gold demand.

The ongoing trade dispute between China and the United States is also cause for concern. China's growth is slowing, and that has investors wondering if further weakness could trigger a global economic slowdown.

All of this uncertainty means the U.S. Federal Reserve is more likely to slow down or even stop its rate-hike program. This should bode well for gold, as rising interest rates in the United States tend to make non-yielding gold less attractive. A halt in the process of interest rate increases could also put some downward pressure on the U.S. dollar, in which gold is priced.

A third theory is connected to Bitcoin. Pundits suggest the plunge in the value of the cryptocurrency has triggered a transition of funds to gold.

For the moment, the tailwinds supporting the recent gold rally appear to be strong, and a move back above the 2018 high of US\$1,360 could lead to an extended recovery through the rest of the year.

Should you buy **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD)?

The share prices of mining companies have found some support in the past few months, but there could be more upside on the way, especially if equity markets stabilize amid the ongoing turmoil in the geopolitical arena.

Barrick recently merged with Randgold, creating a global mining giant with five of the top 10 mines. Debt is down to a manageable level and the company is squarely focused on delivering growing free cash flow.

Consolidation is expected to continue in the gold sector, and that could eventually lead to a small number of major players controlling the bulk of the planet's production.

If you are a long-term gold bull, Barrick appears attractive today. The stock trades at just \$16 per share compared to the \$29 investors paid in the summer of 2016 when gold was US\$1,350 per ounce.

Other interesting opportunities are also emerging in the market right now.

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