



Should You Buy Barrick Gold (TSX:ABX) Stock as a Safety Play?

Description

The stock market is in an interesting place today.

Investors have enjoyed a significant rally in the first part of 2019, and despite all the recent turmoil and potential threats, the TSX Index and the major U.S. exchanges continue to sit near record levels.

Two things come to mind. Either the market simply doesn't believe the U.S. will extend the trade battle with China or go to war with Iran, or investors have simply become numb to all the negative headlines and might not be fully factoring in the potential or real risks to their portfolios today.

One signal of weakening fear is the recent downtrend in gold prices. The yellow metal had a nice rally from US\$1,200 in the middle of November to above US\$1,345 in February 2019. Since then, the price has drifted lower and currently sits below US\$1,280.

Gold often catches a bid when traders get nervous about the threat of a major geopolitical event or financial meltdown. At the moment, the drop in the precious metal appears to be a bit of a head scratcher.

Why?

The U.S. and China just hit each other with additional tariffs, and it is starting to look like a resolution to the trade war might not be coming in the near term. The longer the process drags out and the more punitive the tariffs become, there is a risk the global economy could take a hit.

On the geopolitical front, tensions between the United States and Iran are getting serious. Sanctions imposed by the United States are taking a toll on Iran and the U.S. is beefing up its military presence in the Middle East. Iran is backed into a corner and if the U.S. doesn't give it a reasonable way out of the conflict the country could resort to aggressive measures that would potentially set off a chain reaction in the region. Any military move by Iran or the U.S. could send gold soaring.

Should you buy gold stocks?

Barrick Gold ([TSX:ABX](#)) (NYSE:GOLD) might be an interesting pick right now if you are searching for a gold stock to play a potential surge in gold in the coming months. The company has cleaned up its balance sheet, and the merger with Randgold Resources created a global giant with five of the top 10 mines on the planet.

The stock appears somewhat oversold at the current price of \$16.50 per share. In the event gold catches a tailwind through the end of 2019 and into next year, it wouldn't be a surprise to see Barrick take a run at \$25. You have to be a gold bug to buy right now, and betting on conflict generally isn't a great investing strategy, but the upside potential might warrant a contrarian position today.

Global instability is, unfortunately, a valid concern right now. As such, it might make sense to add some gold exposure to your portfolio.

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