



Could Barrick Gold (TSX:ABX) Stock Double by 2020?

Description

Gold is catching a new tailwind that could push the price of the yellow metal above the early 2019 highs. If that happens, the gold miners appear cheap right now.

Let's take a look at the reasons behind the recent rebound in gold and try to determine if big players such as **Barrick Gold** ([TSX:ABX](#)) (NYSE:GOLD) deserve to be on your [buy list](#) today.

Gold price

Gold enjoyed a strong rally from US\$1,200 per ounce last November to US\$1,350 in February amid a run of fears connected to Brexit, trade wars, Middle East instability and concerns over an economic slowdown. Those issues have not gone away, but calming messages from Washington cooled off the run, and traders must have figured the market had gotten ahead of itself. Gold pulled back to about US\$1,270 in May before reversing course to the current price of about US\$1,320.

What's going on?

Trade negotiations between the United States and China are dragging out longer than some pundits anticipated and strong words between the two countries, as well as additional tariffs, are stoking renewed fears that the global economy could be tipped into a recession. Gold received another boost in recent days as the U.S. announced plans to implement new tariffs on Mexican goods.

The Mexico news is a surprise and could have significant negative economic implications. The U.S. says it will start tariffs at 5% and increase them each month up to 25% if Mexico doesn't stop the flow of migrants across the border. The U.S., Canada, and Mexico have a new free trade deal in place that has yet to be ratified, and concerns are now arising that the hard-fought agreement could be in jeopardy.

Money is flowing back into government bonds, driving down yields. At the same time, pundits are again speculating that the next move by the U.S. Federal Reserve will be a rate cut. This tends to be bullish for gold, as the lower rates reduce the opportunity cost of holding the precious metal, which doesn't

offer any yield.

Gold's status as a safe haven is also picking up momentum. Investors are concerned that equity markets could be in for a rough ride if the U.S. and China don't sort out their trade dispute. The Brexit situation also continues to linger in the background. In addition, geopolitical tension between the United States and Iran is heating up, and that risks escalating conflicts in the Middle East, where things are already tense.

Should you buy Barrick Gold?

In the past couple of years Barrick Gold has cleaned up its balance sheet, made its operations more efficient, and merged with Randgold Resources. The new company owns five of the top 10 mines on the planet and has expertise in key gold markets including North America, South America, and Africa.

The stock is up in recent days, from \$16 to about \$17 per share but is well off the 2016 high of \$29 when gold was about US\$1,360 per share. Long-term followers of the stock know it traded above \$50 in 2011 when gold hit US\$1,900.

Gold can be volatile, so I wouldn't back up the truck. However, Barrick and the other miners appear oversold today, and if gold is in the early innings of an extended recovery, [contrarian investors](#) could see some nice gains materialize in a relatively short time frame.

Things would have to get pretty crazy for gold to rally enough to drive a 100% gain in Barrick by the end of the year, but nothing should be ruled out in the current environment.

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