



A Key TSX Index Stock Hitting New 12-Month Highs

Description

Investors often search for stocks that have endured tough times but are showing signs of a sustainable recovery.

Let's take a look at **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) to see if it might be an interesting pick for your [portfolio](#) today.

Gold recovery

Gold bugs are enjoying a long-awaited rally in the price of the yellow metal, and some pundits say the recovery is just beginning.

Gold tends to find support when interest rates are falling. The U.S. Federal Reserve was expected to continue on the path to higher rates this year, but economic uncertainty created by the ongoing trade dispute between the U.S. and China has forced the central bank to put rate hikes on hold. Now, the market is anticipating a rate cut as early as the end of this month.

If the Fed decides to cut rates a number of times over the course of the next year, as some analysts now expect, gold should move higher.

At the same time, safe-haven buying is on the rise, as the China-US trade battle is stoking fears of a global recession. Brexit uncertainty and increased tensions between the United States and Iran are also motivating investors to seek out a safe place to park their cash.

What about Barrick Gold?

Barrick Gold has gone from being considered a bankruptcy candidate to a rising star in a rejuvenated gold sector.

The company launched an aggressive turnaround program a few years ago that saw Barrick reduce

debt from US\$13 billion to US\$5 billion. Management also overhauled the company structure, cutting jobs and improving operations with a focus on driving free cash flow rather than getting big regardless of the profitability of the project.

With the balance sheet cleaned up, Barrick merged with Randgold Resources in early 2019 to create a global mining giant with five of the planet's top ten mines. The streamlining process continues as Barrick identifies non-core assets to monetize amid an ongoing focus on its highest-return properties.

Barrick raised the [dividend](#) last year, and more gains should be on the way. The rise in the price of gold from US\$1,200 per ounce last November to the current price above US\$1,400 gives Barrick the potential to generate strong free cash flow.

The stock is up more than 50% from the 2018 low, but at \$21.50, it's still well below the \$29 it traded for in 2016 when gold was at US\$1,360.

If you have some cash sitting on the sidelines and are of the opinion that gold could move significantly higher, Barrick might be an interesting addition to the portfolio. The stock has strong upward momentum right now and still appears undervalued.

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