



Could Barrick Gold (TSX:ABX) Stock Hit \$50 in 2020?

Description

The price of gold recently topped US\$1,500 per ounce for the first time in six years.

That has put a tailwind behind the gold miners, including **Barrick Gold** ([TSX:ABX](#)) (NYSE:GOLD), which has enjoyed a 50% increase from \$16 to \$24 per share in the past two months.

Gold's surge from roughly US\$1,200 last fall to this level has caught many analysts by surprise, and investors are trying to decide whether the [gold rally](#) is topping out or just getting started.

Trade tensions

The trade battle between the United States and China shows no indication of being resolved soon. Every time it appears the two sides are starting to make progress, things appear to fall apart and new punitive measures are implemented.

The U.S. recently said it will put a 10% tariff on US\$300 billion additional Chinese goods. China responded by halting the purchase of agriculture products from the States.

The battle is hurting businesses on both sides. China's economic growth is at its slowest pace in nearly 30 years, and pundits are increasingly betting on a recession in the United States.

The U.S. Federal Reserve just cut interest rates for the first time in a decade, so there is obviously some concern about the economic outlook.

All this might not be good for other parts of your [portfolio](#), but gold is catching a bid as a result.

Falling interest rates and plunging bond yields are making gold's no-yield status more palatable. In fact, a full US\$15 trillion in global government bonds now sports negative yield.

That makes gold pretty attractive as a competitor for funds seeking a safe haven, while the geopolitical uncertainty threatens the financial markets.

Brexit

A no-deal Brexit could be the straw that breaks the camel's back. The U.K. is scheduled to leave the European Union by October 31. The country recently put a new prime minister in place, and his tough talk on the situation is making traders and investors nervous.

Time is running out, and the closer we get to the deadline without a deal, the more likely it is that fund managers will start to panic. This could result in a rush of funds into gold, thus driving the price much higher.

In fact, a spike to the 2011 high around US\$1,900 wouldn't be a surprise.

Is Barrick Gold headed to \$50?

Barrick still appears oversold at the current price. The company has cleaned up its balance sheet and the merger with Randgold Resources created a global giant with half of the world's top 10 mines and annual gold production of more than five million ounces.

In the Q2 2019 earnings report, the company said its average realized sale price was just above US\$1,300 per ounce. All-in sustaining costs came in at US\$869 per ounce, and free cash flow was US\$55 million.

If gold surges toward the 2011 high, Barrick could easily rally to \$50 per share next year.

Risk

Gold can be volatile, and investors shouldn't rule out the possibility that the U.K. sorts out a reasonable Brexit deal before the deadline. The U.S. will also try to settle its trade battle with China before the 2020 election.

Those events would trigger some profit taking in the gold market, and the miners would likely pull back.

Should you buy?

Overall, however, the coming months could see more financial chaos and Barrick might be a good hedge for your portfolio heading into next year.

Even if gold manages to average US\$1,500 over the next 12 months, Barrick should generate significant free cash flow, which would support upside in the stock.

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