



Barrick Gold (TSX:ABX): Could the Stock Soar 50% in 2020?

Description

The price of gold continues to hold the bulk of its 2019 gains, and that has investors wondering if [gold stocks](#) might be headed for more upside as we head into 2020.

Barrick Gold (TSX:ABX)(NYSE:GOLD), for example, has rallied 50% since late May. That's well ahead of the roughly 17% gain for the price of gold over the same timeframe. The miners generally have more upside torque when gold rallies, and the longer the boost in margins remains, the more likely it is that traders will be comfortable giving the majors a stronger valuation.

Let's take a look at the key drivers of the gold rally in the global market to see if the momentum could carry through next year.

Safe haven

Gold often finds favour as a safe-haven asset when investors are concerned that geopolitical or financial shocks could turn global equity markets on their heads.

A quick peek at the headlines in the business media provides ample support for searching out a safe place to hide right now.

The big issue through much of 2019 has been the ongoing trade battle between China and the United States. The two economic powers have imposed punitive tariffs that are putting pressure on their economies, and the spillover effect is threatening to push the rest of the planet into an economic downturn.

Each time a headline comes out that says the two sides are going to restart talks or might be willing to do a partial deal, gold slips, but the market is becoming less convinced that the two sides can hammer out an agreement ahead of the 2020 election in the United States.

Politics are starting to get in the way, and that could be supportive of gold.

The NBA just found out that China doesn't appreciate foreign businesses taking sides on its internal politics. A single tweet from the GM of the Houston Rockets indicating support for Hong Kong's protesters has erupted into a major problem for the league, which counts China as an important market. The broader implications of China's move to ban the sale of the team's merchandise and block the streaming of the league's preseason games could impact the trade negotiations as U.S. politicians get involved.

In Europe, the Brexit deadline is fast approaching, and chaos in the U.K. government doesn't bode well for the possibility of the U.K. striking a reasonable divorce deal with the European Union. The closer we get to the end of October without a deal in place, the more likely markets will become nervous, and that should support gold demand.

Another Brexit extension is probably on the way, but that just means the uncertainty will continue.

On a longer-term outlook, the global trend in the bond markets toward negative yield should be supportive for gold. A number of reports say at least 25% of global government bonds trade with negative yields. That makes no-yield gold more attractive for big funds that would normally hold large chunks of government debt.

Japan and a number of European countries are in this situation, and analysts are suggesting the U.S. could eventually join the negative-yield crowd.

Should you buy Barrick Gold?

Barrick Gold merged with Randgold Resources in the past year to create a global gold mining giant with half of the top 10 mines on the planet. The management team worked hard to significantly reduce debt before the merger and a focus on streamlining operations and investing in projects that meet strict return targets is delivering results.

Barrick raised the [dividend](#) last year and has the potential to generate significant free cash flow if gold extends the gains through 2020, and beyond. The market might not be appreciating the opportunity yet, but once traders catch on, Barrick could pick up another strong tailwind.

The stock trades at \$24 and a move to \$36 or even higher by the end of 2020 wouldn't be a surprise if gold extends its rally.

If you are a gold bull, Barrick Gold appears attractive right now.

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