



Should Barrick Gold (TSX:ABX) or CIBC (TSX:CM) Stock Be on Your 2020 Buy List?

Description

Investors are searching for top stock picks to add to their [TFSA](#) and RRSP portfolios in the coming year.

The number of deals available in the market has dwindled in 2019 amid a sharp rise in stock prices across many segments. That said, there are still opportunities that could produce strong gains in 2020 and beyond.

Let's take a look at **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) and **CIBC** ([TSX:CM](#))([NYSE:CM](#)) to see if one deserves to be on your [buy list](#) right now.

Barrick Gold

Barrick Gold has come a long way in its restructuring efforts after the mining giant faced a potential solvency crisis a few years ago.

The company had binged on expensive buyouts over several years using debt to fund the acquisitions. As commodity prices crashed, Barrick found itself carrying US\$13 billion in debt and saw its stock price fall from \$54 per share in 2011 to below \$9 just four years later.

Since then, Barrick has monetized non-core assets and streamlined its corporate structure. The balance sheet is once again in good shape, with net debt at the end of Q3 2019 sitting at just US\$3.2 billion.

A wave of consolidation in the gold sector is underway and the end result could be a handful of super-miners that control the bulk of the globe's gold resources. Barrick Gold merged with Randgold Resources at the beginning of 2019 to create a powerful firm with assets in key gold regions around the planet and five of the top 10 gold mines in the world.

Barrick recently raised its dividend by 25%, citing strong cash reserves and improved gold prices. The

yellow metal surged from US\$1,250 per ounce a year ago to above US\$1,550 in early September. Investors have booked some profits in the past three months, but gold still trades at US\$1,480 at writing.

Barrick Gold's share price has recovered some of the multi-year losses. However, more upside should be on the way once the market realizes that the company is in much better shape than it was just a few years ago. Investors can pick up the shares today for about \$22.50.

A number of financial and geopolitical threats could trigger a new gold rally in 2020. If that turns out to be the case, this stock should move steadily higher.

CIBC

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)) just reported weaker fiscal Q4 2019 numbers than the market had anticipated. The stock is down as a result, and investors are trying to figure out what lies ahead for Canada's fifth-largest bank.

CIBC has done a good job of diversifying its revenue stream in the last two years through more than US\$5 billion in acquisitions in the United States.

The American operations are performing well and now account for 17% of adjusted earnings. Additional deals could be on the way south of the border to boost the U.S. presence.

At home, heavy debt loads carried by homeowners and businesses could be triggering increased defaults. Provisions for credit losses in the Canadian personal and commercial banking segment increased from \$191 million in Q4 2018 to \$255 million in the latest quarter, resulting in a drop in adjusted earnings in the segment to \$603 million from \$669 million in the same period last year.

Investors will want to watch the next few quarterly results to see whether the increase in provisions become a trend.

The stock now trades at less than 10 times trailing 12-month earnings. More downside could be on the way in the near term, but investors with a buy-and-hold strategy might want to start nibbling. At the current price, you get paid a solid 5.3% yield to wait for better days.

CIBC raised the dividend twice in 2019, so the board appears comfortable with the revenue and earnings outlook.

Is one a better bet?

Barrick Gold and CIBC both appear oversold today and could deliver big upside on improved sentiment.

Gold bulls might want to consider adding Barrick to their portfolios while the market is taking a break. Contrarian investors who are seeking out quality income stocks should put CIBC on their radars.

I would probably split a new investment between the two stocks right now.

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