# TFSA Pension Investors: A Top Canadian Stock That Could Soar in 2020

### Description

The start of 2020 is giving investors an indication of what might be the top-performing sectors for the year.

Gold, in particular, is coming back on the radar and increasingly finding its way into the business headlines. Let's take a look at one stock that might be an interesting addition for a TFSA pension portfolio right now.



## Barrick Gold

**Barrick Gold** (TSX:ABX)(NYSE:GOLD) trades at $24 per share. That's above the 12-month low near $15, but the stock could be setting up for a big move in the coming months.

Why?

The price of gold has surged by more than US$100 per ounce since late November to a six-year high above US$$1,570. Gold bulls are feeling positive about the potential for the rally to run much longer, especially after the move comes on the heels of a mild pullback following the huge run that occurred through the summer of 2019.

Gold jumped from US$1,300 at the end of May to US$1,560 in early September then drifted back to US$1,450 before it picked up the latest tailwind.

The recent surge comes as a result of safe-haven buying amid growing geopolitical tensions in the Middle East. The killing of one of Iran's top generals by the United States in Iraq has global investors concerned that a larger military conflict could erupt in the region.

Any major disruption of oil transport through the Strait of Hormuz, which borders Iran, could send oil prices soaring and risks pushing the global economy into recession. This would likely drive another wave of gold buying.

The ongoing trade dispute between the United States and China is already threatening economic stability, and the announcement of a phase-one agreement between the two countries should have been negative for the price of gold. Instead, gold has moved higher, indicating the markets are not impressed with the partial agreement or think the damage has already been done.

In an effort to prop up their local economies, countries around the world are cutting interest rates. This could spiral into a global race to devalue currencies, which would also be positive for gold.

Barrick Gold stands to generate significant free cash flow if gold remains at current levels or drifts higher through 2020. At the current price, the stock appears undervalued, given the potential upside for revenue and profits.

Investors could see a solid dividend hike this year, and Barrick might ramp up stock buybacks. As the market becomes more confident the gold rally has legs, it wouldn't be a surprise to see Barrick Gold top $30 per share by the end of the year.

## Risks

Gold can be volatile, and safe-haven buying as a result of geopolitical shocks often peters out once the market calms down and the worst-case scenario doesn't occur.



A truce announcement between the United States and Iran would reduce investor fears and likely lead to gold selling. Additional progress on the trade dispute between the United States and China could also be a headwind.

For the moment, however, those situations do not appear likely in the coming months. In addition, the broader trend of lower interest rates and falling bond yields is probably a more powerful force in favour of higher gold prices.

## Should you buy Barrick Gold?

The stock traded above $50 per share in 2011 when gold was US$1,900 per ounce, so there is significant upside potential in the event gold really takes off.

If you are a long-term gold bull, it might be worthwhile to add a bit of Barrick Gold to your TFSA pension portfolio today.

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