



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

Description

The share price of **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) is close to its 12-month high. As gold remains in demand, investors are wondering if the stock could soar through the end of the year.

It is already a rare success story in the 2020 [market crash](#).

Gold rally

Gold is back above US\$1,600 per ounce. The precious metal was at a multi-year high in February above US\$1,670 before profit takers drove the price back below US\$1,500. The price continues to be volatile, moving significantly from one day to the next on major economic news connected to the coronavirus outbreak.

Investors widely view gold as a safe-haven asset in times of economic uncertainty. The rally actually began in June last year when traders started to add gold positions as protection against the trade battle between the United States and China. Gold surged from US\$1,300 in late May 2019 to US\$1,560 in September. It then consolidated the gains through the fourth quarter, as progress was made on the trade negotiations.

Interestingly, the announcement and subsequent signing of the phase-one deal between the two countries didn't hit gold. In fact, the price of the yellow metal rose.

In 2020, the coronavirus outbreak is driving new gold demand. The virus is now global, and countries are struggling to deal with the rapid rise in cases. Businesses are laying off staff at record levels, and major stock markets are down as much as 30% from February highs.

Analysts expect a strong economic rebound to occur once the pandemic subsides, but gold demand could continue to rise.

Bond markets

Government bonds compete with gold for investor funds. The higher the yield on treasuries, the larger the opportunity cost of owning no-yield gold.

Steep rate cuts in the United States in 2020 have combined with demand for safe government debt to push the yield on 10-year treasuries down from 1.6% in February to 0.6% at the time of writing. The yield was close to 2.6% in April last year.

The lower the yields fall, the stronger the case for owning gold.

Rate hikes are not likely in the next two or even three years, and some pundits suggest U.S. bond yields could go negative. Trillions of dollars of global government debt already trades at negative yields.

Could Barrick Gold hit \$50?

The price of gold could take a run at the 2011 high above US\$1,900 per ounce before the end of the year. If that happens, Barrick Gold and its peers could see a strong surge in their share prices.

Barrick Gold has average annual production guidance of about five million ounces over the medium term. That means a sustained US\$300 per ounce jump in the gold price adds an extra US\$1.5 billion in annualized cash flow.

Barrick Gold could easily finish 2020 with zero net debt. That would be quite a milestone. A few years ago, the company struggled under a US\$13 billion debt load.

The company already has low all-in-sustaining costs and the plunge in oil prices should help lower production expenses. If gold maintains or extends its gains from last spring, Barrick Gold could become a free cash flow machine. The board raised the [dividend](#) by 40% for 2020. More hikes should be on the way.

Volatility should be expected, but the upward momentum in the gold market probably has legs.

Barrick trades near \$28.50 at the time of writing. A move to \$50 might be possible by the end of the year on another big move in the price of gold.

I suspect the more likely case would be a slow grind to that level by the end of 2021.

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