



Should You Buy Barrick Gold (TSX:ABX)?

Description

Precious metal stocks can be great, albeit volatile investments to add to your portfolio. As a store of wealth, precious metals such as [gold](#) tend to rise along with market volatility. It's no surprise then that gold is now trading at over US\$1,850 per ounce. Gold now trades near the US\$1,900-per-ounce level that it was a decade ago, when a deep-multi-year crash began. That crash left gold priced at sub-US\$1,200 per ounce, and traditional miners such as **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) scrambling to slash costs. Fortunately, that's not the case anymore. In fact, there are several compelling reasons to now buy Barrick.

A store of wealth?

Contrary to what critics may say, precious metals remain a solid buy during times of uncertainty. The COVID-19 pandemic is the most uncertain event in recent memory, which has unraveled almost every norm of our daily lives. So, what does this mean for investors contemplating whether to buy Barrick?

In short, markets remain highly volatile, which, by extension, fuels investments into tangible stores of wealth like gold. Furthermore, efforts by the government to offset that volatility such as the Canada Emergency Relief Benefit (CERB) where short-lived stop-gap measures at best. As these programs continue to wind down, market volatility will only increase drawing more investors towards gold.

That insatiable demand for gold has helped push the price of the yellow metal to new highs this year. With Barrick already running one of the most efficient operations in the sector (more on that in a moment), this translates into higher profits.

Further proof of this can be found in Barrick's [meteoric rise](#) this year (over 70%) compared with the more subtle movement by the entire market (still in the red by 5%).

In other words, prospective investors should buy Barrick now to realize continued gains.

What about results?

Barrick will announce second-quarter results for fiscal 2020 on August 10. The company did, however, provide some preliminary numbers earlier this month, which are of interest. Specifically, Barrick reported 1.15 million ounces of gold produced in the quarter, as well as 120 million pounds of copper. Over the course of the full fiscal year, this places Barrick's mid-year production at 2.4 million ounces, which falls in line with the 4.6 million to five million guidance previously offered.

Barrick also noted that the impact of COVID-19 was felt in some facilities that were forced into quarantine, such as the Veladero mine in Argentina. Investors can expect some of this drop to be offset by higher prices, and in the second quarter, Barrick sold 1.15 million ounces of gold and 123 million pounds of copper. The average price over the quarter was US\$1,711 per ounce of gold, and US\$.43 per pound of copper.

Should you buy Barrick?

Apart from the overall appeal of investing in precious metals during times of volatility, Barrick is a stellar investment option. The company has a large and well-diversified portfolio of operations in 13 countries on four continents. Furthermore, Barrick's all-in sustaining costs, which is a consistent measure of the cost of mining, is consistently better than its peers.

Finally, Barrick's successful efforts over the past years to reduce its massive debt have made the entire business more profitable.

In other words, buy Barrick now and watch it grow.

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