



Barrick Gold (TSX:ABX) Stock Is at an 8-Year High: What Should You Do?

Description

Apart from tech stocks, gold miners have notably outperformed Canadian broader markets this year. Higher gold prices have boosted gold miner **TSX** stocks by more than 50% so far in 2020.

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD), the second-biggest gold miner globally, has been on a solid uptrend recently and has soared approximately 70% this year. It hit an eight-year high on July 27 and closed at \$40.

Barrick Gold stock is at an eight-year high

Gold prices have been rallying from mid-2019 and have been uplifting gold miners' earnings. Barrick Gold's profits have more than doubled year over year in the last 12 months.

It will report its [second-quarter earnings](#) on August 10. For the quarter, Barrick Gold is expected to report revenues of \$2.9 billion, almost 40% higher compared to the same period last year, based on analyst estimates. Its net income is estimated to grow to \$333 million, more than double year over year.

Interestingly, the recent uptrend in Barrick Gold stock could continue in the short term, driven by its higher earnings expectations and rallying yellow metal prices.

Apart from Barrick Gold's earnings, its net debt will be important to watch. The company has been selling its relatively inefficient assets to trim down the total debt. At the end of the first quarter of 2020, the company had total debt of \$5.1 billion, down from \$7.8 billion in 2016.

Barrick Gold intends to produce 4.6 to five million ounces of gold in 2020. It has lowered its production target for the year due to its output sharing disputes with Papua New Guinea government. An outlook on the matter will also be vital for investors.

Gold price outlook

But how long will the gold rally last? Brokerages are painting a rosy picture for the traditional safe haven. And, more importantly, the trend will likely continue at least this year, given the favourable macroeconomic developments. Slowing global growth due to the pandemic coupled with lower interest rates has already been a major driver for gold.

Another major reason behind the recent rise is increasing geopolitical tensions between China and the United States. Despite the phase one trade deal, a complete trade resolution between the two largest economies will likely take time.

The U.S. presidential elections later this year will drive equity markets' volatility, again forcing global investors towards a traditional safe haven. This could ultimately bode well for gold miners' earnings and will drive their stock prices higher.

Valuation and debt

However, Barrick Gold stock looks significantly expensive after this year's rally. It is trading close to 50 times its 2020 earnings estimates, much higher than peers and its average historical valuation.

Notably, the stock has risen 70%, while the gold has soared almost 20% year to date. However, aggressive investors could still see it as an attractive bet, given its [superior earnings growth prospects](#).

Barrick Gold's operational efficiency and unique set of assets make it stand tall among peers. An optimistic outlook for gold underlines its strong growth potential. Notably, its balance sheet getting lighter is another comforting sign for long-term investors. However, its valuation might bother conservative investors. They might wait for a pullback or consider buying in multiple tranches.

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Author

vinitkularni20

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