



## Barrick Gold Stock: Is it Too Cheap to Ignore?

### Description

**Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) tanked in the past week due to a strong pullback in the price of gold. Investors with an eye for [value](#) wonder if this might be the right time to add Barrick Gold stock to their portfolios.

### Gold outlook

At the time of writing, gold trades near US\$1,800 per ounce. That's the lowest since July and down from a high of US\$2,080 in August. Gold started the year near US\$1,550 per ounce, so it is still up considerably for 2020.

Recent positive COVID vaccine news contributed to the latest drop in the price of gold. Clarity on the results of the U.S. election also played a role.

#### Why?

Investors have shifted funds out of safe-haven assets and into oversold stocks, dumping gold and gold producers along the way.

Safe-haven demand is certainly one part of the gold story. However, interest rates and the U.S. dollar arguably play a larger role in the long-term price of the yellow metal. On this front, things look positive for gold.

Governments around the world cut rates this year to help support their economies during the pandemic. Central banks in most developed countries don't intend to raise rates in the medium term. This puts added pressure on bond yields. In parts of the world, bonds yields have actually gone negative, and that trend could continue.

The trend should be positive for gold, which normally rises when rates and yields fall. Gold doesn't offer any yield, but zero yield looks pretty good when the alternative is to pay the government to borrow your money.

Regarding the dollar, many analysts expect the greenback to weaken against a basket of key currencies over the next year. Gold is priced in U.S. dollars, so a lower value often supports a higher gold price. A recent report suggested the U.S. dollar could [drop 20%](#) in the coming 12 months. If that turns out to be the case, gold could rally.

## Bitcoin effect on gold

The drop in the price of gold might also be related to the recent rise in the value of digital currencies. Bitcoin is up nearly 45% since early November. Some pundits say money is flowing out of gold to the sector.

This could be the case and is worth considering when evaluating gold stocks. The same correlation occurred in late 2017. If the Bitcoin bubble pops again, gold should benefit.

## Should you buy Barrick Gold stock now?

The company reported strong Q3 2020 results. Operating cash flow rose 80% to US\$1.9 billion and free cash flow hit US\$1.3 billion in the quarter, up 151% compared to Q2. Barrick's net debt at the end of September was just US\$417 million. The company raised the [dividend](#) for the third time in the past year, hiking the payout by 12.5%.

Production for 2020 remains on track to be 4.6 to five million ounces. All-in sustaining costs came in at US\$966 per ounce, down from US\$984 per ounce in the same quarter last year. At the current gold price, Barrick remains a cash flow machine.

Additional gold volatility could occur in the near term, but the case for higher gold prices through 2021 should be strong. Barrick trades near \$29.50 per share compared to \$38.5 in early November. The stock appears cheap right now given the strong cash flow outlook.

If you have a positive outlook on the price of gold, Barrick deserves to be on your radar today.

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