



Is Barrick Gold Stock Now Oversold?

Description

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) is now trading near a six-month low. Investors who missed the big gold rally in 2020 are wondering if this is the right time to add Barrick Gold stock to their portfolios.

Barrick Gold earnings results

The company reported strong [Q3 2020 results](#) that showed the powerful impact the increase in gold prices can have on the gold miner's cash flow.

Barrick generated revenue of US\$3.54 billion compared to US\$2.68 billion in Q3 2019. Adjusted earnings came in at US\$726 million versus US\$264 million, and adjusted earnings per share jumped to \$0.50 from \$0.15.

Free cash flow hit US\$1.3 billion in the quarter ended September 30 compared to US\$502 million in the same period last year.

Barrick made great progress on its debt-reduction plan over the past five years. The mining giant was nearly crushed by US\$13 billion in debt before it began the turnaround efforts. At the end of Q3, the company had debt, net of its cash position, of just US\$417 million.

It's quite likely net debt will be zero by the end of the year.

Gold outlook

At the time of writing, gold trades near US\$1,800 per ounce. That's down from the 2020 high near US\$2,080, but still up roughly 20% on the year. The recent pullback is attributed to positive COVID vaccine news.

Safe-haven investors are shifting some funds out of gold and back into equity markets. That trend will likely continue, but there are other strong tailwinds to move gold prices higher in the next few years.

The weak outlook for interest rates and falling bond yields is a main driver of support for gold. Big institutional investors normally park significant funds in government debt. In several European countries, as well as Japan, government bond yields are now negative, making no-yield gold look pretty good.

Some pundits expect the U.S. to eventually join the negative-yield club. In that scenario, gold bulls should do well.

A falling U.S. dollar is another reason to anticipate higher gold prices. The yellow metal is priced in American dollars, so any weakness in the value of the U.S. currency tends to support higher gold prices. One recent analyst report called for the U.S. dollar to drop 20% in the next 12 months.

Copper impact on Barrick Gold stock

Barrick is best known as a gold miner, but the company is also a large [copper producer](#). Copper prices recently hit a multi-year high above US\$3.45 per pound. That compares with US\$2.10 near the low in March.

As governments around the globe unleash massive fiscal spending programs in the next two years, copper demand and prices should remain strong.

Should you buy Barrick Gold stock now?

At the time of writing, Barrick Gold trades near \$30 per share. It topped \$40 earlier this year and could easily take another run at that level before the end of 2021.

The board just raised the [dividend](#) by 12.5%. Additional hikes should be expected given the strong profitability of the company, and the outlook for steady free cash flow generation.

Near-term volatility is expected in the gold market, but gold bulls might want to start adding Barrick Gold to their portfolios at these levels. The conditions are in place to drive gold higher over the next two years. A move back above US\$2,000 in early 2021 wouldn't be a surprise and some analysts see US\$2,500 on the horizon.

If they are correct, Barrick Gold looks oversold right now.

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