



## Barrick Gold (TSX:ABX): Is it a Deep-Value Stock Right Now?

### Description

Stock markets made a rapid and miraculous recovery from their oversold territory after the pandemic caused a substantial decline across the board. As stocks continue to soar with a little bit of volatility here and there, many [value-seeking investors](#) might feel that they have exhausted bargain deals on the stock market.

**Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) could be an undervalued stock for savvy investors to consider adding to their investment portfolios. I will discuss the gold stock and whether it could be a deep-value stock.

### Why Barrick Gold could be a value pick right now

Barrick Gold is trading around the \$25-per-share mark at writing compared to almost \$40 per share in the summer of 2020. The company's share prices declining coincided with a drop in gold prices from the US\$2,000 region last summer to the recent \$1,700 region.

Dropping gold prices correlated with the plunge in bond prices and increased treasury yields in the last few months.

The U.S. 10-year treasury bond had yields close to 0.5% early in August — right around the time gold prices hit their peak in 2020. Bond prices have fallen significantly since then, and the yield for the same bond has gone up to around 1.7%.

Higher treasury bond yields could attract investors who might prefer investing in the bonds instead of gold because the commodity does not offer any yield. Lower bond prices and rising yields mean that the opportunity cost of owning gold increases. The bond sell-off is taking place amid speculation that inflation could rise faster than expected.

The U.S. Federal Reserve has said that it does not plan to raise interest rates earlier than 2023, but it might be forced to make a move earlier than anticipated. Gold bulls believe that bonds are in oversold territory. It means that the bond yields could drop as bond prices recover amid inflation.

Rising inflation could be favourable for gold prices and gold producers like Barrick Gold. The rare yellow metal has historically been favoured as a hedge against inflation, and it could play that role again.

## The risk with investing in the gold stock

One development in recent times could pose a risk for gold. Cryptocurrencies are rising again, and it is theorized that [Bitcoin and its peers are more popular than gold](#) with younger investors. As institutional investors and large companies announce stakes in Bitcoin, gold could lose its popularity as a safe-haven asset. This could mean that gold prices could sink even further.

## Foolish takeaway

It remains to be seen whether the cryptocurrency buzz is a fad or if it is going to stick around permanently. Barrick Gold enjoyed a strong year, finishing 2020 with zero net debt. The gold and copper producer sports strong margins at current gold prices and is becoming an attractive dividend stock.

Barrick Gold is one of the top gold producers worldwide, and growing copper prices could provide a boost to its cash flows. If you have some cash sitting on the sidelines, it could be a good time to add the gold stock to your portfolio, but I would not call it a “deep value stock.”

### CATEGORY

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

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2. TSX:ABX (Barrick Mining)

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