



Gold Rally: Is Barrick Gold Stock a Buy Now?

Description

A new tailwind behind the price of gold has investors wondering if this is the right time to buy the miners. Should **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) stock be on your buy list today?

Gold price recovery

Gold just hit its highest level since February. The move from below US\$1,700 per ounce in March to above US\$1,800 has gold bugs wondering if the 2020 high around US\$2,080 could get taken out by the end of the year.

Recent momentum is due to a pullback in yields on 10-year U.S. treasuries. A bond selloff that started in August last year appears to be under control. Yields rose from 0.51% in August to 1.75% in March. At the time of writing, the 10-year yield is down to 1.56%.

Lower treasury yields often benefit gold, as they reduce the opportunity cost of owning the no-yield yellow metal.

A falling dollar index is also providing a tailwind. Gold is priced in U.S. dollars, so a dip in the value of the U.S. dollar against a basket of key international currencies often gives gold a boost. The [dollar index](#) is down from 93 at the end of March to 91.

Inflation threats could also be at play. Gold is often touted as a good holding to protect buying power, although the merits of the theory are regularly debated.

Finally, pundits speculate that the rally in cryptocurrencies contributed to the gold rout. Investors who pulled funds out of gold to ride the Bitcoin rally might be booking profits and going back to gold. In the event we see a crypto crash in the coming months, the gold bid could pick up steam.

Is Barrick Gold stock a buy?

Barrick Gold just reported strong [Q1 2021 results](#). The miner generated free cash flow of US\$800 million in the quarter. Operating revenue was US\$1.3 billion and net cash rose by US\$500 million.

Barrick Gold started the year with zero net debt, putting it in a good position to return excess funds to investors. The board announced a US\$0.09-per-share quarterly dividend and intends to return US\$750 million in capital through special payments in 2021. That works out to an extra US\$0.42 per share. Combined, the two payouts represent an annualized yield of about 3.4%.

Barrick Gold operates five of the planet's top 10 gold mines and is progressing development on its Turquoise Ridge project, which will add another to the tier-one list.

Barrick Gold is also a large copper producer. The price of copper is now at an eight-year high and could continue to rise, as demand soars for renewable energy projects. Wind turbines, solar panels, and electric vehicles all require significant copper inputs.

Barrick Gold trades near \$28.50 per share compared to \$40 in early August last year. The company's balance sheet is in great shape, and the business generates truckloads of free cash flow at current gold prices. In the event the gold rally extends through the summer, Barrick Gold stock looks [undervalued](#) today and could surge to top the 2020 peak.

Volatility should be expected, but gold bulls might want to add a bit of Barrick Gold to their portfolios at this level.

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aswalker

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