



## Barrick Gold Stock: How High Could it Go?

### Description

**Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) picked up a nice tailwind in the past two months. Investors who missed the bounce want to know if this is the beginning of a new extended rally for the stock.

### Bond market and gold price

Gold fell from US\$2,080 last August to below US\$1,700 in early March. That proved to be the recent bottom, and gold is now at a three-month high near US\$1,850 per ounce.

Analysts point to the U.S. treasury market as key reason for gold's surge last summer and subsequent sell-off. The 10-year treasury went as low as 0.051% amid a frenzy in bond buying during the first few months of the pandemic. Bond yields move in the opposite direction of bond prices. When yields tumble, gold tends to find favour. The reduced yield narrows the opportunity cost of holding gold, which doesn't pay any interest or dividends.

Between August 4, 2020, and March 31, 2021, the 10-year yield rose to 1.75%. A quick look at the price of gold shows a steady decline that generally followed the pullback in the bond market. At the time of writing, the 10-year yield is around 1.64%. A jump in the treasury yield towards 2% could put new pressure on gold, while a drop back towards 1% should be positive for gold prices.

### Bitcoin and gold

The crypto market is another factor to consider. Bitcoin and other cryptocurrencies soared in the first part of 2021. Pundits speculate that money moved out of gold to bet on the Bitcoin rally. The extent of the impact is unknown, but the recent plunge in the crypto market might be adding fuel to the gold rebound as traders book Bitcoin profits and shift funds back to the yellow metal.

If cryptocurrencies crash in the next few months, gold could soar.

## Is Barrick Gold a cheap stock?

Barrick Gold trades near \$29 per share at the time of writing. The stock price hit \$40 at its 2020 peak and dipped below \$24 in late February. The company's balance sheet is in great shape. Barrick Gold finished 2020 with zero net debt. With significant excess cash to deploy the board announced a special US\$750 million return of capital for shareholders. That's about US\$0.42 per share that will be paid out this year on top of the US\$0.36 annualized dividend.

Barrick Gold owns five of the top 10 gold mines on the planet and is developing another that will join the group. In the [Q1 2021 report](#) Barrick said it is on track to hit productions goals for the year. The company is also working on a number of [ESG initiatives](#).

All-in sustaining costs were US\$1,018 per ounce in the first quarter. Assuming gold remains near current levels, Barrick Gold stands to generate significant profits in 2021.

The company is also getting a boost from its copper operations. Barrick Gold isn't widely known as a copper play, but the market might be missing the upside potential on the copper recovery. The base metal recently hit US\$4.75 per pound compared to US\$2 per pound at the lows in 2020.

Barrick Gold has the potential to be a free cash flow machine, and investors are already reaping the benefits through higher payouts. If you think the price of gold will hold its current level or move higher over the next couple of years, Barrick Gold stock appears undervalued today.

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