



Barrick Gold Stock Is a Screaming Buy Amid Higher Inflation

Description

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) stock has been in the doghouse of late, with the stock plunging in conjunction with the price of gold.

Undoubtedly, the popularity of cryptocurrencies, known by some as millennial gold, has taken a big bite out of the demand for precious metals. While Bitcoin, Dogecoin, and the like may exhibit traits of alternative assets like gold, I'd argue that given their limited history, it's a bad idea to replace even a sliver of your gold exposure with a wildly volatile speculative asset that could fold at any time.

Moreover, few alternative investments stack up to gold as far as low degrees of correlation are concerned. While cryptocurrencies tend to trade in their own world when the equity markets are normal, it's worth noting that Bitcoin and the broader basket of digital token tend to tank hand in hand with equities when fear really strikes the hearts of investors.

Bitcoin doesn't live up to the gold standard

Gold, however, tends to hold its own far better than most other lowly correlated assets in times of crisis. In the end, it's not just a low correlation to the equity markets that matters, but how it fares when the going gets really tough. In the last panic, the 2020 stock [market crash](#) in response to the coronavirus, Bitcoin traded like equities — riskier equities, in fact.

What good is an asset's low correlation if it's nullified when it matters most?

While Bitcoin and the like could trade less like equities come the next market meltdown, I certainly wouldn't bet on it. I'd argue that it's likelier for cryptocurrencies to amplify the [downside](#) come the next big pullback. As such, I believe that crypto does not hold up as a suitable gold alternative. Gold stocks and physical bullion are the gold standard, as far as lowly correlation inflation hedges are concerned.

Barrick Gold shines

With Barrick Gold stock down 34% from its 2020 all-time highs, I see significant opportunity for long-term investors. Not only do gold prices have a catalyst in a crashing cryptocurrency market, but I think many investors are underestimating Barrick's distinct operational advantages that could allow it to sustain a bountiful dividend.

The company not only owns and operates some world-class gold mines, but the tailwinds look to be directed to its back. In inflationary environments, like the one we currently find ourselves in, gold tends to outperform. While the fed has shot down inflation worries, noting that it's likely transitory in nature, one must be prepared for a scenario where the fed is wrong, and inflation is here to stay.

Bottom line

Undoubtedly, inflation at or above 5% is a high-impact, but low-probability occurrence. Regardless, investors need to be prepared. At today's depressed levels, I think Barrick Gold is the ultimate hedge that most investors who lack precious metals exposure should look to buy amid its recent weakness.

Moreover, the dividend, which yields 1.7%, makes Barrick a more productive way to play an otherwise unproductive asset. While the payout isn't jaw-dropping, it is a heck of a lot more bountiful than cash or bonds in this type of environment. The main attraction to gold or gold stocks is the low correlation to the equity markets. The dividend, I think, is an excellent bonus.

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