



## Barrick Gold: Should You Buy This Stock Now?

### Description

**Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) is down significantly from the 2020 highs. The weak performance has investors wondering if the selloff has gone too far or if more downside is on the way.

### Gold price outlook

The price of gold is impacted by a number of factors, and it is difficult to know when traders will pile in to drive the price higher or hit the sell button and move cash to other opportunities.

Low yields on U.S. treasuries, low interest rates, and a weakening U.S. dollar index all tend to provide a tailwind for the price of gold. The rise of gold to US\$2,080 last August and the subsequent drop below US\$1,700 last March followed the rally and pullback in the U.S. 10-year bonds that saw yields bottom out around 0.5% in August and peak at 1.75% at the end of March.

At the time of writing, the 10-year yield is down to about 1.45%. The drop helped fuel a gold rebound through April and May that took the price of the yellow metal to US\$1,900.

June, however, has been interesting in that gold has weakened, despite a continued slide in the 10-year yield.

Part of this could be due to the strengthening of the U.S. dollar after a steady drop in April and May. The dollar index fell from 93 at the end of March to below 90 in early June but has bounced back above 92.

News from the Federal Reserve on inflation and potential future interest rate hikes has also had an impact. The Fed [anticipates](#) two rate hikes by the end of 2023. That's a change from the March meeting when the officials didn't expect any moves until 2024. Higher interest rates can be negative for gold, as they increase the opportunity cost of owning gold instead of putting funds in fixed-income alternatives.

On the inflation side, gold is widely considered to be a good hedge against inflation. The merits of the

theory are often debated, but gold could catch a bid if traders start to see the recent inflation spike as being more than transitory.

Finally, the popularity of Bitcoin and other cryptocurrencies might have an impact on movements in the price of gold. Analysts think funds moved out of gold to play the Bitcoin rally earlier this year. Rotations back and forth might continue and add to the volatility of the price of gold going forward.

All things considered, the long-term outlook for gold should be positive, but investors should be ready for some bumps along the way.

## Should you buy Barrick Gold stock now?

Barrick Gold reported all-in sustaining costs of about US\$1,000 per ounce in the Q1 2021 earnings release. That means the company makes good profits at the current gold price near US\$1,760 per ounce. Barrick Gold has zero net debt and is shoveling excess cash flow to investors. The board has tripled the dividend in the past three years and is giving investors a US\$750 million special return of capital in 2021. That works out to US\$0.42 per share on top of the US\$0.36 per share in [dividends](#). A meaningful dividend increase is probably on the way before the end of the year.

The stock trades near \$25.50 per share right now compared to \$40 when gold traded above US\$2,000 last summer. The drop in the share price appears overdone when compared to the move in the price of gold. Mining stocks tend to rise or fall more than the change in the price of the metal, but the difference today appears a bit extreme.

Additional downside could be on the way, but Barrick Gold looks cheap in an otherwise expensive market. Investors who have a bullish gold outlook might want to add the stock to their portfolios at this level.

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