



Barrick Stock's Dividend: Good As Gold?

Description

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) can't seem to catch a [break](#) these days. The macro-environment seems to be one in which gold would shine most brightly. With the growing popularity of cryptocurrencies like Bitcoin, Dogecoin, Ethereum, Litecoin, and all the sort, though, gold's luster has taken a major hit.

Some of the bigger cryptocurrency bulls out there think Bitcoin is the millennial gold and that precious metals such as gold and silver may be less deserving of a spot in one's portfolio.

In prior pieces, I slammed the idea of replacing one's gold with Bitcoin or any other cryptocurrency. Cryptocurrencies have a limited track record, and many smart investors have warned that billions could be wiped from the cryptocurrency market at the drop of a hat.

Forget millennial gold: Few assets outshine Barrick Gold stock

Dr. Michael Burry, the man-made famous for *The Big Short*, thinks meme stocks and cryptocurrencies will crash. Given the man's incredible track record, I'd heed his words of wisdom.

While I have no idea when cryptocurrencies will crash and induce inflows back into good, old-fashioned gold and gold miners, I do think the recent weakness in gold prices has produced a magnificent buying opportunity for those light on the shiny yellow metal.

Barrick Gold stands out to me as one of the better gold miners on the **TSX** these days.

The valuation is depressed, net debt is essentially nil, and the company owns and operates a plethora of gold mines efficiently. With gold above US\$1,750/oz., Barrick generates an enviable amount of free cash flow. And that cash flow will line the pockets of its shareholders, many of whom have been feeling the pain of Barrick Gold stock's recent pullback.

While the sustainability of Barrick's dividend is conditional on gold prices not imploding violently below the US\$1,000 per ounce mark—an improbable scenario in my books—I do view the payout as safe,

especially given the threat of runaway inflation and a cryptocurrency crash that would reinstate the “gold standard.”

Where could gold be headed next?

Fellow Fool contributor Chris MacDonald is [pounding the table on gold](#). MacDonald thinks gold is headed to much higher levels and that miners, especially best-in-breed operators like Barrick are trading at bargain-basement prices today.

“Indeed, for investors in gold miners like Barrick Gold, such defensiveness is the key to holding this volatility combatant. Barrick’s long-term growth trajectory has been as volatile as the price of gold,” said MacDonald.

Undoubtedly, gold and its miners have been especially volatile of late, as the broader markets charged higher in a rather smooth fashion. Still, Barrick’s low correlation to the equity markets is the main reason to own shares despite their recent bumps in the road.

Moreover, as I’ve mentioned numerous times previously, Barrick’s 1.7% dividend yield, I believe, is one of the best “productive” ways to play an “unproductive” asset.

Bottom line

If MacDonald’s bull case on gold plays out heading into the latter half of 2021, expect Barrick Gold’s dividend to be raised accordingly. While the 1.7% yield may not seem like much today, given the windfall of higher gold prices, I think the dividend is worth the price of admission, especially if you missed gold’s epic early 2020 rally.

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