



Barrick Gold: Should You Buy or Sell This Stock Now?

Description

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) is down 20% this year in a market where nearly all other stocks have moved higher. Investors are now wondering if this is the right time to add more ABX stock to their portfolios or bail out and look for other opportunities.

Gold market

Gold trades near US\$1,800 per ounce at the time of writing. That's down 6% on the year and off about 14% from the 2020 high. The market has traded mostly in the US\$1,700-1,900 range in 2021, surging or pulling back as traders digest economic data and try to figure out which way gold will go in the coming months.

Gold trades in American dollars, so anytime the greenback falls in value against a basket of other key currencies, gold tends to find support. The dollar index dipped below 90 earlier this year after soaring above 100 in the early part of the pandemic, when money flooded into the U.S. currency.

At the time of writing, the dollar index is at 92.5, up nearly 3% on the year. Things might change in the last few months of 2021, but the plunge in the dollar that many analysts expected this year hasn't materialized. That could be one reason gold has remained stuck in a US\$200 range.

Bond yield movements might be a better gauge of where gold is headed, although the correlation between gold and bonds has been less reliable in recent months.

As the U.S. 10-year yield fell in 2020, gold rallied. Things then reversed course, with the 10-year yield spiking from 0.5% in August last year to 1.75% at the end of March 2021. Gold sold off along the way and then caught a bounce through April and May as the 10-year yield pulled back a bit. However, the summer months saw a disconnect. The 10-year bond yields have continued to drift lower and currently sit near 1.3%. Gold has also dropped from US\$1,900 to the current price, instead of moving higher.

Pundits also point to Bitcoin as an influence on the gold price. The theory is that money shifts out of gold to Bitcoin when the crypto currency moves higher and flows back as the crypto market sells off.

People that traditionally held gold as a hedge investment might be making a permanent switch to Bitcoin. If that is true and the trend gets stronger, the popularity of cryptocurrencies could lead to lower long-term demand for gold.

Is Barrick Gold stock a buy?

Where the price of gold will go next is anyone's guess. Fans of the yellow metal say it remains attractive as a safe haven and a hedge against inflation. Some analysts see it returning to US\$2,000 or even higher. The bears think gold's 2020 peak is the best things are going to get for some time, given the emergence of the cryptocurrencies as an alternative and a potential spike in bond yields.

At current gold prices, Barrick Gold looks [undervalued](#). The stock always moves more than the price of the metal, but the drop from \$40 in August 2020 to the current share price near \$25 appears overdone. The company finished Q2 2021 with more than US\$5 billion in cash. All-in sustaining costs came in at US\$1,087 per ounce in Q2, so Barrick Gold is making good profits at current gold prices.

The copper operations are another reason to consider the stock. Barrick Gold's copper all-in sustaining costs were US\$2.74 per pound. Copper trades at US\$4.30 per pound at the time of writing and has been above US\$4 for most of the year.

Barrick generates strong cash flow and gave investors a bonus US\$0.42 per share return of capital this year on top of the US\$0.36 in dividends.

If you are a gold bull, the stock deserves to be on your buy list at the current price.

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