



Contrarian Investors: 1 Cheap Top TSX Stock to Buy Now

Description

The stock market rally off the 2020 crash continues to drive share prices in many stocks to new all-time highs.

This means contrarian investors who search for [undervalued](#) stocks are having a tough time, but there are still some good deals in the **TSX Index** that offer big upside potential.

Let's take a look at **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) to see why it might be an interesting contrarian stock to buy right now.

Barrick Gold's stock price

Barrick Gold trades near \$22.50 per share at the time of writing. This is a new 12-month low for the gold mining giant. The share price is down almost 30% in 2021 and off nearly 45% from the 2020 high around \$40. Gold currently trades at US\$1,750 per ounce. The yellow metal is down about 9% in 2021 and off close to 16% from the 2020 peak.

The plunge in the share price of Barrick Gold appears overdone compared to the drop in the price of the yellow metal, especially when you look at how much money the company still makes at current gold prices. Barrick Gold's all-in sustaining costs in Q2 2021 came in at less than US\$1,100 per ounce. So, the margins with gold selling at US\$1,750 are still very good.

Barrick Gold also has large copper operations. The price of copper has more than doubled off the 2020 low and continues to trade at a very profitable price for Barrick Gold. It wouldn't be a surprise to see Barrick Gold take advantage of its strong balance sheet to add copper assets in the next couple of years to further diversify the revenue stream.

Growth

Barrick Gold continues to expand its resource base at a time when many producers are simply

collecting the healthy profits on existing operations. The medium- and long-term impact of pandemic delays on the development of new mines and the reduced capital expenditures on exploration across the industry are still unknown, but the gold market could find itself in a tight supply situation in the coming years.

Pundits already say most of the low-hanging fruit in the gold mining business has been picked. High-quality resources that are easy to mine are becoming harder to find.

Demand, however, should remain robust. Central banks buy gold as a part of their hedging strategies, and the yellow metal is a popular investment for many people around the world who want to protect their buying power or diversify their holdings. Gold is also still highly valued in the jewelry industry.

Risks

The emergence of cryptocurrencies is being blamed for some of gold's pain and volatility in the past few years. The theory is that Bitcoin is replacing gold as a preferred place to park cash, especially among younger investors. This might be the case while cryptocurrencies are the flavour of the day, and the trend could last for some time, but gold has a very long history as being viewed as an attractive asset for protecting wealth, and cryptocurrencies face strong government headwinds.

China's recent decision to [ban](#) the mining and trading of cryptocurrencies could lead to a return of Chinese investors to gold. It is too early to tell if cryptocurrencies will survive and thrive, but calling an end to gold's appeal is somewhat premature.

Should you buy Barrick Gold stock now?

Volatility should be expected, and more downside is certainly possible if gold pulls back. However, Barrick Gold looks undervalued at current gold and copper prices and could deliver huge upside on the next gold rebound. If you are a gold bull over the long term, Barrick Gold deserves to be on your contrarian radar today.

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