



1 Stock With Big Upside Opportunity in 2022

Description

Markets continue to hit new all-time highs, but some stocks in the **TSX Index** still look [undervalued](#) right now and might be good to buy heading into 2022. Let's take a look at **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) to see why it might be an interesting pick.

Gold rebound

Gold is quietly regaining the ground it lost over the past 12 months, and gold mining stocks are starting to catch the attention of contrarian investors.

The 2020 gold rally saw the precious metal hit a record of US\$2,080 per ounce. The gold miners went along for the ride, with many hitting multi-year highs. In the past 12 months, however, the price of gold pulled back to below US\$1,700, and the mining stocks got hammered. Barrick Gold, for example, fell from \$40 per share to below \$22.50 at the end of September.

Gold is now back above US\$1,800 per ounce, but Barrick Gold is only trading around \$24 per share.

Gold might be catching a bid, as institutional investors shift funds to safe have assets to protect against inflation. Economists and analysts are increasingly predicting high inflation through 2022, making it less transitory than originally forecast.

Investors could also be banking profits from crypto and stock bets and putting the cash in gold to hedge against the next crypto crash or a potential recession driven by high energy prices.

Barrick Gold opportunity

In the latest update ahead of the official Q3 results Barrick Gold said it is on track to hit its production targets for the year. The company's balance sheet is in good shape after a multi-year turnaround effort that saw debt drop from US\$13 billion to zero net debt at the start of 2021.

At the current gold price, Barrick Gold generates strong margins. The company's all-in sustaining costs are lower than US\$1,100 per ounce.

Barrick Gold is best known for its gold business, but it also has significant copper operations. The price of copper hit a multi-year high in 2021 and continues to trade at very profitable level for Barrick Gold. At the time of writing, copper fetches US\$4.50 per pound. That's up from US\$2 per pound in March 2020.

Copper supplies are tight, and the market should be strong in the coming years due to the expansion of the electric vehicle market.

Dividends

Barrick Gold raised its dividend by 12.5% to an annualized rate of US\$0.36 when it reported Q3 2020 results last year. The board also gave shareholders a US\$750 million return of capital in 2021 that worked out to an additional \$0.42 per share.

A large dividend increase could be on the way when Barrick announces Q3 2021 results on November 4. Heading into 2022, if gold holds above US\$1,800 per ounce or move higher, another special distribution could be declared.

The bottom line on cheap stocks for 2022

Barrick Gold appears undervalued right now and could deliver strong returns in 2022. If you are bullish on gold over the next few years, this stock looks cheap today for a contrarian portfolio.

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