



Is Barrick Gold Stock Simply Too Cheap to Ignore?

Description

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) looks [undervalued](#) when compared to the price action of the precious metal. Is this the right time to buy ABX stock for your portfolio?

Gold price outlook

Gold trades near US\$1,800 per ounce at the time of writing. That's up from US\$1,725 near the end of September, and the recent momentum could continue through the end of 2021 and the first half of 2022.

Inflation concerns are starting to build among retail and institutional investors. Even the central banks are starting to admit that inflation running above target rates might not be as transitory as expected. The Bank of Canada just moved up its [timeline](#) to start raising interest rates. The first increase could come in the first half of 2022 instead of the previous guidance for the second half of next year.

Gold is widely viewed as an inflation hedge, and demand from investors ranging from individuals to central banks could pick up steam in the coming months.

The precious metal is also viewed as a safe-haven asset for investors who want to park cash to ride out challenging economic conditions or volatile currency moves. Stock markets continue to hit new highs, but concerns about a major correction in 2022 might drive gold higher. Soaring oil and natural gas prices are strong headwinds for the global economic recovery. At the same time, supply chain bottlenecks look set to persist through the first half of 2022 and might dent economic growth.

Barrick Gold's stock price

At \$24 per share, Barrick Gold's stock price is down about 40% from the 2020 high. The price of gold, however, is only off about 15%. The disconnect is even more confusing when you consider Barrick Gold's copper operations. The company is a significant copper producer and copper prices remain at very profitable levels for the mining giant.

Barrick Gold's balance sheet is in good shape after several years of non-core asset sales and strong profits from the rebound in gold prices. The company is on track to deliver steady production over the next several years and operates five of the top 10 tier-one gold mines on the planet.

The board gave shareholders a special US\$750 million return of capital in 2020 on top of the dividend. The combined payouts added up to US\$0.78 per share. That works out to a yield of about 4% at the current share price.

Investors could see a decent dividend increase when the Q3 results come out. The board raised the distribution by 12.5% when it reported Q3 earnings in 2020. As long as gold holds its recent gains or move higher in the coming months, another special distribution could be on the way in 2022.

The bottom line on ABX stock

Gold prices can be volatile and Barrick Gold's stock will move with the metal. Further downside is certainly possible. However, the selloff in the share price looks overdone and Barrick Gold could deliver huge returns for investors in 2022 if gold continues its recent rebound.

You need to be a gold bull and have a contrarian investing style to buy today, but Barrick Gold appears cheap right now in a stock market that is arguably overbought.

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Date

2025/09/05

Date Created

2021/10/27

Author

aswalker

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