



Gold Rally: Is Barrick Gold (TSX:ABX) Stock Now a Good Buy?

Description

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) is down 25% in 2021. That's a dismal performance compared to the **TSX Index**, but contrarian investors are now wondering if ABX stock is [undervalued](#) and a good buy heading into 2022.

Gold price

Gold surged a day after the U.S. Federal Reserve laid out its plans for raising interest rates in 2022. At the time of writing, gold is up more than US\$35 per ounce, or about 2% to US\$1,800. The pop reverses a downward trend that saw gold fall US\$100 per ounce in recent weeks.

A dip in the value of the U.S. dollar against a basket of international currencies appears to be the trigger. The gold market seems to like the new clarity from the Fed Reserve, which indicated it will end its current program of bond purchases in early 2022, setting the stage for three rate hikes by the end of next year.

Inflation is more persistent than many economists expected, and it appears the Fed is planning to deal with that situation, as the economic recovery continues and employment rebounds to pre-pandemic levels.

The spread of the Omicron variant might be playing a role in the gold rally as well. Governments around the globe are sending out warnings that a major wave of cases is about to hit. Gold is often viewed as a safe-haven asset, and buyers could be increasing positions heading into the holiday season.

Finally, the retreat in the price of **Bitcoin** and other cryptocurrencies could be driving new gold demand. In recent years, pundits have speculated that money exited gold to play the run ups in the crypto market. The momentum might be shifting back to the yellow metal.

Economic uncertainty due to the Omicron variant might combine with demand from investors seeking an inflation hedge to provide gold with a nice tailwind through the first part of next year.

If the U.S. dollar continues to weaken, gold could potentially take a run back to US\$1,900 in the next couple of months.

Should you buy Barrick Gold stock today?

Barrick Gold trades for \$23.50 per share at the time of writing. That's down roughly 40% from the 2020 high. The price of gold, however, is down just 14%. The share prices of the miners are always more volatile than that of the commodity, but the drop appears overdone, especially when you look at Barrick Gold's financials.

The mining giant effectively eliminated its net debt after an aggressive turnaround effort. The board has tripled the dividend since September 2018 and gave investors a special US\$750 million return of capital in 2021. Barrick Gold generated strong free cash flow in Q3 2021 and should deliver robust results for Q4.

A dividend increase in 2021 wouldn't be a surprise, and investors could get another nice bonus.

Volatility should be expected, but the stock appears undervalued right now. Gold bulls who think 2022 is going to be positive for the precious metal might want to add some ABX stock to their portfolios while it is still out of favour.

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