



## 3 Reasons to Buy Barrick Gold Stock Now

### Description

**Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) is moving higher on a surge in demand for gold. Investors who missed the recent bounce in the gold [sector](#) are wondering if ABX stock is still a good buy at the current share price.

### Gold price

The price of gold recently jumped US\$100 per ounce to US\$1,900. It is the first time since early June last year that the yellow metal has traded above that price and more gains could be on the way. In fact, it wouldn't be a surprise to see the price of gold top US\$2,000 in the next couple of months and potentially break above the 2020 high and top US\$2,100 by the end of 2022.

Why?

Global markets are concerned that Russia is planning to invade Ukraine. Investors are buying gold as a safe-haven bet due to the uncertainties of what will happen to financial markets if the attack occurs. The White House is warning that the offensive could happen soon. In the event Russia decides to make a full-scale move into Ukraine, the price of gold could easily jump another US\$100 per ounce.

At the same time, investors are worried that persistent inflation will eat away the buying power of their savings at a faster rate than previously expected. Inflation hit 7.5% in the United States and 5.1% in Canada in January. That's the average cost increase over the past year for a fixed basket of goods and services.

Gold is widely viewed as an investment option to hedge against inflation. The yellow metal and other commodities often see their prices move higher in an inflationary environment.

### Barrick Gold earnings

Barrick Gold reported strong Q4 2021 results. The company generated US\$626 million in adjusted net

earnings and US\$718 million in free cash flow in the quarter. Barrick gold had an average realized gold price of US\$1,793 per ounce in the quarter and all-in sustaining costs of US\$971 per ounce.

In the event gold holds or extends its recent gains through 2022, Barrick Gold should generate significant free cash flow in the coming months.

Based on the strength of the gold market and the positive outlook for production in 2022 the board raised the dividend by 11%. Barrick Gold is also planning to buy back up to US\$1 billion in stock under the new share-repurchase plan.

## Cheap share price

Barrick Gold stock trades for just under \$30 per share on the TSX at the time of writing. That's up from \$23 in early January but still down about 25% from the 2020 high. Gold, however, is only down about 9% from the 2020 peak, so the pullback in the price of ABX stock still appears overdone.

The company has a strong balance sheet and owns six of the top 10 gold mines in the world. Barrick Gold also has substantial copper operations that provide a hedge to some of the gold volatility. Copper trades around US\$4.40 per pound at the time of writing compared to about US\$2 at the low during the 2020 crash.

## The bottom line on Barrick Gold stock

Barrick Gold stock could easily surge to \$40 per share by the end of the year if the price of gold holds its current level. The gold market can be volatile, so I wouldn't back up the truck, but gold bugs might want to add some ABX stock to their portfolios while the shares still appear [undervalued](#).

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