



Barrick Gold Stock: Time to Buy?

Description

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) underperformed the broader market in 2021, despite posting strong results. Bargain hunters have started to buy the stock in 2022, sending the share price up more than 20% so far this year. Investors who missed the bounce are wondering if more gains are on the way.

Safe-haven demand

Geopolitical tensions are driving new demand for gold. Russia's decision to move its military forces into Ukraine has led to a surge in the price of gold. At the time of writing, the precious metal trades above US\$1,950 per ounce. That's up from US\$1,800 at the beginning of February. The 2020 high was around US\$2,080. There is potential for the price of gold to break above that level in the coming weeks or months.

Uncertainty about the situation in Ukraine will keep global markets on edge for some time and that could extend the gold rally.

Inflation fears

Gold is widely viewed as a good hedge against inflation. Prices are rising across the globe due to supply chain issues and soaring commodity costs. The latest report indicates inflation in the United States is now 7.5%. In Canada, the average cost of the CPI basket of goods and services is up more than 5% year over year.

Extensive sanctions being imposed on Russia will likely drive inflation higher. Brent oil is now above US\$100 per barrel for the first time since 2014. Russian is also a major producer of potash and natural gas, along with being a heavyweight in the oil market.

Crypto meltdown

Cryptocurrencies are losing their appeal as an alternative to gold. This trend could pick up momentum as the price of bitcoin and other digital currencies remain very volatile. There is a theory that significant funds moved out of gold and into **Bitcoin** in the past two years. The reversal could drive gold even higher.

Barrick Gold Earnings

Barrick Gold reported strong Q4 and full-year 2021 earnings. The company has a positive view on 2022 and raised the dividend by 11%. Barrick Gold also intends to buy back up to US\$1 billion in stock under the new share-repurchase program.

At the current gold price, Barrick Gold has the potential to be a free cash flow machine. If gold holds its recent gains or moves higher, it wouldn't be a surprise to see Barrick Gold announce another special return of capital. In 2021, Barrick gold gave investors an extra US\$0.42 per share.

The stock trades near \$30 per share on the TSX at the time of writing. This is up from \$23 in early January but still way off the \$40 mark it reached during the gold rally in 2020. Given the current tailwinds for the gold market, it wouldn't be a surprise to see gold extend the 2022 gains.

Barrick Gold's Q1 2022 results should be impressive.

The bottom line

Barrick Gold stock still appears [undervalued](#) today. A move to \$40 is certainly possible if the gold price continues to move higher in the coming months. If you are underweight with your gold exposure right now, it might be a good time to add Barrick Gold stock to your portfolio.

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