



Stock Market Selloff: Will Barrick Gold Outpace the S&P 500 in 2022?

Description

The equity markets remain volatile due to a range of macro-economic factors such as multiple interest rate hikes, geopolitical tensions, rising inflation, steep valuations of companies, supply chain disruptions, and rising commodity prices, among others. In the first five months of 2022, the **S&P 500** Index [has moved lower](#) by 13.56%, wiping off investor wealth by a significant margin.

So, how do you invest in an environment that is inflationary and uncertain? Historically, gold has been considered a safe-haven investment and a hedge against inflation. Investors buy the yellow metal to hedge against the risks mentioned above. In fact, gold prices surged by double digits in the first quarter of 2022 primarily due to the Russian invasion of Ukraine and concerns over inflation.

Investors looking to gain exposure to gold can look to buy shares of [gold mining companies](#). These companies are well poised to expand mining production and benefit from economies of scale over time, allowing them to outperform the rise in gold prices.

Let's take a look at one such mining stock you can buy in June 2022.

Barrick Gold is a mining giant

One of the largest gold mining companies in the world, **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) is valued at US\$36.5 billion by market cap. It is focused on operating tier-one mining assets. Basically, these assets produce over 500,000 ounces of gold annually with productive life remaining of at least 10 years.

Barrick aims to operate mines with significant remaining resources, allowing the company to maintain its production capacity over the long term. In fact, Barrick Gold expects to produce 5.5 million ounces each year through 2030.

Barrick Gold also estimates the AISC (all-in sustaining costs) to decline from US\$1,000 per ounce in 2021 to US\$900 per ounce in 2026. A decline in the company's cost structure should allow BarrickGold to improve profit margins going forward, even if gold prices fall marginally.

In addition to owning top-tier mining assets, Barrick Gold also has a robust balance sheet. Over the years, it has reduced its debt balance by the sale of non-core assets and by generating solid cash flows. The strategy has allowed the company to reduce interest payments providing it with the financial flexibility required to acquire additional mines as well as increase dividend payments.

Barrick Gold ended Q1 with six tier-one gold mines and it emphasized that for every \$100-per-ounce increase in the gold price, the free cash flow generated over a five-year period will increase by \$1.5 billion.

In addition to gold, Barrick Gold also mines copper. So, for every \$0.50 per pound increase in copper prices, the free cash flow will increase by \$800 million over five years.

What's next for Barrick Gold stock and investors?

In the last 12 months, Barrick Gold generated free cash flow of almost US\$2 billion, which is enough to cover its dividend payments. Right now, the company has a payout ratio of 36%, which is easily sustainable. Barrick Gold pays investors a dividend of \$0.40 per share annually, indicating a forward yield of 1.94%.

Analysts tracking Barrick Gold stock expect its share prices to rise by 40% in the next 12 months.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. araghunath
2. kduncombe

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/08/19

Date Created

2022/06/01

Author

araghunath

default watermark

default watermark