



## Is Barrick Gold Stock a Hedge Against Inflation?

### Description

Toronto-based [gold mining company](#) **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) has been in the limelight lately, as the yellow metal gains momentum, as a hedge against inflation and market volatility.

Gold has historically proven to be the best bet against inflation, as its prices tend to appreciate over the long run.

ABX controls some of the best gold assets in the mining industry, with exploration interests in more than six countries.

### Rising Inflation and recessionary concerns

Global inflation rates have been on an upswing since 2021, as countries worldwide pumped money into the economy to limit the impact of the COVID-19 pandemic.

The Federal Reserve hiked its interest rates by 75 basis points last month — the most significant hike since 1994. This comes as U.S. inflation rates hover near 41-year highs, with the consumer price index up 8.6% year over year in May — the highest since 1991.

The Bank of Canada is expected to follow suit, as Bay Street is betting on a 0.75% hike in the benchmark interest rates this month. The Canadian central bank hiked the benchmark overnight rate by 50 basis points earlier this month, which is in line with its quantitative tightening policy.

In a decision statement, the Bank of Canada revealed, “The risk of elevated inflation becoming entrenched has risen. The bank will use its monetary policy tools to return inflation to target and keep inflation expectations well anchored.” Also, the central bank is prepared to act “more forcefully if needed” to curb the domestic inflation rate, which is currently at a three-decade high.

### Quantitative tightening and gold prices

Gold prices have dipped lately, as the aggressive rate hikes have strengthened the dollar. People are increasingly holding their money in the form of bank deposits to earn higher interests. The yellow metal prices hit a two-week low, as the safe-haven greenback strengthened.

This does not mean it's game over for gold, as increasing recessionary fears are causing investors to switch to gold.

ABX raised its dividends to \$0.20 per share in May, including a \$0.10-per-share performance component. It reflects the company's strong cash flows and stable cash balance. The performance dividend payout was distributed, as Barrick Gold ended Q1 with more than \$500 million in cash on its balance sheet.

Regarding this, ABX's senior executive vice-president and CFO Graham Shuttleworth said, "Our strong operating performance and robust net cash balance has allowed us to provide an enhanced dividend to our shareholders ... We believe this shows the benefit of the Performance Dividend Policy that we announced in February, including the guidance it provides to our shareholders on future dividend streams."

## The Foolish takeaway

Barrick Gold is on track to become one of the most valued gold and copper mining companies in the world. Analysts expect adjusted earnings to rise by 23.3% in the fiscal third quarter and 6.2% next year. Moreover, the stock is expected to witness more than 50% upside over the next 12 months, as analysts have a 12-month average price target of \$36.20 for ABX.

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2. Metals and Mining Stocks

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1. araghunath
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**Author**

araghunath

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