



Barrick Gold (TSX:ABX) Is Falling: Is it Time to Buy?

Description

The stock market environment has been rough in 2022, owing to a flurry of macroeconomic factors impacting the economy's growth. The ongoing inflationary concerns have led to astronomical interest rate hikes by central banks. Recessionary fears have seen many stock market investors offload their shares in equity securities. However, there has not been a lot of influx of capital toward safe-haven assets.

Gold and [metals and mining stocks](#) with significant operations related to gold have been out of favour for most investors, despite being a proven destination to hedge against inflation and recessions over the years. Gold did start the year on a strong note but has seemingly lost its glamour for several months.

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD), one of the largest global gold and copper producers, has lost considerable value in recent weeks. Barrick Gold stock trades for \$20.67 per share at writing. While it boasts a 2.47% dividend yield inflated due to lower valuations, it is close to its 52-week low of \$20.17 per share.

Why is Barrick Gold falling?

Barrick Gold stock has declined by 36.79% from its March 8, 2022, level. Gold stocks typically have a positive correlation with gold prices. March 2022 saw gold prices hit the US\$2,000 mark but has since cratered. The rapid decline in Barrick Gold share prices could be attributed to the drop in the price of the rare yellow metal.

A significant reason for falling gold prices is the series of interest rate hikes introduced by central banks to control inflation. The U.S. Federal Reserve in the U.S. and the Bank of Canada (BoC) in Canada have been raising benchmark interest rates. The U.S. Fed's recent 75-basis-point interest rate hike was the highest since 1994, and BoC recently introduced a previously unimaginable 100-basis-point interest rate hike.

Higher interest rates strengthen domestic currencies and can gradually tame inflationary environments.

Despite such a significant increase in interest rates this year, several more will follow from the U.S. Fed and BoC, as the second half of the year continues. The tightening monetary policies will likely continue piling on the pressure on gold and gold stocks in the near term.

Barrick Gold's performance in the first quarter

Barrick Gold's declining valuation in the stock market could be attributed largely to macroeconomic factors. However, not all of it should be blamed on external factors. The gold-mining company's own financial performance in the first quarter of fiscal 2022 has been weak, pulling its share prices down further.

Barrick Gold stock's quarterly revenues dropped by 3.5% in Q1, 2022, compared to the same period last year — primarily due to a 10% decline in its production. The company's net income fell to \$438 million from \$538 million in the same quarter last year. August will see the company announce its next quarterly earnings report and will paint a clearer picture of its financial performance.

Foolish takeaway

While it is impossible to predict exactly when the market will go through a bullish period after bearish conditions, stock market investors know that the market always follows a cyclical pattern. Bear market environments make way for bullish conditions before the bear market strikes again.

Bearish conditions typically mean positive price movements for commodities like gold. A recession is looming overhead in the U.S., and its impact could create similar conditions in Canada. A severe recession might force policymakers to rescind some of the interest rate hikes. Gold and gold stocks might become attractive assets for investors in such an environment.

While Barrick Gold and its peers have declined significantly as of late, it could be worth having on your radar if you are worried about a recession.

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. adamothonman
2. kduncombe

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/06/29

Date Created

2022/07/18

Author

adamothonman

default watermark

default watermark