
Why Barrick Gold Stock Looks Like a Bad Investment Right Now

**Description**

It has been a free fall, even for gold stocks this year. Generally perceived as a safe haven, the yellow metal has been consistently losing its sheen this year. Notably, the outlook surrounding gold and gold miners does not seem favourable right now. So, they might continue to trade weak, at least for the next few quarters.



## What's next for Barrick Gold stock?

**Barrick Gold** (TSX:ABX), one of the biggest gold miners globally, has been on a declining spree this year and has lost 22% this year. The selling pressure increased when it reported poor quarterly numbers last week. Barrick Gold stock is currently trading at $19 apiece, which is close to its three-year lows.

Barrick Gold produced under a million ounces of gold for the quarter that ended on September 30, 2022. Moreover, operating expenses, popularly called all-in sustaining costs, also increased for the quarter compared to the same period last year. As a result, Barrick Gold posted a net income of $241 million in the third quarter (Q3) of 2022 — a drop from $347 million in Q3 2021.

Apart from poor quarterly numbers, Barrick Gold, along with peer gold miner names, has been trading weak due to the challenging macro environment. The U.S. Fed has been on a rate-hike spree this year to tame record-high inflation. And notably, it has been hardly successful after multiple sharp rate increases.

At the same time, the rapid rate hikes have resulted in a massive surge in Treasury yields and the U.S. dollar index. In such cases, investors dump the non-yielding bullion and shift to the virtually safest: Treasuries.

## Gold stocks and Treasury yields

Since March 2022, the U.S. Fed has raised its benchmark interest rates to 4%. Consequently, the 10-

year U.S. Treasury yield has jumped from 1.8% early this year to 4.2% this week. So, why would market participants go anywhere else when they are getting risk-free 4.2%?

Interestingly, central banks across the globe have maintained their stance of continuing to raise interest rates until inflation reaches the target range. For example, U.S. inflation in September stayed above 8% — its 40-year high and much higher than the U.S. Fed's target range. As a result, it could take time for U.S. inflation to turn lower. Till then, the Fed could continue to raise rates, probably to levels not seen in decades.

## The Foolish takeaway

That paints a not-so-good picture for gold and gold miner stocks. TSX gold miner names like Barrick Gold could keep trading under pressure, at least for the next few quarters. ABX stock is trading at a fair valuation after its recent correction. However, given the lack of upbeat indicators and macro woes, Barrick may not see a big move on the upside.

Peer miner **B2Gold** has been on a similar move and has lost 15% so far in 2022. It looks relatively fairly valued and pays a handsome dividend yield of 5%. Like Barrick Gold, B2Gold stock could continue to trade subdued in the short term. However, it is one attractive name that could outperform when the interest rate cycle inverts.



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