



Everyone is Talking About Barrick Gold Stock: Should You Buy?

Description

Gold has been of little help in tackling volatile markets this year. The yellow metal has lost 10% on the back of rapidly rising interest rates. The world's second-largest gold miner **Barrick Gold** ([TSX:ABX](#)) has fared even worse, losing 32% since April. But should investors act on this weakness? Or is there more weakness brewing?

ABX stock is trading close to its three-year lows

Barrick's recent weakness was a result of a confluence of several factors. Its poor third-quarter results weighed on its already-depressed stock last month. Barrick Gold reported a 9% decline in production year-over-year for the quarter that ended on September 30, 2022. However, inflationary pressures were clearly visible, which increased its total expenses by 27% for the quarter. It posted a net income of \$241 million in Q3 2022, a decline of 30% from Q3 2021.

This year is not turning out to be a great one for gold investors. Record-high inflation encouraged central banks to raise interest rates aggressively. The US has been at the center stage, raising its benchmark rates by 4% this year. As a result, US Treasury yields markedly zoomed, and the US dollar strengthened. Gold and miner stocks lost sheen, making them one of the poor performers in 2022.

The macro picture still looks gloomy for gold stocks

Recently, inflation seemed to have calmed a bit, driving expectations of slowing the pace of the rate hike cycle. However, it still seems too soon to expect that. If the inflation trend indeed conveys cooling for the next few months, then it will be prudent to expect a shift in the tightening stance.

It should also be noted that current inflation is way higher than the Fed's long-term target range. So, it could take months for inflation to fall close to those levels, suggesting continuing rate hikes.

[Gold miner stocks](#) like Barrick could continue to trade subdued on expectations of rising rates. Central bankers are not acting as if they are ready for a significant recovery soon. Higher inflationary pressures

could keep pushing Barrick's bottom line lower. The fuel, labour, and power costs will likely boost its operating expenses, weighing on its net income.

Alternative Stock Idea: B2Gold

Canadian gold miner **B2Gold** ([TSX:BTO](#)) looks more attractive after its recent correction. The stock is undervalued compared to Barrick Gold and offers a decent dividend yield.

Evidently, B2Gold will likely face the same macro challenges as peer gold miners. However, when the yellow metal starts increasing in value, B2Gold should see a superior recovery, mainly due to its discounted valuation. Till then, its 4.6% dividend yield should be enough to focus on.

B2Gold stock is trading at 14 times its 2023 earnings, while Barrick Gold stock is trading at 27 times its earnings. BTO's growing production and relatively gradually increasing expenses have driven stellar earnings growth in the last few years. Considering its relatively cheaper [valuation](#) and expectations of higher gold prices next year, B2Gold looks like a more compelling bet.

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