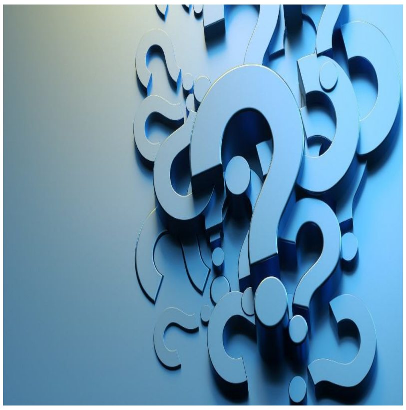

Gold Bumps and Oil Dumps: Is Barrick Gold (TSX:ABX) a Screaming Buy?

Description

Can you believe what's happening? While Central Banks print *trillions* of new dollars, oil prices recently turned negative. It could be a Goldilocks environment for strong, well-capitalised miners like **Barrick Gold** (TSX:ABX).

Even a modest rise in gold prices can have a tremendous impact on its bottom line — and oil is one of Barrick's biggest expenses.

Its profits could potentially explode.

Lots to like about Barrick — even before this happened

In 2011, when gold hit its U.S. dollar peak, Barrick was $52-per-share at writing — then gold crashed and Barrick followed, plunging as low as $8.50. Today, at roughly $40, Barrick is still an amazing bargain.

Its balance sheet is in better shape than it was 10 years ago, and debts have been dramatically reduced. Today, you're buying a stronger company. What's more, the amount of currency printed (a big driver in the price of gold) has skyrocketed.

The Bank of America recently predicted $3,000 gold within 18 months.

That's about 50% higher than its 2011 peak. And remember, that's not a statement from a gold bug: That's the Bank of *America*.

You can print more dollars, but you can't print gold

That's why gold is only getting more attractive.

Over the long term, gold has proven itself a safe store of value.

With miners like Barrick, your potential upside is even higher because a modest rise in prices can multiply its profits. I explained this in a recent article on Pan American Silver.

Suppose it costs $1,000 to dig up one ounce of gold. Right now, you can sell that ounce for about $1,700 — a $700 profit.

Now, suppose prices *did* rise 76% to $3,000. The miner's profits would increase $2,000 – a 185% profit boost.

Admittedly, during the recent crash, gold declined, and it could happen again. However, it's important to know *why* gold went down. It's not for the same reason as stocks.

During a market crash, traders and hedge funds are scrambling for cash to meet margin calls. Gold is a highly liquid asset. They can usually find a bid, so they sell.

After falling, gold quickly rebounded, as did the miners. Barrick hasn't been this high for seven years! Meanwhile, the **Dow Jones Industrial Average** and the **S&P500** averages haven't even come close to a recovery.

Coronavirus could be another short-term risk

However, Barrick has over a billion dollars of free cash flow. Its assets are diversified all over the globe. In short, I expect it to weather this storm.

And don't forget, the gold in those mines isn't going anywhere. It has been underground for a few billion years. It's not going to suddenly get up and run away.

As I see it, Barrick Gold is the quintessential Foolish investment.

It has a track record of surviving tough markets. And I believe gold is just getting warmed up for a long-running trend higher.

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Date
2025/08/26
Date Created
2020/04/27
Author
abusson