



Barrick Gold Attracts Call Buyers into Consolidation Pattern

Ticker/Price: GOLD (\$16.80)

Analysis:

Barrick Gold (GOLD) sweep buyers of 8,800 February \$17 calls up to \$0.94 to open and follows buyers recently in the January \$17 and \$18 calls where OI has swelled to 53,750X and 19,000X respectively. GOLD has also seen buyers in the longer-dated Jan. 2022 \$17 calls of note. GOLD shares rallied sharply in May through September and pulled back just above the 50% retracement where they have based since mid-October. A move out of this rounded bottom above \$17.50/\$18 targets recent highs and then continuation to \$24. The \$30.5B company trades 23.3X earnings, 3.5X sales, and 12.7X cash with a 1.2% yield and room for significant top and bottom line expansion next year as they lap the one-year mark of their merger. The New Barrick has better FCF behind improved production costs as well as better capital deployment as they invest in data analytics to plan operations and decision-making. They made a significant new discovery in September at their Fourmile mine which could re-shape their entire Nevada operations. GOLD has also been active in asset divestitures and agreed to sell their Super Pit mine share for \$750M in November. Short interest is 1.6%. Hedge fund ownership rose 8.4% in Q3. Slate Path, Adage Capital, and Lomas all top holders. Analysts have an average target for shares of \$16.5. RBC assuming coverage at Outperform on 12-4 with a \$20 PT. They expect a positive year-end resource update from the company as a driver higher and in 2020 their Nevada JV and ongoing exploration success at Fourmile have the potential to be key value drivers. In November, the CEO also said that he wants to explore more deals to expand in copper in 2020 as he views the demand balance for the metal skewed towards producers for the next 5-10 years.

Hawk Vision:



Hawk's Perspective: GOLD has an interesting set-up that can be traded effectively with a nice reward/risk versus the \$16 level though NEM is my preferred gold miner.

Confidence Ranking: \$\$