



Will Bitcoin's Loss Be a Boon for Gold and Silver?

Description

Bitcoin and other cryptocurrencies were pummeled on the last trading day before the Christmas break. Bitcoin shed 30% in value and dropped to the \$11,000 in the same month that saw it reach the \$20,000 mark at its peak. Ethereum, Bitcoin Cash, Litecoin, and other cryptocurrencies also experienced significant declines.

In late November, I'd [discussed](#) the dramatic rise in cryptocurrencies. At the time, Bitcoin had not yet passed the \$10,000 mark. As of Boxing Day evening, Bitcoin rebounded to \$16,000. Bitcoin and other cryptocurrencies have attracted a great deal of mainstream attention in 2017 as well as greater proportions of institutional and retail investors.

Morgan Stanley estimated that \$2 billion has been invested in hedge funds that are geared towards cryptocurrencies. The bank was also sharply critical of Bitcoin in a research note, outlining a several reasons its real-world value may be seriously in question. In any case, the cryptocurrency market will remain front and centre for market watchers heading into 2018.

The response from gold and silver stocks was interesting in light of the cryptocurrency correction. The spot price of gold rose \$10 on December 22 to \$1,280, and silver rose 1%. In a [recent article](#), I'd discussed why the rise of Bitcoin and other cryptocurrencies could continue to produce headwinds for precious metals.

Shares of Toronto-based **Yamana Gold Inc.** ([TSX:YRI](#))([NYSE:AUY](#)) rose 4.1% on December 22. The stock reached its highest point since early September, when gold had risen above the \$1,350 mark. In its third-quarter results released on October 26, Yamana Gold saw production increase 5% year over year. The recent rally pushed its stock into the black for 2017.

B2Gold Corp. ([TSX:BTO](#))([NYSE:BTG](#)) closed December 22 up 2.47%. It held above \$3.70 for the first time since June. Shares of B2Gold have climbed 16.9% in 2017 in spite of significant volatility in gold. The company released its third-quarter results on November 8. For the full 2017 year, B2Gold is on track to meet the high end of its annual consolidated production guidance.

Silvercorp Metals Inc. ([TSX:SVM](#))([NYSE:SVM](#)) climbed 2.38% on December 22. The stock price rose

above \$3.40 for the first time in two months. Silvercorp Metals stock has increased 9.9% in 2017. The company released its fiscal 2018 second-quarter results on November 8. Net income fell to \$11.1 million compared to \$12.4 million in the prior year. Sales were up 3% to \$47.5 million compared to \$46.3 million in fiscal Q2 2017.

Larry McDonald, head of U.S. macro strategy at ACG Analytics, has predicted bigger downside for gold in 2018 as more retail and institutional investors move to cryptocurrencies. According to McDonald, cryptocurrencies in market cap make up almost 25% of liquid tradeable gold — up 2-3% from the previous year. As a speculative asset, cryptocurrencies have become especially popular for younger investors, eating into the position for gold and silver as a safe haven.

Cryptocurrencies will undoubtedly experience more turbulence moving into 2018, especially as more investors begin to jump in. Gold and silver stocks could be a solid contrarian bet for skeptics.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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2. NYSEMKT:BTG (B2Gold Corp.)
3. TSX:BTO (B2Gold Corp.)
4. TSX:SVM (Silvercorp Metals Inc.)
5. TSX:YRI (Yamana Gold)

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