



Market Volatility: 2 Cash Alternatives for Uncertain Markets

Description

With everything going on in the market, it certainly makes sense to include gold and cryptocurrencies in your investing portfolio. These asset classes give you a cash alternative you can draw upon if traditional fiat currencies lose value through inflation. They may even increase in value, giving you more buying power to take advantage of opportunities.

Think of physical gold and cryptocurrencies as a cash asset

Stop thinking of the two as speculative investments. Consider these as alternative cash assets that may come in handy if things start to fall apart. If the U.S. dollar, for example, starts to head lower, gold has traditionally moved higher. It is also not controlled by any individual government — which is appealing to those who have lost faith in monetary policy.

Cryptocurrencies don't have as long a history as precious metals, obviously, but they too have their benefits. For one thing, they are not controlled by any government. If the monetary system has troubles, or if runaway inflation were to rear its ugly head, cryptocurrencies might provide a valuable medium of exchange.

Buy companies that operate in the sector

Companies that make money off precious metals or cryptocurrencies should not be considered cash, though, in much the same way that a bank is not a substitute for holding dollars. Rather, these companies will provide a leveraged opportunity to make explosive returns if the underlying commodity or currency increases in value.

In the gold sector, a number of stocks could be good bets. One of the best at the moment is **Agnico Eagle Mines Ltd.** ([TSX:AEM](#))([NYSE:AEM](#)). This company's assets are in North America which, given the global climate, provides a good degree of safety.

Apart from its strategic positioning in North America, this company maintains a low cost of production. It also has a small [dividend yield](#) of about 1.4% that's comforting comforting while you hold the stock.

Crypto stocks are few and far between, unfortunately. One company you could look at is **HIVE Blockchain Technologies Ltd.** (TSX:HIVE). This company has significantly more cash than debt, which should help it to ride out a difficult economic situation.

Unfortunately, the company doesn't make any money as yet. The real bet with this company is that cryptocurrencies will be increasingly adopted as an alternative to government-issued currencies. This stock is risky, which is why you should only buy a small amount.

The bottom line

If you are going to buy gold or cryptocurrencies as cash alternatives, you should not invest your entire portfolio into them. Rather, buy a small amount, perhaps 5% of your total invested capital at a maximum. Cryptocurrencies are especially [volatile](#) and risky. You need to be careful about your investment.

Gold is less of a risk, given its long history as money, but it also is quite volatile. Think of these assets as a form of insured cash that you can put to use in a crisis. The stocks could potentially pay off enormously should the underlying assets increase in value.

Using both the physical gold and crypto as well as the stocks could give you cash to spend in the event of a prolonged market downturn.

CATEGORY

1. Investing
2. Metals and Mining Stocks
3. Stocks for Beginners
4. Tech Stocks

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