Billionaire Ray Dalio Warns Against 1 Market Rally Mistake

Description

Analysts everywhere announced a market rally as soon as it was feasibly possible. Any hope at all during this damaging time is music to investors' ears. Now, investors have two worries. One, that they missed the market bottom, and it's too late to invest. Second, that another drop could happen, so it might be better to keep cash instead of investing to avoid market volatility.

It's true, there are many analysts out there recommending investors to keep cash on hand during a market downturn. The idea is that by keeping cash on hand, you'll avoid market volatility, even during a market rally. After all, if it's not invested, you don't risk any losses, right? Wrong, says billionaire hedge fund founder Ray Dalio.

"Do not think that cash is a safe investment," Dalio stated in a recent Ted Talk. "Cash is a seductive investment because it doesn't have as much volatility, but it taxes you in your buying power about 2% a year. So cash is almost always the worst investment."

Dalio argued that with interest rates hitting almost 0%, the Bank of Canada must print money and borrow from the government. This creates a lot of credit to buy up the debt made by this borrowing. What this will eventually mean are two things: inflation and taxes once things get back to normal. As a market rally continues, this time just comes closer and closer.

Suddenly, your cash isn't so safe. If it's sitting in any account, you have to claim it, which means it can be taxed. That is, unless you have it invested in a Tax-Free Savings Account (TFSA).

Best market rally investment

This is exactly what you should do during this market rally: look at areas where you can diversify and see at least a few percentage increases during the downturn. That way you can at least balance out your cash being taxed, or even make more if you invest properly. If there's one area Dalio thinks you should consider, it's gold.

One of the best gold companies you can choose right now is **Newmont Goldcorp Corp.** (TSX:NGT)(NYSE:NEM

). Newmont is the world's largest gold mining company, and has been on a tear as of late. While other stocks fell during the market downturn, even during a market rally you wouldn't know Newmont was even affected by the economy.

As of writing, the stock has gained over 50% since the beginning of the year. With its May 5 earnings date now just around the corner, that share price could climb up even further as investors continue to flock to gold. The price of gold increased to the highest point in years this year, and as the price continues to climb, Newmont should be the first company to see an increase in its share price even further.

In fact, there are analysts saying the price of gold could reach $3,000 by 2025, so investors should see Newmont increase for years to come.

And that's the key. While cash is tied to the economy and can fluctuate on a whim, gold is far more stable in today's environment.

So if you're looking for a stable investment to hold onto for decades, keeping your cash safe, gold and Newmont is the best option during this market rally.

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