



Forget Bitcoin: 2 Stocks I'd Buy Instead for 2021

Description

The Bitcoin rally in 2020 looks a lot like a repeat of what happened in 2017. Whether or not a Bitcoin crash is on the way in 2021 is anyone's guess, but investors might want to search for [cheap stocks](#) to buy now instead of chasing the cryptocurrency euphoria.

Should Barrick Gold stock be on your buy list instead of Bitcoin?

Gold stocks fell when Bitcoin surged to record highs in 2017. The same correlation appears to be happening as we close out 2020. Analysts speculate that significant money moved out gold in recent months to ride the cryptocurrency wave. This trend could reverse quickly, as it did in early 2018, especially now that gold stocks appear oversold.

Why?

Gold and gold mining stocks should be more attractive than Bitcoin right now. Central banks around the globe still prefer to buy gold. Demand for the yellow metal is rising as the world moves deeper into the realm of negative interest rates. New high-grade gold deposits are harder to find and the top reserves are increasingly concentrated in the hands of a few major producers.

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD), for example, owns five of the top 10 gold mines on the planet. The company generates significant free cash flow at current gold prices and recently raised the [dividend](#) by 12.5%. Barrick Gold will likely finish 2020 with zero net debt and has done a good job in the past few years of streamlining the business to focus on high-return assets.

Barrick Gold stock trades near \$29 per share compared to the 2020 high above \$40. At US\$1,800 per ounce the gold mining giant is a cash machine. A weaker U.S. dollar and safe-haven demand could easily push the gold price back to the 2020 high around US\$2,080 per ounce in 2021. Last spring **Bank of America** surprised the market with its [gold price forecast](#). The bank predicted the price of gold could hit US\$3,000 by 2022.

Could Teck Resources soar more than Bitcoin in 2021?

Teck Resources produces copper, zinc, and steel making coal. Copper and zinc prices soared in the past six months as markets anticipate strong demand due to fiscal stimulus policies. Government spending around the world will flow into green-energy projects including solar, wind, and electric-vehicles.

These industries use significant amounts of copper. Tight supplies have already pushed copper to a seven-year high in 2020 and the rally should continue through 2021.

Steel demand should also surge as major infrastructure projects get underway. This will provide support for metallurgical coal prices. Teck is already seeing strong met coal demand from China at high spot prices due to a disruption in supply from Australia, which should give revenue and cash flow a boost in Q4 2020 and in the coming months.

Teck trades near \$23 per share. The stock doubled since April, but still appears cheap given the strong rally in copper and zinc prices. A run to \$35 in 2021 wouldn't be a surprise. This might be a better recovery bet than putting money into Bitcoin right now.

The bottom line

Bitcoin trades above US\$23,000 at the time of writing compared to US\$10,000 in September. The rally could easily extend into next year, but investors should be careful. The last time Bitcoin went crazy it topped out around US\$19,650 and was back down to US\$3,200 a year later.

Barrick Gold and Teck Resources appear undervalued right now and might be better bets heading into 2021.

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