



Forget Bitcoin: Why Top Gold Stocks Are Buys in 2021

Description

Gold surged back above US\$1,900 to start 2021. At the same time, Bitcoin dropped from its records highs. Investors are trying to decide if Bitcoin or gold is a better bet in 2021.

Is this the right time to sell Bitcoin and add gold stocks to your portfolio?

Why gold stocks look oversold

Gold stocks peaked at the end of the summer and have since drifted lower. For example, **Barrick Gold** ([TSX:ABX](#)) (NYSE:GOLD) traded near \$40 per share in early September and finished 2020 at \$29. The sell-off appears overdone given the strong tailwinds for gold as we begin 2021.

Gold's US\$50 jump on the first day of trading in the new year isn't a surprise. The second COVID wave continues to worsen across most developed economies. While positive vaccine news contributed to a gold dip in the fall, the market is realizing that it will be months before the broader public has access to the shots. In the meantime, new lockdowns and tighter [travel restrictions](#) threaten to derail the economic recovery.

A weaker U.S. dollar continues to support higher gold prices. Analysts have differing views on how far the greenback might slide in 2021, but the general consensus is for additional downside. Gold is priced in U.S. dollars, so the dollar's dip in value against a basket of international currencies should drive gold higher.

The [US Dollar Index](#) is down more than 10% since May last year, falling from 100 to just below 90 at the time of writing. Pundits speculate a 20% plunge could be on the way in 2021.

Geopolitical and trade risks should provide safe-haven support for gold this year. The transition of power in the United States isn't going smoothly amid ongoing bids by the current administration to get the Biden win overturned. Disputes with China and Iran could flare up and send more cash into gold.

With gold above US\$1,900 per ounce, Barrick Gold and its peers have the potential to generate

significant free cash flow. Barrick Gold raised the [dividend](#) by 12.5% in the fall of last year and additional dividend hikes should be on the way.

Is Bitcoin too expensive?

Bitcoin's staggering rally through the end of 2020 might be over. The cryptocurrency soared from US\$10,500 in early October to a recent high near US\$34,000. At the time of writing the price is down to US\$31,000. Investors should take a look back to late 2017 and 2018 to see why buying Bitcoin today appears risky.

Bitcoin staged a massive rally in late 2017 when it went from US\$4,000 to above US\$19,000. A year later it was back to US\$4,000. Gold ended 2018 slightly below where it began the year.

There is no guarantee that Bitcoin or gold will follow the same pattern in 2021, but the cryptocurrency faces challenges this year. Central banks around the world continue to buy gold and are considering setting up their own digital currencies. At the same time, big tech giants are getting into the crypto game.

Should bitcoin or gold be on your buy list now?

Gold and gold stocks appear oversold. The big jump to start the new trading year might be the start of a new rally towards record highs. Bitcoin can be volatile and the price might crater as speculators unwind positions. Interestingly, a lot of that money could flow into the gold miners.

Gold could easily hit US\$2,100 in the coming months. If that happens, Barrick Gold and its peers should soar. Barrick's stock price surged to start 2021 and it wouldn't be a surprise to see the share price top the \$40 mark in the first half of the year. Investors also pick up a dividend, which is always a bonus.

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