



Forget Gold and Bitcoin! Here's How I'd Invest a \$6,000 TFSA in 2021

Description

The stock market kicked off the new year with a plunge. The **S&P 500** plunged 1.5%, while the resource-heavy **TSX Index** was actually up 0.5% on the day thanks in part to gold miners like **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD), which soared nearly 9% in a single trading session.

There's no question that stocks came into 2021 running hot, too hot and in need of a correction.

In numerous prior pieces published over the past month, I've [warned](#) investors that vaccine news had lost its effect on the stock market, and that mutated COVID-19 variants could threaten the efficacy rates of said vaccines, potentially delaying the end of this horrific pandemic.

At the time of writing, there's no evidence that new variants of COVID-19, such as those discovered in the U.K. and South Africa, will hurt vaccine efficacy. That said, investors would be wise not to think that things can't change later on with future mutated variants. Few things in this world are more unpredictable than biology, after all.

If a bear-case scenario pans out and today's vaccines can't eliminate a certain strain, the pandemic's end could be at risk of being pushed into late 2021 or potentially early 2022. Given many investors already have their sights set on the post-COVID world, such a scenario would likely prompt Mr. Market to serve up a fast-and-furious correction that could happen over a span of just a few days.

Such a dip, I believe, will be a tremendous buying opportunity for longer-term thinkers, both looking to invest for the post-COVID world or what could be another brutal year.

Don't discount COVID-19 risks with your TFSA

Sadly, the increased spread of viral pathogens comes with a higher risk for mutations.

So, if you're one of many investors who've already rotated into the reopening plays, it may be time to get back into the pandemic-resilient defensives to hedge against a potential worsening of this pandemic. Because, as I've explained in prior pieces, it's these COVID-19 resilient stocks that could

have another year's worth of gains left in the tank should the November rotation into reopening plays prove to be premature.

In a previous piece, I'd urged investors to gradually rotate into reopening plays over time rather than dumping defensives for COVID-hit plays in one go: "Continue adopting the COVID-19 [barbell strategy](#), but with a slightly heavier weighting on the at-risk COVID-19 stocks or reopening plays."

With bears, gold bugs, and Bitcoin speculators now coming out, it may be tempting to ditch your common stock for the precious metals and cryptocurrencies, as you throw in the towel on the reopening plays like **Air Canada** ([TSX:AC](#)), which still face tall hurdles before the light at the end of the tunnel can be reached. While it's tempting to swap your Air Canada stock for shares of Warren Buffett-owned Barrick Gold, investors should not feel the need to take drastic action with their portfolios if it already mitigates COVID-19 risks.

Air Canada stock: Still a better long-term bet than gold or Bitcoin

Instead of chasing Barrick Gold, I'd much prefer nibbling on a name like Air Canada on the way down. The Canadian airline faces an uphill climb in 2021, but eventually, I do believe vaccines will eliminate COVID-19, and things will return back to normal.

In such a post-pandemic world, we'll probably see immense pent-up demand for air travel be met, and Air Canada stock could make a run past the \$35 mark. In the meantime, Air Canada shareholders will be in for more turbulence, as the vaccine timeline becomes clouded by "concerning" mutated strains and vaccine logistical challenges.

As for gold and Bitcoin, I think both assets face immense downside risks once COVID is finally conquered. Moreover, if it turns out there's no evidence of a sustained surge in inflation (I think there will be a short-lived rise above 3%), the gold and Bitcoin bugs could be in for a big drop.

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