



Crypto Crash: 1 Top Canadian Stock to Buy Instead of Bitcoin

Description

The cryptocurrency bubble looks like it has finally popped and more downside could be on the way. Investors who made some money on the Bitcoin rally are now looking for new opportunities to invest the funds.

How low could Bitcoin go?

Bitcoin surged from US\$6,000 in March 2020 to above US\$60,000 on April 15, 2021. Profit taking and fears about new crypto regulations have triggered a sell-off. At the time of writing, Bitcoin is down to US\$49,000. Whether or not buyers will swoop in soon and stabilize the plunge is anyone's guess, but there is a risk we could see an extended rout similar to the one that occurred after the huge spike in 2017.

It's unlikely Bitcoin is headed back to US\$6,000, but analysts are calling for a potential [50% drop](#) from the recent highs.

Why Barrick Gold might be a better bet than Bitcoin

Gold and gold stocks enjoyed a strong rally as bond prices soared in the first few months of the pandemic. The rally topped out in early August when 10-year treasury yields dropped to 0.51%. Gold peaked around US\$2,080. Since then, a sell-off in the bond market drove 10-year treasury yields as high as 1.75%, fuelled by fears the Fed might need to raise interest rates earlier than expected due to rising inflation.

Prices are certainly headed higher, but the market seems to have calmed down. The 10-year yield is currently 1.56%. Gold dipped below US\$1,700 in March, but is now close to US\$1,800.

The crypto rout could trigger a flow of funds into gold, providing additional support. Additional tailwinds could come from weakness in the U.S. dollar. The American currency could drop through the end of the year as the U.S. economy ramps up faster than its global peers.

Gold is priced in U.S. dollars, so a lower dollar index often pushes the price of gold higher.

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) trades near \$28 per share on the **TSX Index** compared to its \$40 high in 2020. In the event the new gold rally has legs, Barrick Gold could retest the 2020 peak. The company has zero net debt and should generate significant free cash flow at current gold prices.

The board announced a special US\$750 million return of capital for 2021. When added to the [dividend](#), investors should receive US\$0.78 per share this year. That's about a 3.5% yield on the current US\$22.30 price the stock trades at on the **NYSE**.

Barrick gold owns five of the top 10 gold mines on the planet. The board tripled the dividend since 2018 and more increases should be on the way. Even if the price of gold doesn't move meaningfully higher, Barrick Gold stock appears [undervalued](#). One year ago analysts predicted gold could head as high as [US\\$3,000](#) by the end of 2021.

This might be a stretch, but a run back to US\$2,000 per ounce over the next two years wouldn't be a surprise.

The bottom line on buying Barrick Gold instead of Bitcoin

Gold can certainly be volatile, but the cryptocurrency market is a higher risk play. If you think the latest Bitcoin rally is over, Barrick Gold looks like an attractive alternative. The stock is cheap and you get paid a dividend to wait for the next rebound.

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