



Bitcoin Selloff: Why it Could Be Positive for Gold Stocks

Description

Despite what's gone on the last few days, for the better part of a year, Bitcoin has been a top-performing asset. In fact, many assets have been rallying over the last year, including stocks from almost all industries. However, one asset that's lost value since last August is gold, and, therefore, plenty of Canadian gold stocks have been affected.

The fact that gold prices have declined over the last nine months is not necessarily surprising for a few reasons.

Firstly, gold is more in demand when investors are fearful, such as during a [market pullback](#). That's why it rallied substantially through the first half of 2020.

However, when investors are betting on a recovery and higher-risk stocks are rallying, the market isn't as worried anymore, meaning that not as much money will need to be in a safe-haven asset, lowering the demand for gold.

Another reason why gold may have been selling off recently is that many believe that Bitcoin is a competitor.

There are plenty of investors who view Bitcoin as digital gold. And if they think there are more benefits to holding Bitcoin, investors could choose that over gold.

So, it was unsurprising when Bitcoin was selling off substantially earlier this week along with the rest of the market, except for gold and gold stocks.

Bitcoin's downfall could be positive for gold

Many see Bitcoin and gold as two competitors. As I said before, several investors consider Bitcoin to be digital gold. Despite some of the similarities the two assets have, they aren't necessarily competitors.

Therefore, I think you should own both. Back in January, [I'd recommended](#) that investors have exposure to both, especially to hold for the long term. However, I can see how investors would want to hold one or the other, considering both are assets that don't provide any cash flow.

Gold plays an important role in a portfolio and always has. Bitcoin is an entirely different investment and more of a bet on the cryptocurrency revolution.

Clearly, though, Bitcoin rallies in a risk-on trade, whereas gold rallies in a risk-off scenario. So, over the last two months, as markets have cooled off, gold has gained nearly 10%, while Bitcoin is down roughly 30%.

A top gold stock to buy while they're still cheap

Because gold can play an important part in investors' portfolios long term, as can Bitcoin, I've been recommending for a while that investors use this opportunity to gain exposure to some of the highest-potential companies while they're still cheap. One of the best to buy today is **B2Gold** ([TSX:BTO](#))(NYSE:BTG).

Many investors prefer to always own at least a small portion of gold in their portfolio. So, if we're going to buy gold stocks for the long run, we want to make sure we are buying excellent companies with impressive and consistent operations. That's why B2Gold is one of the top gold stocks to buy today.

The company has some of the lowest production costs in the industry — one of the most important factors of gold stocks. Plus, it's grown its production rapidly for over a decade, which has helped improve the margins substantially.

At today's gold prices, the company is a cash cow. It currently pays a dividend that yields over 3.2%, only adding to the reasons why B2Gold is one of the top stocks to buy now.

The company has been extremely cheap lately. However, in recent weeks, it's begun to rally as Bitcoin has sold off. So, considering it has a tonne of potential to continue rallying, I'd be looking to take advantage of this bargain soon.

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