



If the Bitcoin Rally Is Over, Here's Why This Stock Could Shoot Higher

Description

Those seeking stability really have a hard time finding it today. No matter where investors look, volatility appears to be picking up. Whether in stocks, bonds, or crypto, valuations are changing rapidly. Looking at the recent Bitcoin rally (and decline), we see a great example of this.

That said, investors will note that cryptocurrencies are inherently more volatile. These digital tokens don't move like regular assets, because they're not traditional assets. They're hard to value and are valued on the basis of supply and demand, which is rapidly shifting.

That said, gold remains one of the most stable hedges on the market today. Sure, the upside with gold isn't as impressive as with Bitcoin or its crypto peers. However, gold and gold miners like **Kirkland Lake Gold** (TSX:KL)(NYSE:KL) have proven their worth of late as [solid portfolio hedges](#).

Here's more on why Kirkland Lake could rally in a declining crypto market today.

Bitcoin rally based in part on hedging thesis

One of the reasons behind the recent Bitcoin rally has been the idea that Bitcoin provides a hedge to equities. Indeed, Bitcoin and its crypto peers have done nothing but go up since inception. Sure, these digital assets have seen periods of stark selloffs. We're seeing such a selloff right now. However, over time, crypto investors have ultimately been rewarded. Whether this continues remains to be seen.

However, I think the idea of Bitcoin as a hedge to the current monetary system as intriguing, but misplaced. As a store of value, it's hard to determine that Bitcoin could do the job gold has done for millennia. In some cases, it's best to stick with what's worked basically forever.

Gold happens to be that hedge that many investors still rely on. And if Bitcoin does continue to plummet, capital inflows into gold as the hedge of choice could drive up the valuations of gold miners like Kirkland Lake.

Indeed, one of the best attributes of Kirkland Lake is the company's leverage to the price of gold. As

gold prices rise, the company's profitability increases by a multiple of the increase in the underlying commodity price. Additionally, Kirkland Lake's pristine balance sheet and world-class management team provide a margin of safety that's very hard to find in the crypto space.

Bottom line

Gold has simply become unfavourable as an investment in recent years. High-growth assets such as cryptocurrencies have provided some serious headwinds to gold and gold miners like Kirkland Lake.

Who knows? Maybe the Bitcoin rally will continue, and gold will officially go out of style. However, I'm not banking on that. I think gold miners are simply too undervalued to ignore right now, and Kirkland Lake remains one of the best. This continues to be one of my top picks for a reason.

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Author

chrismacdonald

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