



1 TSX Gold Stock at the Top of the Podium

Description

It's been a horrific past few months for the top TSX gold stocks. Not even the best producers in the space could steer clear of the damage brought forth by waning gold prices. For many investors who'd punched their ticket to top gold producers like **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) to hide their wealth from inflation, it's been a brutal first half of 2021. In the U.S., inflation numbers came in [hot](#) — slightly hotter than expected, with CPI at 5%. So, why is gold not blasting off towards its prior highs just north of US\$2,000?

It's probably because so many investors view cryptocurrencies, like Bitcoin and Ethereum, as serious alternative investments to protect one's wealth from the insidious effects of inflation. Some young investors may view it as millennial gold. And with a plethora of ETFs and funds that provide exposure to speculative cryptocurrencies, it's tough to stick by the gold standard when everybody else at the water cooler has been enriched by a new, sexier investment class.

There's never been an easier time to ditch one's gold exposure with Bitcoin. But will doing so be harmful to one's [wealth](#) at the end of the day? Probably. Especially if the head-and-shoulders pattern in Bitcoin come to fruition in the coming weeks.

Sure, Bitcoin has shown a low correlation to the broader equity markets. But as I've noted in a prior piece, what's the purpose of possessing an asset with a low correlation if it doesn't apply during times of panic or crisis?

Gold could shine, as Bitcoin falls off the podium

We saw Bitcoin crash even harder than stocks during the 2020 coronavirus stock market crash. Meanwhile, gold held its own quite well, as it tends to do when fear is the main emotion on Wall Street. While I may be wrong to call Bitcoin an unsuitable gold alternative, I think that recent evidence suggests that swapping gold for crypto is a dangerous endeavour.

That said, I'm not against owning both assets as complements rather than substitutes. They're two very different assets, and there's unlikely to be enough evidence of crypto's suitability as a gold

substitute until many years down the road.

As Bitcoin and gold both sag below US\$30,000 and US\$1,800, respectively, I'd be more inclined to buy the dip in gold and the wide range of battered gold producers. At this juncture, Barrick Gold strikes me as one of the more opportunistic buys in today's rocky but bullish market.

In prior pieces, I've praised Barrick for its dividend policy and its handsome yield (currently at 1.7%). It's not just the payout that has me pounding the table, but also its geographically diversified portfolio of mines and excellent managers led by CEO Mark Bristow.

Where's gold headed next?

With growing concerns over the "Delta" variant of COVID-19, hefty valuations on U.S. securities, and geopolitical risk involved with investing U.S.-traded Chinese equities, the degree of unpredictability remains elevated. And with that, I suspect the demand for proven safe-haven assets like gold will continue to be robust over the next few years.

While it's difficult to project commodity prices, I'd be stunned if gold is below the US\$2,000 level by the end of the next year, especially should money continue to flow out of crypto and back into proven alternative assets like precious metals.

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