



Should You Invest in Gold Stocks or Bitcoin?

Description

Gold continues to be a source of confusion for investors.

For as long as we've been able to extract the precious metal from the earth, gold has been the de facto store of wealth in society. We've stashed it, buried it, melted it down, and adorned ourselves with it as jewelry. Governments even set up massive vaults to back up their local currencies with gold.

Gold is something physical, scarce and in demand, which has resulted in its price steadily increasing over the years.

That is, until an epic collapse in 2011 brought the price crashing down from nearly US\$1,900 per ounce to sub-US\$1,100 levels in what became a multi-year drop that left countless miners such as **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) struggling with inflated costs and a depreciating product price.

While the market has somewhat recovered from those lows and returned to just above US\$1,300 per ounce, the rise of cryptocurrencies such as Bitcoin and Ethereum has left investors wondering if gold's store-of-wealth status has ended.

Here is an interesting take on cryptocurrencies

Some investors have been announcing the end of Bitcoin and cryptocurrencies altogether, noting that the massive drops in price seen early this year can only end badly for investors. And while that epic drop in Bitcoin prices to the sub-US\$11,000-per-coin level did raise some eyebrows, crypto coins have shown incredible resilience in being able to recover from sudden drops in price.

The extreme volatility of cryptocurrencies is not unlike, say, the [epic collapse](#) of well-known stocks. In other words, stocks can be just as volatile in extreme circumstances, but that leads to the whole risk/reward argument.

Another key point to take into consideration is that cryptocurrencies should still be considered as investments, and with that classification comes that old homage, "Never invest more than you're willing

to lose.”

Just because Bitcoin finished 2017 up over 1,500%, there is no guarantee that 2018 will see that same result. Long-time investors in cryptos can recall the first time Bitcoin soared past the US\$1,000 mark, only to come crashing down to sub-US\$100 levels

Can Bitcoin replace gold?

Gold bugs will say no, and crypto enthusiasts will say absolutely.

Bitcoin enjoys a utility that gold cannot offer, in that Bitcoin can be used for purchases and is divisible into very small units. Gold, however, is not readily divisible, and you could not, for instance, pay for your weekly groceries by giving your cashier a bullion coin.

What gold does offer is a somewhat more stable store of wealth. The fact that gold cannot be directly used for purchases protects investors from reckless spending, as there is a cooling-off period between cashing in gold and receiving payment.

Another benefit of having a physical asset is that it cannot be destroyed without recovery like a cryptocurrency can when your hard drive dies, your digital keys are lost, or the exchange itself gets hacked.

In short, Bitcoin could replace gold someday, but that is looking incredibly unlikely, at least in the near future.

Are gold stocks good investments?

Absolutely, but as with everything related to investing, [diversification](#) is key. Traditional miners such as Barrick still hold plenty of potential. Gold prices have been steadily rising and are now sitting above US\$1,300 per ounce, and industry experts see that price continuing to rise closer to US\$1,400 per ounce over the course of the year.

There is a growing demand for gold, predominately in markets in Asia where growing demand is likely to fuel a steady increase in prices.

Barrick recently announced its full-year guidance, which only just met the production levels the company announced and then revised twice to lower levels over the course of the year. Guidance was set to fall within the 5.3-5.5 million ounces range.

Barrick’s lower production levels were attributed to the 50% sale of the Veladero mine in Argentina as well as a sharp drop in production seen in the Acacia mine in Tanzania.

Barrick is set to provide full results for the fourth quarter next month.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/08/24

Date Created

2018/01/19

Author

dafxentiou

default watermark

default watermark