



Why I'd Still Buy Oil Over Bitcoin

Description

Interest among investors in Bitcoin has surged higher during the course of the last year. It's not difficult to see why, with the virtual currency rising from \$1,000 at the start of 2017 to almost £20,000 in December. Since then, it has dropped back, but has still left many investors with high profits.

In contrast, interest in oil seems to have declined during the same time period. Many investors now see the fossil fuel as being a 'commodity of yesterday', in terms of the world's shift towards greener forms of energy. However, it could still [outperform](#) Bitcoin in the long run.

A resilient outlook

While there has been a shift from fossil fuels to cleaner forms of energy, oil is still expected to remain a key part of the energy mix in the long run. While electric vehicles are already on sale across the globe, the reality is that the infrastructure required to support their growth may not be available for many years. This may inhibit the growth in demand for electric vehicles and could mean that there is an evolution, rather than revolution, towards cleaner forms of transportation.

In fact, it is estimated that global demand for oil will continue to increase between now and 2035. Rising prosperity across the globe means that the oil price could benefit from higher future demand, while the use of oil in non-combusted applications could help to support demand in future years. As such, the oil price could perform better than many investors expect in the long run.

Investment opportunity

Of course, the oil price has benefitted in recent months from the reduction in supply agreed by OPEC members. There is no guarantee as to the future level of supply which will be put in place by OPEC or non-OPEC producers. However, it is estimated that demand growth could outstrip supply growth in 2018. This could lead to a firmer oil price, and it would be unsurprising for it to trade above and beyond \$70 per barrel during the course of the year.

Since many investors remain uncertain about the prospects for oil, there are a number of [oil stocks](#) that

continue to trade on relatively low valuations. They could provide a wide margin of safety which could help investors to generate relatively high returns over a sustained period of time.

Volatile outlook

Certainly, the oil price could be volatile in future. However, it is likely to offer far more stability than Bitcoin. And with there being strong fundamentals supporting the oil price, it seems to offer a favourable risk/reward ratio.

In contrast, Bitcoin remains a speculative asset which is unlikely to have real-world use in the long run due to its limited supply and lack of infrastructure. Therefore, with the oil price on the up and Bitcoin falling recently, the former seems to be the more enticing investment opportunity.

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Date

2025/08/27

Date Created

2018/02/18

Author

peterstephens

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