



## Why Gold Has More Investment Appeal Than Bitcoin

### Description

While stock markets across the globe have risen sharply in recent months, the price of Bitcoin has come under further pressure. The cryptocurrency has fallen by over 20% in the last four months, while the FTSE 100 has gained 10% and the S&P 500 is up by around 5% during the same time period.

Meanwhile, gold has dropped by 6% in the last four months. However, this is at least partly due to improving investor sentiment, with defensive assets becoming less appealing to increasingly risk-on investors. As a result, the decline in Bitcoin is arguably even more worrying, since more confident investors should equate to higher demand for volatile virtual currencies.

### Investment potential

Of course, Bitcoin's journey has been filled with periods of intense disappointment. For example, in 2013 it came close to closing at \$1,000 for the first time. At that point, it was becoming increasingly popular among investors, as it was outperforming a wide range of indices. However, it proceeded to lose around 80% of its value over the next three years before experiencing a surge which took its price to almost \$20,000 in 2017. As a result, some investors may argue that the cryptocurrency will recover from its current downturn in the long run.

However, the reality is that Bitcoin faces a number of risks which could hold back its future performance. For example, its real-world use is somewhat limited due to a lack of infrastructure, while the limit on its eventual size means that the chances of it replacing traditional currencies is slim. And with regulators across the world releasing generally unfavourable statements regarding its outlook, it is difficult to make an investment case for it at the present time.

### Defensive appeal

One area where Bitcoin has been touted as a worthwhile holding is its defensive potential. Some investors have argued that it could offer lower positive correlation with the wider global economy, as well as with indices such as the [FTSE 100](#) and S&P 500. However, in this respect, gold could be a much more appealing asset to hold. It has a history of becoming in-demand during periods of volatility

and economic disruption, and this situation is unlikely to change in the coming years.

Furthermore, gold often becomes more attractive during periods of higher inflation. With spending in the US expected to rise and the world economy experiencing a period of strong growth, an inflationary period could be ahead. As such, and while the gold price has fallen in recent months, its long-term potential seems to be high.

Bitcoin, though, has underperformed the FTSE 100 and S&P 500 during recent rises, while its defensive appeal seems to be limited. Investors nursing losses during a bear market are unlikely to take further risks with Bitcoin, for example. As such, its investment appeal seems to be limited, with gold providing a more enticing risk/reward ratio in a variety of stock market conditions.

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