2 Reasons Crypto and Blockchain Tech Are a Better Investment Than Gold in the Second Half of 2018

Description

Back in 2017, cryptocurrencies like bitcoin and Ethereum were reaching new heights, while gold stumbled for most of the year. However, the fortunes of both would soon change as the cryptocurrency craze finally wound down and resulted in huge losses. Bitcoin went from nearly $20,000 at its peak in December 2017 to under $10,000 by February 1.

Gold, on the other hand, gained momentum in late 2017 and threatened the $1,400 mark in early 2018. The yellow metal has since suffered a steady decline since mid-April. Bitcoin and other major cryptocurrencies have fluctuated, but remained somewhat stable relative to the price shifts the same time last year.

Late last year, I'd discussed whether cryptocurrencies were now the better option over gold and silver. Digital currencies have gained traction as an alternative safe haven, especially for younger investors who have been more open to the technology. Today we'll look at two reasons why cryptocurrencies are a better investment than gold in the second half of 2018.

Gold crippled under the weight of economic growth

The spot price of gold has dropped below $1,230 in the last week of July. Gold has failed to gain momentum even in the face of rising geopolitical tensions in the Middle East, and the threat of a global trade war that could severely curb growth. However, domestic conditions in the United States have kept downward pressure on gold.

The U.S. Federal Reserve has continued on its rate tightening path, and recently raised interest rates on June 13. U.S. economic performance has been extremely encouraging. In the second quarter, U.S. GDP growth came in at 4.1%, which was the highest quarterly growth since 2014. This growth was on the back of strong consumer and business spending. Analysts have credited deregulation and U.S. tax reform for the spike in investment in the second quarter.

It remains to be seen whether the current bout of protectionism will damage growth prospects in the U.S. and around the world. For the time being, the strong economic numbers will push investors away from gold.

The crypto market is exhaling after a flurry of regulations

Soaring asset valuations weren't the only reason that cryptocurrencies finally came back down to earth in early 2018. Governments worldwide have also committed to a crackdown on crypto exchanges and even payment options.

China and India have both introduced stringent regulations, which have stymied previously friendly environments for cryptocurrencies in both countries. The United States and Canada have been reluctant to introduce concrete regulations, while the European Union has lobbied for restrictions to the G20.

TMX Group Ltd. (TSX:X) announced this year that it would launch a cryptocurrency platform. This is good news for a market that is hungry for legitimacy, particularly amid a storm of new regulations. Banks in Canada and the United States have also committed to studying and integrating blockchain technology, which could have a huge impact on speeding up transactions in the future.

Bitcoin and other cryptocurrencies carry a similar risk to gold in this environment. Investors will be better served by investing in companies like TMX Group and financial institutions that are taking the forward-thinking approach to building a decentralized network.

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