



## WARNING: Warren Buffett Says to Avoid This Asset in 2020

### Description

Towards the end of 2019, I'd suggested that investors should [avoid Bitcoin in favour of gold](#). The cryptocurrency surge had elevated blockchain-linked stocks that have since struggled mightily in recent months. Bitcoin enthusiasts come in different forms, while its fiercest detractors often sing a similar tune.

Warren Buffett is revered for his investment chops, which he has exercised to accumulate a net worth over \$85 billion. This past week, Buffett came out as a vehement Bitcoin and cryptocurrency skeptic.

### Buffett burns Bitcoin

In an interview on CNBC's *Squawk Box*, Buffett said that cryptocurrencies "basically have no value." He vowed that he would [never own cryptocurrency](#) in any form. Bitcoin and other cryptos have fallen out of favour since the massive bull run in 2017. There are several points we can glean from how Bitcoin has performed over the past few months.

### Gold is the better safe haven

Bitcoin and other cryptos like Ethereum defied categorization for much of 2017. When prices finally slipped, many crypto boosters believed that this asset class could act as a sort of "digital gold" — that is, a high-tech alternative to gold and silver as safe havens during turbulent economic periods. Bitcoin has failed to reach its mid-2019 highs, while the spot price of gold has surged to a seven-year high on the back of the current bout of volatility.

Investors who are looking for protection during this correction should not look to cryptocurrencies to provide a reliable hedge. On the contrary, it is more likely that Bitcoin and cryptos will follow the dip in the broader market.

## The bullish case for Bitcoin

Buffett has earned a great deal of respect in the investment world, but he still saw some incendiary criticism come his way after his latest denunciation of Bitcoin and cryptocurrencies. Bitcoin booster Anthony Pompliano said that Buffett was not an authority of technology, and therefore not worth listening to on the topic of cryptocurrencies. Pompliano has predicted that Bitcoin has the potential to become the world reserve currency “at some point” in response to conflicting central bank monetary policy across the world.

Billionaire investor Chamath Palihapitiya also disagreed with Warren Buffett’s take on digital currencies. Palihapitiya has been an advocate of investors holding “at least 1% of their assets in Bitcoin specifically.”

However, he clarified his defence of Bitcoin, saying that it made no sense to buy it in response to the current bout of volatility. “I think a reasonable strategy is to say 1% of my net worth should be in something completely uncorrelated to the world and how the world works,” he said.

The rise of cryptocurrencies and the development of blockchain technology is worth monitoring. However, for the average investor in Canada, a 1% shot in Bitcoin or Ethereum does not appear to be a strategy worth pursuing. Crypto-linked stocks like **HIVE Blockchain** have bounced back to start 2020, but these equities have been extremely volatile. I continue to prefer gold stocks like **Kirkland Lake** or even physical gold over Bitcoin today.

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