



## Forget Bitcoin As a Gold Replacement in a Market Crash!

### Description

Ready or not, a [market crash](#) is coming. It's always coming, though. Nobody knows when it'll hit, how bad it'll be, or what the recovery will look like. But those who try to time it, predict its severity, or the "shape" of the ensuing recovery could find themselves being completely wrong and will be left behind should this unpredictable market zig as they zag.

The best way to weather this volatile market is to be prepared for anything. Do own stocks, but hedge your bets and have a "Plan B" should things go sour, even though you don't want (or expect) it a market crash to happen anytime soon.

## Forget about Bitcoin or cryptocurrencies as a gold replacement!

Some crypto-savvy folks have been treating Bitcoin as some sort of gold alternative. Back in late-2017, amid the crypto craze, I noted that swapping gold with the wildly volatile cryptocurrency was not a good idea. And that although the asset was technically considered an alternative asset (alternative to equities), it was being traded by the kind of speculators who chase momentum stocks in the equity markets.

"Bitcoin isn't really a currency; it's ridiculously volatile, and both parties partaking in a Bitcoin transaction will both take on a ridiculous amount of risk. Bitcoin isn't an investment either; it's a speculation whose value is subject to technical developments." I wrote in a prior piece dated December 12, 2017.

"Gold is a safe haven that's like an insurance policy for when the markets implode. It's an essential part of every portfolio, but as investors replace their gold position with Bitcoin, these investors could be in for a very rude awakening."

Fast-forward to today, and it's more apparent that Bitcoin isn't a suitable replacement for gold. The cryptocurrency plunged violently amid the COVID-19 crash back in February and March before bouncing back alongside the broader equity markets.

The asset-traded more like the stock market than an alternative asset that's supposed to be lowly correlated to the broader equity markets. In fact, Bitcoin actually fell far harder than the equity markets, losing just over half of its value from peak to trough.

You could argue that the [markets](#) were malfunctioning and that Bitcoin would not have sold-off otherwise. Heck, even bond funds and gold stocks sold off alongside equities, as pandemic fears gripped the financial markets.

While there's no telling how Bitcoin will react in the next market-wide meltdown, my guess is that we're likely to see a repeat, whereby Bitcoin sells off alongside the equity markets, possibly amplifying downside, as weak-handed cryptocurrency speculators are more likely to rush to the exits first and ask questions later.

## Gold also lost some of its shine in the COVID-19 market crash

While gold lost a bit of its shine in the worst of the coronavirus crash, it still held its own far better than the equity markets and cryptocurrency. Shares of gold miner **Newmont** ([TSX:NGT](#))([NYSE:NEM](#)) fell around 20% from peak to trough, dampening downside relative to the broader markets, before roaring back quickly, running by up to 42% higher than its late February levels, a time when investors began to realize just how devastating the coronavirus was.

For the first quarter, COVID-19 had a minimal impact on Newmont. The gold stock has continued roaring higher alongside macro uncertainties. While shares are likely to hold their own relative to the markets come the next big market crash, I would limit my exposure to the lowly-correlated investment because gold prices are well above the mid-cycle price, leading me to believe that Newmont (and other gold stocks) could get pummelled over a longer-term time horizon.

If you're looking to lower your portfolio's correlation to protect your wealth amid the pandemic, though, I'm certainly not against buying Newmont stock here. Just make sure you don't back up the truck because I don't think gold prices will stay at these heights in the long run.

### CATEGORY

1. Coronavirus
2. Investing
3. Metals and Mining Stocks
4. Stocks for Beginners

### TICKERS GLOBAL

1. NYSE:NEM (Newmont Mining Corporation)
2. TSX:NGT (Newmont Mining Corporation)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn

4. Newscred
5. Sharewise
6. Yahoo CA

**Category**

1. Coronavirus
2. Investing
3. Metals and Mining Stocks
4. Stocks for Beginners

**Date**

2025/07/21

**Date Created**

2020/07/17

**Author**

joefrenette

default watermark

default watermark