



Bitcoin vs. Gold: Which Is the Better Buy in 2021?

Description

This time last year, I'd weighed in on the debate over which was the better investment between Bitcoin and gold. At the time, I'd suggested that investors should [bet on the yellow metal](#) over digital currencies. Back then, gold looked like a solid bet, as the global market faced rising trade tensions and slowing growth. Those issues seem quaint as we have spent nearly a year under the yoke of a global pandemic.

Today, I want to revisit this debate. Should investors look to Bitcoin or gold as we look ahead to the New Year? Will the end of the pandemic steer traders away from alternative assets? Let's dive in.

Bitcoin vs. gold in 2020: Who was the victor?

Before we get into the debate, it's worth considering who won out in this momentous year. Amazingly, Bitcoin and gold managed to rattle off record highs in 2020. The spot price of gold peaked in the summer, while Bitcoin has gained huge momentum in the fall. It managed to soar above \$23,000 in the last 24 hours of international trading.

The yellow metal had a terrific run in 2020, but Bitcoin's incredible performance late in the year has made it impossible to ignore. Can it continue to build on this momentum in 2021?

The case for Bitcoin in 2021

Earlier this week, I'd discussed some of the reasons behind Bitcoin's [amazing rally](#). Bitcoin and cryptocurrencies became a household name in 2017. However, digital currencies came under assault from regulators in 2018 and 2019. This cast a shadow over the emerging digital marketplace, and Bitcoin and its peers fell out of favour.

That has changed in 2020. Bitcoin has managed to garner mainstream support, and its backers have come to embrace its role as an alternative safe haven. This fall, the online payments platform **PayPal** threw its weight behind the top cryptocurrency. **Square**, another top mobile payment company, has

also come to embrace Bitcoin. This support from the mainstream has been huge for the crypto space. It is a good reason for investors to have faith in Bitcoin's floor going forward.

Why gold is the better bet next year

Bitcoin's incredible run has overshadowed gold to close out the year, but that should take nothing away from the old guard's performance in 2020. Investors rushed to gold, as the COVID-19 pandemic sowed massive uncertainty over the course of this year. The yellow metal managed to rise above \$2,000/ounce in the summer. It has since retreated but still sits at a respectable \$1,880/ounce at the time of this writing.

Predictably, gold mining stocks have benefited in a big way from the rally. **Yamana Gold** ([TSX:YRI](#)) ([NYSE:AUY](#)), a top Canadian gold producer, has seen its stock increase 46% in 2020 as of close on December 17. Shares are up 59% year over year. While the spot price of gold has retreated marginally, the year-over-year increase is still great news for the profitability of gold miners. Still, could gold break its all-time records in the coming year?

Low interest rates and loose monetary policy is certain to carry into 2021 and beyond. Governments around the world are reeling from this crisis, and investors should expect a fresh batch of stimulus packages in the new year. As the global recovery gathers steam, some experts predict that the U.S. dollar will continue to weaken. This is a bullish sign for gold.

Verdict

Bitcoin's rally to close out this year has been impressive. However, I'm still sticking with the old guard as we look ahead to 2021. A reeling global economy, weakening U.S. dollar, and loose monetary policy should underpin the yellow metal and allow it to compete with its crypto rival.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:AUY (Yamana Gold)
2. TSX:YRI (Yamana Gold)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media

6. Sharewise
7. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/06/28

Date Created

2020/12/18

Author

aocallaghan

default watermark

default watermark