



Buy Gold in 2021, but Don't Neglect Bitcoin Either!

Description

Throughout 2020, both precious metals such as gold and silver and major cryptocurrencies like bitcoin rallied considerably. While there is a vast difference in the performance of gold and bitcoin in 2020, for each asset, its respective gains were quite significant relatively speaking.

This goes to show just how accommodating an environment it's been for alternative assets. It also shows how badly investors are looking to protect their capital from inflation.

Over the past few months, bitcoin has been on an incredible rally. It was only early in December when the cryptocurrency finally reached and surpassed its previous all-time high set in the late 2017 rally.

Since it surpassed that high in early December, bitcoin has continued to rally rapidly. It's now grown another roughly 100% in the month that's followed.

This incredible growth hasn't gone unnoticed, and investors who have neglected bitcoin until now have been scrambling to get in on the action, which only pushes the price even higher.

Several factors have contributed to this incredible rally. The two biggest reasons have to do with the mass adoption going on in the crypto space, as well as the potential for significant inflation over the next few years.

Inflation is one of the biggest factors that influences the price of cryptocurrency. That's why it's not uncommon to see an investment in bitcoin compared to an investment in gold.

Investing in gold

There are many reasons to invest in [gold stocks](#) today. Gold gets a boost when there is fear in financial markets due to it being considered a safe haven asset.

It's also getting a boost recently due to ultra-low interest rates, which are expected to last for years. Plus, with more stimulus on the way, the risks of inflation are severe. So investors are looking for any

way to mitigate against this potential inflation.

Those low interest rates offer little to no yield either from bonds. So investors have to look to alternative assets to diversify from solely holding equities.

That's where the rise of alternative assets that can hedge against inflation comes in.

So while gold is always an important asset that should make up a small portion of investors' portfolios, bitcoin has been moving in that direction too. And with the incredible gains that it's earned in recent months, it's hard to justify a portfolio without a little bitcoin.

Invest in bitcoin

Investors should strongly consider a small position in bitcoin for two reasons. First, you don't want to sit on the sidelines and watch this incredible growth without participating.

Secondly, while bitcoin has traditionally been viewed as a riskier asset, today it can actually help offer diversification for your portfolio.

Don't get me wrong: it will still be extremely volatile. That's why investors considering gaining exposure to bitcoin should make a long-term investment.

The cryptocurrency could continue its exceptional rally. However, there's potential that it may pull back a few times, and investors can experience significant volatility. So if you are going to take a position, know what you're getting yourself into, invest only a small amount that you can afford to lose, and take a long term position.

One way to gain exposure to bitcoin is through **The Bitcoin Fund**. The bitcoin fund gives investors pure exposure to bitcoin through units that are traded on the stock exchange. This is one of the best ways to gain exposure to the cryptocurrency. Plus, the fund charges just 2% for its management fee.

There are many irregularities in the cryptocurrency world, so having an investment manager buy and hold the bitcoin for you will be an excellent choice for most investors.

Just make sure you understand how much you are paying for bitcoin or you could end up paying an [excessive premium](#).

Bottom line

Amid uncertainty in markets and the macro environment, diversification is essential. With many equities at all-time highs and interest rates near zero, both gold and bitcoin offer attractive opportunities.

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Author

danieldacosta

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