



Has Bitcoin Ruined the Case for Holding Gold?

Description

Gold, which should be appreciating amid rising inflation jitters, has been on the retreat of late, plunging nearly 15% from its summer 2020 peak.

Gold miners like **Barrick Gold**, a TSX-traded stock that Warren Buffett recently disposed of from **Berkshire Hathaway's** portfolio, have suffered from amplified downside, with shares that are now down over 35% from their high.

There's no question that [Bitcoin](#) and other white-hot cryptocurrency assets have been favoured by young, tech-savvier investors who would have otherwise put the cash into lowly correlated precious metals like gold. That's a major reason why Bitcoin is referred to by some as "millennial gold."

Bitcoin versus gold: The ultimate tug-of-war

While there's no telling which asset, gold or Bitcoin, will win the alternative asset tug-of-war by year's end, I think it would be a wise idea to expose oneself to both plays, preferably through an ETF that tracks the underlying prices of each respective asset.

As for Bitcoin replacing gold, I wouldn't rule it out over the near term. However, I find it highly unlikely that the rise of Bitcoin or other cryptocurrencies will spoil the case for owning inflation-hedging alternative assets like gold. While [Bitcoin's rise](#) may be a negative for gold prices now, possibly due to the substitution effect, I think both assets can rise hand in hand, especially in excruciatingly volatile markets.

However, in the near to medium term, I suspect Bitcoin's rally will weigh on gold prices right up until the next big cryptocurrency crash. Such a crypto crash could rival that of the early 2018 plunge, and I think such a Bitcoin bust could give gold prices a modest lift over the near to medium term and possibly back to the US\$2,000 mark.

There's still a strong case for owning gold *and* Bitcoin

Most pundits expect returns on the equity markets to be lower versus the last decade. With prospective returns on the lower end, the appetite for alternative assets, both gold and Bitcoin, could both remain robust, possibly even outperforming the broader equity markets if this pandemic drags on into 2022, causing more economic damage than originally expected.

Personally, I think there's a case for owning both gold and Bitcoin as diversifiers for your portfolio.

There are many options to invest in both gold and Bitcoin through a TSX-traded security. Owning physical gold bullion or actual Bitcoin through a cryptocurrency wallet isn't everybody's cup of tea. And it's certainly not convenient for today's young people, who value convenience far more than prior generations.

The easiest ways to bet on gold and Bitcoin through the TSX

For Bitcoin, **The Bitcoin Fund** is a great way to bet on the crypto's continued rise, and **HIVE Blockchain Technologies** is an intriguing option if you'd prefer to bet on a crypto miner. As for gold, I'm a huge fan of top gold miner Barrick Gold, while shares are stuck in the ditch.

For those who'd rather invest in the commodity itself, the **SPDR Gold Shares**, or the GLD, is my top pick. Note that the GLD is denominated in U.S. dollars, so be aware of currency risk and the fact that you'll get dinged when you exchange your loonies for greenbacks.

Foolish takeaway

Has Bitcoin spoiled the case for holding gold as an investment? I don't think so. There's no reason why both assets can't provide solid results over the long term. For now, they're moving in opposite directions. Still, this negative correlation could change, as Bitcoin matures and new investors stop discounting gold's multi-thousand-year track record as a store of wealth.

I'd buy both. But for now, I'm sticking with the shiny yellow metal.

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