



Bitcoin vs. Bonds: Which One Should You Buy in 2021?

Description

Bitcoin has recently been making the news again, and the atypical new asset class is sparking a lot of curiosity and interest from investors of all walks of life. Elon Musk's **Tesla** recently invested US\$1.5 billion in the cryptocurrency, taking away substantial profits from the move as Bitcoin rallied after Elon expressed confidence in the disruptive asset class.

Elon described the motivation for pouring so much money into Bitcoin as nothing more than a way to diversify into another asset class. Like many others, the CEO of the electric vehicle manufacturing giant is confident that cryptocurrencies are here to stay and could prove to be a viable asset class.

Many investors are even considering Bitcoin as a safe-haven asset akin to gold. Meanwhile, investing in bonds has been on the backburner amid all the hype about Bitcoin. Let's take a better look at the situation to help you make a more well-informed decision about which asset class could be a better buy: Bitcoin or bonds?

Bonds present lower returns

Typically, conservative growth portfolios could go for a 60/40 stock-bond split. However, the current situation with bonds does not reflect the kind of returns that can keep pace with inflation. We are ending a 40-year secular decline in interest rates. It means that bonds have done what they needed to.

Traders continue to expect higher inflation this year and beyond while bonds continue to be sold off. The value of bonds that have already been issued will erode. The US Federal Reserve and other central banks have pledged to support global economies by buying bonds as long as it is necessary.

The fixed-income asset class might not be a fantastic way to proceed in an environment with increasing inflation. However, that might not necessarily mean that cryptocurrencies are a viable alternative to bonds.

Are cryptocurrencies safe?

[Cryptocurrencies present risks](#) that are not present in traditional financial markets. Cryptocurrency exchanges have been subject to hacks and other criminal activity. These security breaches have led to substantial losses for investors who have had their digital currencies stolen, never to be returned to them.

Frauds and scams also litter the industry, making it challenging to recognize legitimate blockchain projects among scams trying to peddle fool's gold. Even the more mature cryptocurrencies like Bitcoin are not backed with anything that gives these assets an intrinsic value. The value of Bitcoin relies entirely on consumer sentiment.

An increasing concentration of Bitcoin holdings among a few institutions and individual investors further increases the risk of volatility should the holders decide to cash in and sell-off all their holdings.

A better long-term investment to consider

There may be better long-term investments to consider on the stock market that can provide you with safer returns and have tangible value. A stock like **Brookfield Renewable Partners LP** ([TSX:BEP.UN](#)) ([NYSE:BEP](#)) could be an ideal asset to consider for this purpose. Green energy will become the energy industry's future as we eventually wean off fossil fuels and move to renewables.

Brookfield Renewable Partners is already well-positioned as an industry leader for green energy through its substantial portfolio of internationally diversified renewable energy-producing assets. With over 19,000 MW of energy production capacity in 2021, it continues to expand further through acquisitions.

Brookfield is likely to experience explosive growth as investment in renewable energy increases in the coming years – making Brookfield a more reliable way to [grow your wealth](#) than cryptocurrencies or bonds.

Foolish takeaway

Bonds do not seem to be providing returns that can keep pace with inflation, and the crypto world is not mature enough to be considered a reliable asset class. A tried and tested stock like Brookfield Renewables could be a better buy for you in 2021 than both Bitcoin and bonds.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)

2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/09/14

Date Created

2021/03/08

Author

adamohtman

default watermark

default watermark