



Will Bitcoin Continue to Outshine Gold in 2021?

Description

Bitcoin's epic 2020 run has been pretty [remarkable](#). It's made gold one of the worst-performing assets thus far in 2021, seem obsolete amid the latest round of inflation [jitters](#).

The Fed is doing its best to calm the nerves of rattled investors, but in the end, it's going to be tough for an extremely dovish chairman Jerome Powell to have his cake and eat it, too. The bond market is pointing to some pretty nasty inflation, and if it's not as temporary or muted as Mr. Powell believes it will be, he may have no other choice other than to dust off the dreaded "interest rate hike" button.

Get ready for the return of inflation

A massive economic recovery is on the horizon, and it'll surely pave the way for some hideous inflation. If inflation rears its ugly head for too long a duration, the Fed may have few, if any, alternative tools other than hiking rates, possibly even before 2024. Many of today's investors may be unaware of just how problematic higher inflation can be.

Bitcoin versus gold — the battle for your safe-haven investment dollars

Amid this type of environment, you'd think gold and gold miners like **Barrick Gold** would skyrocket like one of Elon Musk's rocket ships. Instead, it's under considerable pressure and could be well on its way into a nasty bear market at this trajectory. This is despite the inflation jitters and the profound weakness in the U.S. dollar. This begs the question, has Bitcoin taken away gold's lustre as a safe-haven investment? Is the shiny yellow metal now obsolete in the era of cryptocurrencies?

Possibly. It may be too early to tell, as Bitcoin and crypto may still be in a colossal bubble. Regardless, one can't help but notice that Bitcoin has been moving a heck of a lot more like the precious metal in recent months, especially after the action in the bond market that's pointing to rampant inflation and potentially faster-than-anticipated rate hikes in the future.

The problem with Bitcoin and anything crypto-related like **HIVE Blockchain** stock is that it can crumble over 50% at the drop of a hat. While it's great to hear that firms and tech pioneers have embraced Bitcoin (or even Dogecoin), crypto remains a wildly-volatile asset that I believe will continue to have massive booms followed by equally colossal busts.

Gold, on the other hand, has a multi-thousand-year track record as an inflation-resilient store of wealth. With the exception of the past few months, gold has been a far less volatile ride than most other commodities. Could its golden years as an investment be drawing to a close? Unlikely. If you are a younger investor who's a big believer in the blockchain and crypto as the new investment class, why not own both gold and Bitcoin?

Foolish takeaway

I view gold and Bitcoin not as substitutes but great as complements for those looking for alternative assets in these volatile, pandemic-plagued times. While Bitcoin has been trading like new-age gold these days, there's no telling how the asset will respond to the next stock market sell-off. My guess is that it will not trade like gold but more like a high-beta tech stock.

So, unless you're a speculator looking to make a quick buck, I'd argue that there are unique benefits of owning both gold and Bitcoin with less than 10% of your assets. As for which asset will outperform, I'd have to place my bets on gold, as it looks to play catch up to the highly speculative Bitcoin, which could find itself skating on thin ice come the next market sell-off.

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