



## The Conundrum: Real Gold vs. Digital Gold Stocks

### Description

Gold is the shining yellow metal that has little utility than making jewelry. Yet it came to be recognized as a medium of exchange. Gold became the symbol of wealth across the globe. But now, its status is being challenged by the digital gold Bitcoin.

### The conundrum: Real or digital gold?

The classic case of investing in the yellow metal is as a hedge against inflation. Paper currency is losing its value. \$10 in the 1990s can't buy the same thing as \$10 can in 2020. But the value of gold has remained unchanged, because it has limited supply and is still recognized as wealth worldwide. The International Monetary Fund keeps gold reserves, even when major economies are printing fiat currency that doesn't need the backing of the yellow metal.

Bitcoin has emerged as digital gold that has similar features. There can only be 21 million BTC mined in a lifetime. Like gold, no government or country issues BTC. They all have to mine the commodity. Gold is difficult to mine and has an environmental impact. Similarly, BTC is becoming difficult to mine, and the computing power needed in mining is having an environmental impact.

The biggest difference is global acceptance. BTC is gradually gaining acceptance as a form of wealth worldwide. Many companies are investing in BTC and even accepting it as a form of payment. El Salvador became the first country to make BTC a legal tender.

Some argue that BTC is exposed to hacking and is used for terrorist funding and money laundering. But so is the yellow metal. You would likely find gold crates in the treasure trove of pirates and mafias.

Should you invest in digital or real gold? If yes, when?

### Barrick Gold stock

**Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) stock is down 35% from its May 2020 high. The stock surged 82% between March 6, 2020, and May 15, 2020, on the back of a pandemic panic that pulled down the global economy. But such growth levels don't last long. Why? Isn't the yellow metal precious? That is a

debatable topic, as many consider it to be a safe haven.

Gold is like a parachute in a plane. It is only valuable when you have no option but to jump out of the plane. Once you land on the ground, nobody cares about the parachute. Similarly, buy gold or related stocks when you think the economy has to jump off the plane and sell it when you see the panic settling and the heartbeat stabilizing.

If you are in Barrick Gold for its 1.69% dividend yield, there are better options. **Enbridge** pays you a 6.83% dividend yield and even increases the payouts (for the last [26 years](#)). In the case of ABX, it reduced dividends in 2013 and 2015. You can't blame the company for the dividend cuts, as it was due to the falling gold prices thanks to the fiat currency.

If Bitcoin becomes the official digital gold, the price of the yellow metal might fall further. The gold price will only rise when there is a panic. If you want to protect your wealth from an apocalypse, invest in Barrick Gold. Otherwise, don't expect it to generate wealth for you.

## Digital gold stock

Bitcoin is still in its early stages. Like Barrick Gold mines the yellow metal, **Hive Blockchain Technologies** ([TSXV:HIVE](#)) mines BTC and Ethereum. BTC prices influence Hive's stock price. And the volatility around BTC is high. Hive stock dipped over 58% from its February high when BTC prices surged after **Tesla's** US\$1.5 billion investment in the crypto.

The hype has cooled, but BTC still has the potential to surge. If not, then Hive is [exploring](#) other uses of its data centre farms in blockchain technology, artificial intelligence, and augmented reality.

## Bottom line

The only reason to invest in the yellow metal is to protect your wealth from natural and man-made disasters. But if you want to build wealth, consider investing in growth stocks that are shaping the future.

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