



Bitcoin vs. Gold: Which Is the Better Hold Right Now?

Description

Digital currencies started to pose a legitimate challenge to precious metals as an alternative asset by the latter half of the 2010s. Indeed, Bitcoin burst into the mainstream with a stunning bull market in 2017. Bitcoin and its peers have put together another massive rally since the middle of 2020.

However, it has run into major turbulence in recent months. Gold, on the other hand, experienced huge success in the first half of 2020. Since then, the yellow metal retreated from all-time highs and has been in something of a holding pattern.

In late 2019, I'd [suggested](#) that investors duck bitcoin and go for gold instead. That turned out to be good advice for the first half of 2020. Today, I want to discuss which asset is the better hold for the rest of 2021 and beyond. Let's jump in.

Why you shouldn't give up on bitcoin

The spot price of Bitcoin surged above the US\$60,000 mark by the middle of April. [Three months later](#), the world's largest digital currency is trading just above the US\$30,000 level. Cryptocurrencies have suffered sharp losses broadly since the middle of the spring season. There are reasons for caution right now, but investors should not move to shun crypto for the long term.

Bitcoin was adopted by some major players over the past year. The second half of 2020 saw the payment processing giant **PayPal** accept the top crypto onto its platform. It was also brought on board by brokers like WealthSimple. Even top banks like **Morgan Stanley** started to offer Bitcoin-focused investments, albeit only to clients with a high enough net worth.

Cryptos have been under pressure after soaring to record highs. One of the reasons is regulatory pressure, which stirred volatility for the fledgling market back in late 2017 and early 2018. Still, Bitcoin has firmly planted its feet in the mainstream in the investing world over the past year.

The case for gold right now

Gold rose above US\$2,000/ounce in the first half of 2020. This represented a record. The COVID-19 pandemic stirred market turbulence and broad-scale economic turmoil. In response, investors flocked to the oldest safe haven on the market.

That momentum would not last, however. Governments in the developed world cranked up monetary stimulus and markets benefited from the surge in liquidity. Investors gorged on the aid from central banks, and gold fell out of favour. You should not count out the yellow metal just yet.

Economies in the developed world are still on shaky ground, even as vaccination rates rise steadily. The private sector is scrambling in the face of a labour shortage. Meanwhile, consumers are under pressure as inflation has spiked to decade highs in Canada and the United States.

Worse, central banks say that these conditions will likely persist in the post-pandemic period. These are bullish signs for gold.

Which is the better buy?

Bitcoin is tempting as a buy-the-dip case, but I'm going for gold right now. Canadian investors can seek out exposure with top gold-producing equities like **Kinross Gold** ([TSX:K](#))([NYSE:KGC](#)). Its shares have dropped 20% in 2021 as of close on July 15.

However, its earnings have been bolstered by rising gold prices. The gold stock last had a very attractive price-to-earnings ratio of 6. It also offers a quarterly dividend of \$0.03 per share. That represents a modest 1.7% yield.

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