



Forget XRP! What I'd Buy Amid Inflation and Stock Market Volatility

Description

Inflation and stock market volatility have investors put between a rock and a hard place, enforcing the case for buying alternative stores of wealth, most notably cryptocurrencies like **Bitcoin**, **Ethereum**, or even **XRP** and **Solana**. Undoubtedly, cryptocurrencies are among the most intriguing of alternative asset classes to be these days with all the geopolitical issues going on.

Bitcoin or XRP are far sexier than [gold](#). You'll chat about them over the watercooler in the company of your teammates. You probably wouldn't talk about the gold ETF or bullion you picked up over the weekend! Indeed, we're living in the era of digital gold, or at least that's what crypto fanatics want you to believe. It's quite remarkable that XRP and other cryptos beyond Bitcoin have held their own so well amid the recent chaos facing the equity markets.

While more and more people are embracing the cryptocurrency norm (thanks to aggressive marketing campaigns), I think that a year or two in below-average volatility is no reason to believe that a massive crash is out of the question moving forward.

XRP and Bitcoin are still very risky to own

Bitcoin and cryptocurrencies have been quite cyclical. They can crash, just like any other [risky](#) asset. But when they do, they tend to crash hard and wipe out a lot of the speculative excess. Now, I have no idea when the next big drop will be for cryptocurrencies. Regardless, I'm not comfortable buying them as a part of a diversified portfolio for one simple reason: far too many speculators are trading the asset based on the greater fool theory (no, it has nothing to do with The Motley Fool!). How do you value Bitcoin or XRP?

I'm not so sure. Is it worth more than zero? I have no idea. The asset is driven by supply and demand. And there's no guarantee that demand will be there tomorrow or in a few years from now, even if there is a limited supply. Further, nobody knows if governments will put the final nail in the coffin for cryptocurrencies. Could the U.S. introduce a digital currency similar to the one in China? Possibly. In any case, I view cryptocurrencies as a speculation at best at this juncture.

Whether or not you choose to partake in such speculation is entirely up to you. Indeed, the intriguing correlation may make Bitcoin and XRP buyable in very small doses (think 1-2% of the portfolio), but only if you're prepared to deal with being on the receiving end of a cyclical downturn that could see digital currencies shed over 50% of their value.

The case for gold over XRP and Bitcoin

Am I right to criticize XRP and Bitcoin so harshly here? Perhaps. I'm not a fan of current prices and would much rather own cryptocurrencies after their next cyclical downturn, whenever that may be. Perhaps if crypto brokerage ads and interest evaporate, I'll consider getting into the alternative asset class. For now, I prefer gold and gold miners like **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD).

With gold looking to eclipse US\$2,000 per ounce, I'm a major fan of the potential increase to the bottom line of the likes of a well-run miner like Barrick. If gold reverses, Barrick is better equipped to deal with harsher times. In any case, Barrick pays a nice dividend of around 1.7%; XRP and Bitcoin do not. While gold tends to be cyclical, just like crypto, it doesn't tend to crash as hard or as fast. Further, it has a lower correlation when times get tough in stock markets. Arguably, gold is the better bet than any crypto in my books, although this could change if interest in crypto fades, as it did through most of 2017.

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