Bitcoin or Gold? Which Asset Is a Better Bet Amid Macro Uncertainties?

Description

Gold miner stocks have finally caught a break, steadily moving higher in recent months on the back of slightly higher gold prices.

With inflation and U.S. Federal Reserve interest rate hikes (potentially faster than investors anticipated) just up ahead and the ongoing Russian invasion of the Ukraine, the macro outlook remains incredibly uncertain. Add the COVID pandemic and its implication on global supply chains, and it's still tough to be nearly as optimistic, given valuations have climbed considerably over the years. With a pick-up in market volatility, and the inverted yield curve now in the books, there is a strong case for hedging one's portfolio with a precious metals miner or physical bullion itself.

There's no question that today's market environment is one that would give almost anyone an upset stomach. These are scary times, and everyone is aware of the risks that could be on the horizon. With inflation and concern over the potential for a hard-landing into an economic recession, it's arguable that gold prices should be much higher than where they stand today at around US$1,930 per ounce. Still off from its all-time high, gold could be ready to bounce, as market volatility continues to give investors a bit of indigestion.

Bitcoin versus gold: Which will shine most in 2022 and 2023?

However, some investors, especially those in the millennial cohort, may think that gold has lost its lustre as an alternative safe-haven asset. Is gold still the gold standard with cryptocurrencies like **Bitcoin** (CRYPTO:BTC) out there? Bitcoin has a limited supply, like gold. It's also viewed as an effective store of value when the market tides get rough, especially for nations with an unstable currency.

Given all the volatility you're signing up for with a crypto like Bitcoin, though, questions linger as to the added value of incorporating such an asset as a part of a diversified portfolio of stocks and bonds. Personally, I prefer gold. It's time tested, and it's far less volatile! Indeed, investors should strive to reduce their volatility at a time like this. There's no shortage of it in the stock market!

Further, I can't say I'm convinced by the seemingly positive correlation between Bitcoin and stocks during times of extreme panic. Crypto assets seem no better than speculative growth stocks in my books!

While I prefer gold over Bitcoin, I'm not against owning both if you're keen on exposing your portfolio to the latter. I do not view Bitcoin and gold as substitutes for one another. Rather, I view them as completely different alternative assets that can provide different benefits to your portfolio.

This gold mining ETF is a great addition to any unhedged portfolio

For the gold bugs, I'm a big fan of **iShares S&P/TSX Global Gold Index ETF** ([TSX:XGD](TSX:XGD)). It's a broad basket of gold miner stocks, providing investors with a nice slice of quality miners that are to amplify any moves in the price of gold. Remember, miners are leveraged to gold, so a move in gold prices towards US$2,200 would bode really well for their miners and their profitability prospects.

The one-stop-shop gold miner ETF recently slipped around 9% amid broader market volatility. I think such a dip introduces a great entry point for those looking for a quick and easy way to bet on the broader basket of gold miners and firms directly exposed to the price of gold.

Though bullion may be suitable for those looking for less volatility, I think the XGD is the ultimate hedge for portfolios that aren't ready for a bear-case scenario that could see high inflation and waning growth persist.

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Date
2025/07/17
Date Created
2022/04/25
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