



Oil vs. Gold: Which Is Better for High Inflation?

Description

Gold has a long-standing reputation as an inflation hedge. Famed for holding its value when the dollar goes down, it does have some utility. Over the last 100 years, gold has increased in price, while the dollar has become progressively less valuable. So, gold has, over the long term, protected people from inflation.

But is it really the *best* inflation hedge?

This year, gold is outperforming some asset classes that people consider inflation hedges, like cryptocurrency. But there are other assets that are doing better still.

Take oil, for example. The price of WTI crude is up about 60% this year and shows no signs of slowing down. If holding value against the dollar is the mark of an inflation hedge, then oil is an inflation hedge this year. You can't exactly barter with oil like you can with gold, but if you're talking about a purely financial result, oil is doing better than gold this year. Will it continue to do better than gold forever, though?

The case for oil

The case for oil over gold rests on two pillars:

- Productivity
- Necessity

The productivity aspect of oil is well known, and has been championed by investors like [Warren Buffett](#). If you look at an oil company like **Cenovus Energy** ([TSX:CVE](#))([NYSE:CVE](#)), you'll see that its products can be used to:

- Fuel cars
- Fly airplanes
- Heat homes

- Build certain kinds of plastics

The number of uses for CVE's product is practically unlimited. And it will always be with us. As long as people need to fuel non-electric cars, CVE will have business. Gold will also probably always have some demand stemming from jewelry and electronics, but the demand for those is a little weaker.

A second thing oil has going for it is necessity. The world hasn't transitioned to nuclear or renewables yet, but we still have to drive. At the same time, oil is in short supply. Take two of these factors together, and you've got a recipe for rising prices — not only for oil itself, but for oil stocks like CVE, too.

The case for gold

The case for gold over oil comes down to two things:

- Barter
- Longevity

The thing about gold as an inflation hedge is that it serves as an alternative to money. You can barter with it, assuming you go to a place where barter is still done. This can't be done as easily with oil, which comes in giant barrels or in the form of electronically traded stocks. In the event of electric grid collapse, you could likely buy food with gold bullion — good luck doing that with oil stocks.

Longevity is another thing gold has going for it. Gold has been used by humans for [at least 6,000 years](#), and will likely be used until the end of time. People will always want shiny Jewelry, and they'll always need efficient electrical conductors for electronics. Gold excels at both use cases. So, it will probably be popular forever. This is in contrast to oil, which will probably become irrelevant at some point in the future when better fuels go mainstream. Whether our future is based on nuclear, renewables, or a combination of both, oil will probably take a hit from these newer energy sources rising.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. TSX:CVE (Cenovus Energy Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. andrewbutton
2. kduncombe

Category

1. Investing

Date

2025/06/28

Date Created

2022/06/17

Author

andrewbutton

default watermark

default watermark