



Gold vs. Oil: Which Commodity Is a Stronger Bet for Inflation?

Description

One of the most consistent things we have seen throughout history is people's reliance on gold during [bear market](#) environments. The rare yellow metal has a long-standing reputation as a reliable hedge against inflationary environments. It makes sense for people to flock toward gold when markets become uncertain.

Gold prices typically tend to rise when the broader economy is weak. Only in that sense does gold appear to have been assigned a practical purpose for investors. Gold has increased considerably over the last century, and the dollar's value has declined. Considering its long-term appreciation throughout history, it has become a default hedge against inflation.

But is gold really the *best* way to protect your capital against inflation?

Another commodity, black gold, has performed well in recent history. Crude oil outperformed many other asset classes. Companies with operations involving the energy sector also outperformed the broader market for the most part over the last year.

Is oil a stronger bet as an inflation hedge than gold? Let's discuss the case for both commodities.

Gold as an inflation hedge

The strongest argument for gold as an inflation hedge is its role as a possible alternative to fiat currency. While rare these days, people can still use gold as a means of exchanging value, bartering it for something else of value. The asset is solid, and you can transport it easily. You cannot use oil in the same manner.

Longevity is another crucial aspect in favor of gold as a hedge against inflation. Gold has long been regarded as a valuable asset, and people have used it for several millennia. It will likely never lose its importance. Today, gold is used for more than ornaments and jewelry. It is also used as an efficient conductor in many electrical components.

Oil as an inflation hedge

Oil does not appear to be an attractive asset to buy and hold for the long run. You cannot store oil and use it as a means of exchange, like with gold. However, its practical use cases might make it a more valuable commodity as more than a mere store of value. Oil plays a critical role in many areas of our lives, making it a necessity.

Oil-producing companies like **Cenovus Energy** ([TSX:CVE](#))([NYSE:CVE](#)) play a critical role in ensuring that the economy can continue functioning. Energy products allow us to drive combustion engine cars, fly planes, keep our homes heated, and they are also used to create certain types of plastics.

Rising concerns about the environmental impact of fossil fuels mean that oil and its related products will need to be phased out. However, the process will be gradual, and it remains to be seen when the world will no longer need to rely on fossil fuels.

The world is slowly shifting towards alternative energy sources. However, renewable energy has a long way to go before it can replace our reliance on traditional energy products. Considering the limited supply and increasing demand, oil prices will likely continue rising faster in the coming years. These two factors could make it a more attractive asset class in the shorter term.

Foolish takeaway

You can use oil as a hedge against inflation in several ways. Investing in companies with operations involving crude oil products might be the most liquid method of getting exposure to oil's performance. Cenovus Energy stock is a \$49.95 billion market capitalization integrated oil and natural gas company headquartered in Calgary.

The company engages in conventional crude oil, natural gas liquids, and natural gas production. It boasts several upstream refining operations in the United States. The company also has access to a considerable amount of proven and probable reserves that could sustain it for several years.

Gold might remain popular forever, and oil might lose its relevance as alternative energy sources become more commonplace. However, investing in oil stocks in the current inflationary environment might be more profitable. Cenovus Energy stock could be a good investment for this purpose.

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