

BITCOIN & BULLION

EXPLORING INVESTMENT OPPORTUNITIES

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Globally recognised currency, investment opportunity, tradeable asset, finite mined resource.

Sound familiar? Whether you're branching out from traditional markets or looking to diversify your existing cryptocurrency portfolio, you may have heard these terms used to describe Bitcoin and/or gold.

While physical gold and precious metals have held stores of value all over the globe for thousands of years, Bitcoin and cryptocurrencies are fast being realised as a mainstream asset class, with Bitcoin even being coined 'Digital Gold'.

So where should you invest your money? Let's break it down and explore some of the similarities and differences between Bitcoin and bullion.

Market capitalisation

The estimated market capitalisation of gold is around \$11 Trillion. Bitcoin is the largest cryptocurrency and accounts for about 40% of the \$2 Trillion total market cap.

Return on investment

Over the past year the price of Bitcoin has seen exponential growth, with a return on investment of over 250%. During the same period, gold has remained comparatively stable with a return of about 5%.

Price volatility

Despite a turbulent year including a global pandemic, international border closures and economic uncertainty, both Bitcoin and gold peaked to all-time highs between 2020 and 2021.

Gold surpassed its previous 2011 high and topped out at just over \$2,000 per ounce, with a maximum drawdown of about 20%.

Bitcoin saw exponential growth from less than \$10,000 to over \$60,000 in under a year, with lots of people capitalising on this volatility making solid returns.

However, with a huge influx of new investors and traders who may not have had the appropriate risk management tools in place, there were also large sums of money lost. In under a month, the total market cap of Bitcoin plummeted over 50%. Cascades of liquidations on leveraged positions caused prices to drop even further and billions of dollars in funds were lost.

Analysis

There are pros and cons to takeaway from the information above.

The fact that the value of both markets grew during a year of worry and uncertainty shows that they're resilient assets and that people see long term value in both gold and cryptocurrencies.

The total crypto market cap is only around 15% of gold, demonstrating the space is still in its infancy and doesn't yet have the globally recognised currency value of gold. This became particularly apparent during the recent Bitcoin price drawdown.

Despite this volatility, the quality of new projects and advancements in technology within the Blockchain ecosystem leaves room for growth and investment opportunities in the coming months and years.

Key takeaways

Now that we have some of the facts, let's go back to the original question.

Where should you invest your money?

There is no right or wrong answer to this question, as trading and investing in any market has inherent risk involved. However, we've summarised five key takeaways below that may help you take the next step on your investing journey.

- Due diligence should always be taken to research the product or project before investing.
- Risk management! If you're new to investing, take your time learning the ropes by investing small amounts or even using trading simulators.
- Don't rush or FOMO into positions. Markets have been around for many years and aren't going anywhere soon, so there's no need to feel like you're missing out.
- Diversify your portfolio; while Bitcoin and cryptos can see rapid and parabolic moves to the upside, these markets are also prone to large price fluctuations to the downside. Gold may not see these huge bullish moves, but it has proven to be a consistently profitable, long-term investment. By offsetting at least some of your portfolio into a more stable asset, you can help mitigate some of the risk and volatility associated with crypto.
- Thanks to advancements in Blockchain technology, gold tokens can now be purchased alongside your favourite cryptocurrencies. With ownership verified through smart contracts and purchases redeemable for physical gold bullion, you can hold all of your investments in one decentralised and secure location.