



# Is \$BTC The New Gold?

Unraveling the Forces Shaping Our Investments

# Executive Summary

**Hypothesis:** Has Bitcoin replaced Gold as an inflation hedge?

**Exploration:** We examined stocks, precious metals, crypto, and interest rates; important topics for understanding investments in the 21st century.

**Conclusion:** No, Bitcoin has not replaced Gold as an inflation hedge. Other assets remain better suited.

# Investing in the 21st Century

## Our Agenda:

- Brief intro to the stock market, precious metals, Bitcoin (BTC), interest rates, and inflation
- Present our analysis of historical data
- Discuss findings and conclusions



# Defining Terms

## The Stock Market

The stock market allows investors to own shares of publicly traded companies in hopes earning a favorable return. The NASDAQ is an index (group of stocks) that focus on technology and growth oriented companies. The S&P 500 is another index.



## Bitcoin(\$BTC)

Bitcoin, dubbed "digital gold," is a virtual currency traded through blockchain technology, a public ledger tracking ownership. Its emergence, along with other cryptocurrencies, such as Ethereum (ETH), are reshaping modern investment practices.

# Defining Terms

## Precious Metals

For millennia, gold and silver have symbolized wealth and value. Today, they remain prized for their intrinsic worth and as a hedge against uncertainty.



## Interest Rates & Inflation

Interest rates are seen as the "cost" of money, while inflation gradually weakens the purchasing power of money. Higher interest rates discourage riskier investments as borrowing becomes more expensive, while inflation encourages investors to seek out investments that will retain their relative value.

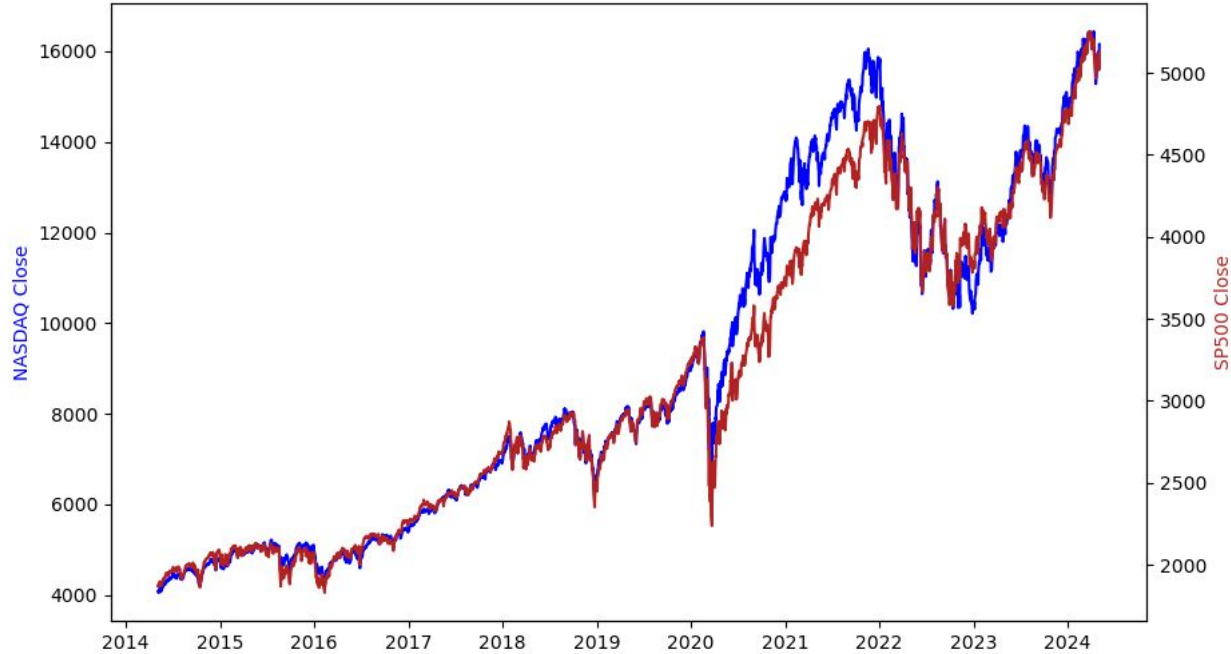


# Exploratory Data Analysis Approach

1. Sourced data from reputable online sources and downloaded as csv files.
2. Cleaned data by removing excess columns, dropping nulls, and in one specific case, using the melt function.
3. Created separate notebooks by asset groupings and a dedicated notebook for correlations.
4. Leveraged Pearson Correlation and Meta's Prophet library to determine trends and seasonality.

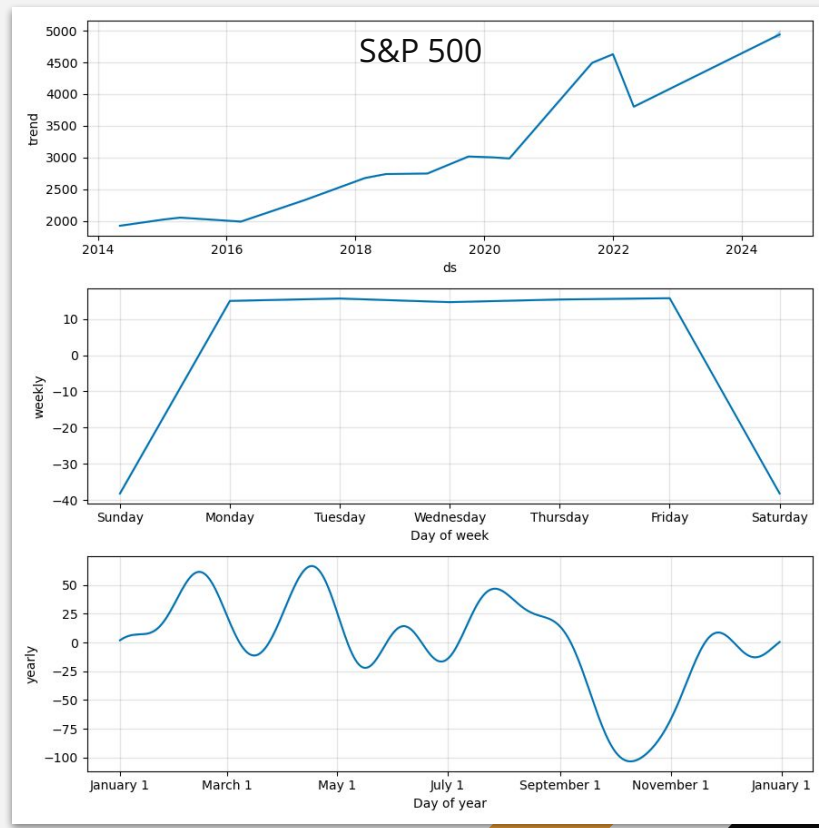
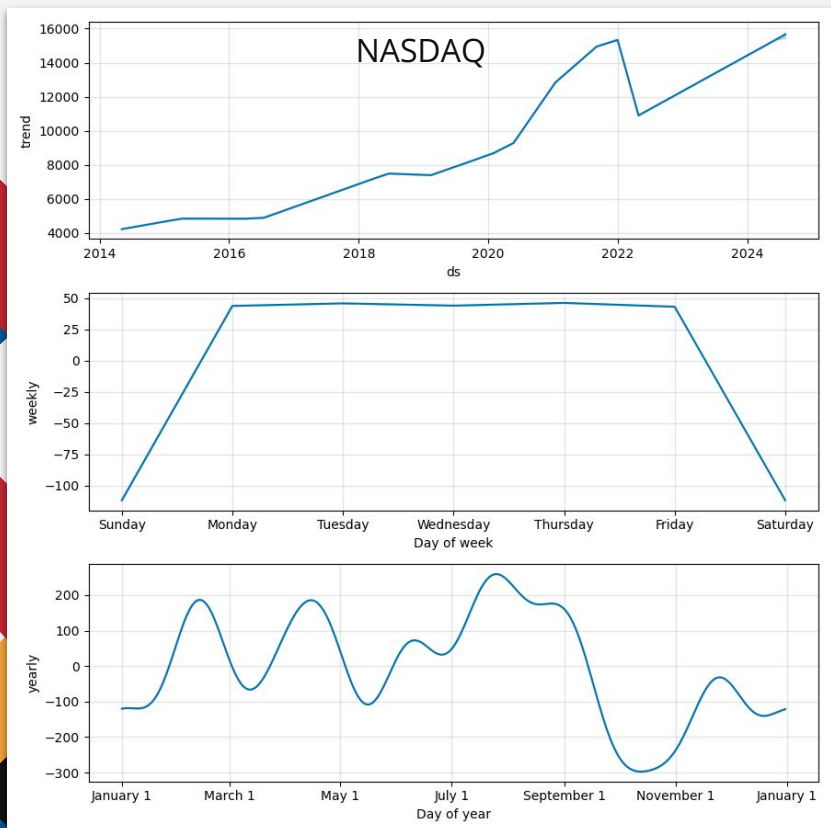


# NASDAQ and S&P 500



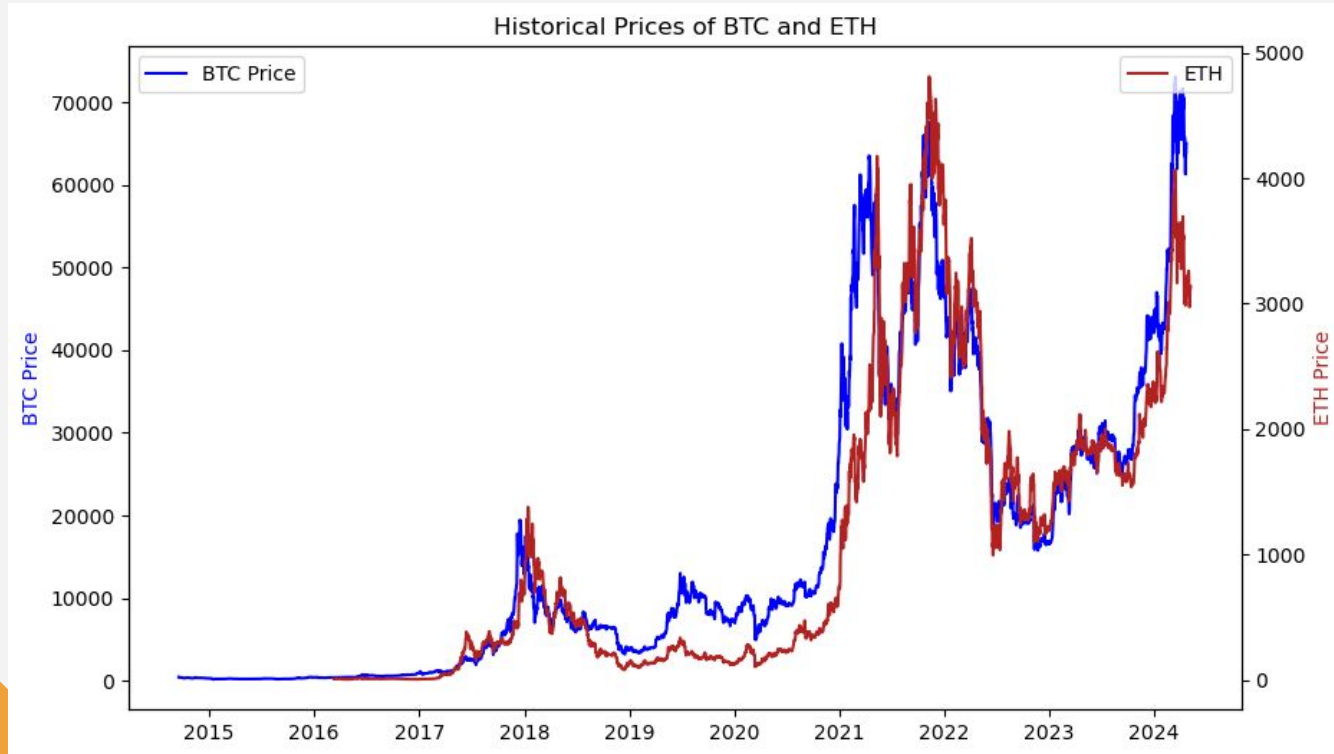
**Correlation 0.989**

# NASDAQ and S&P 500 Prophet Components





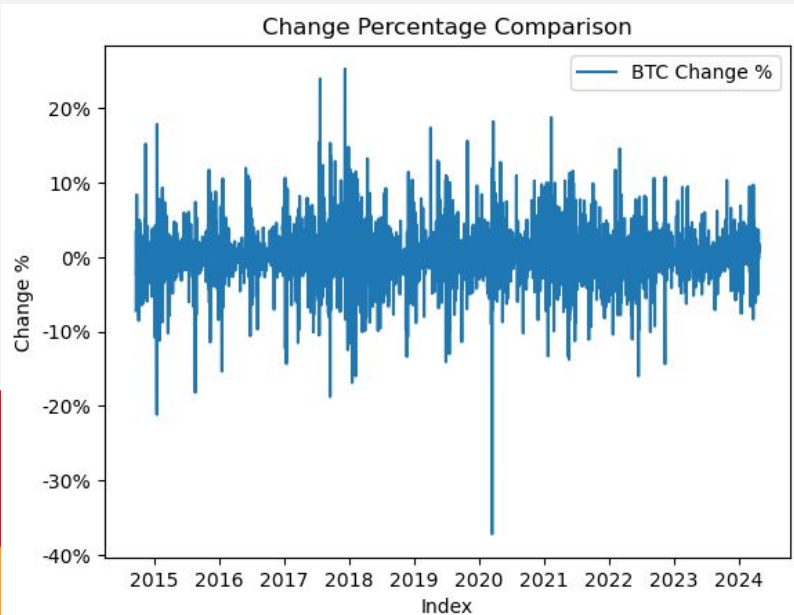
# Bitcoin & Ethereum



Correlation 0.941413

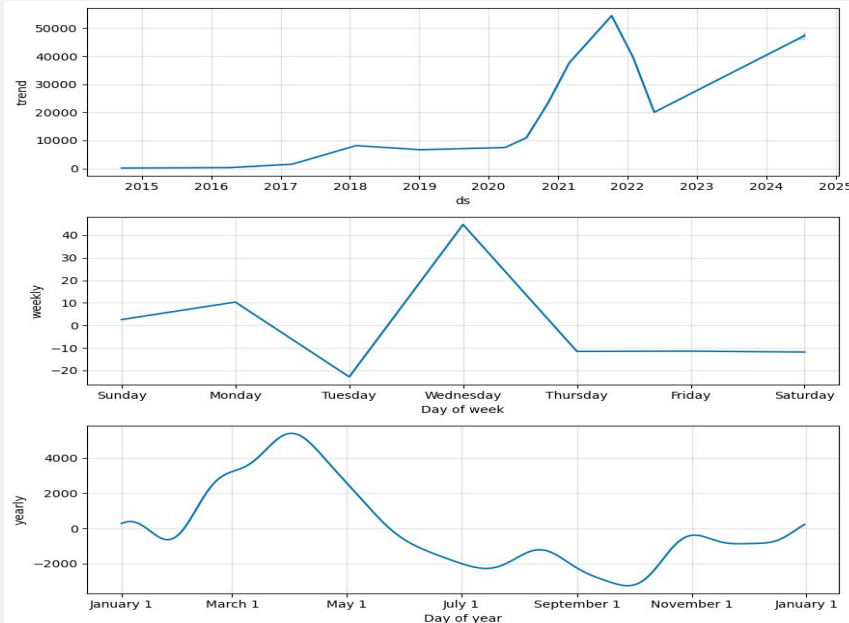
# Bitcoin Insights

## Highly Volatile



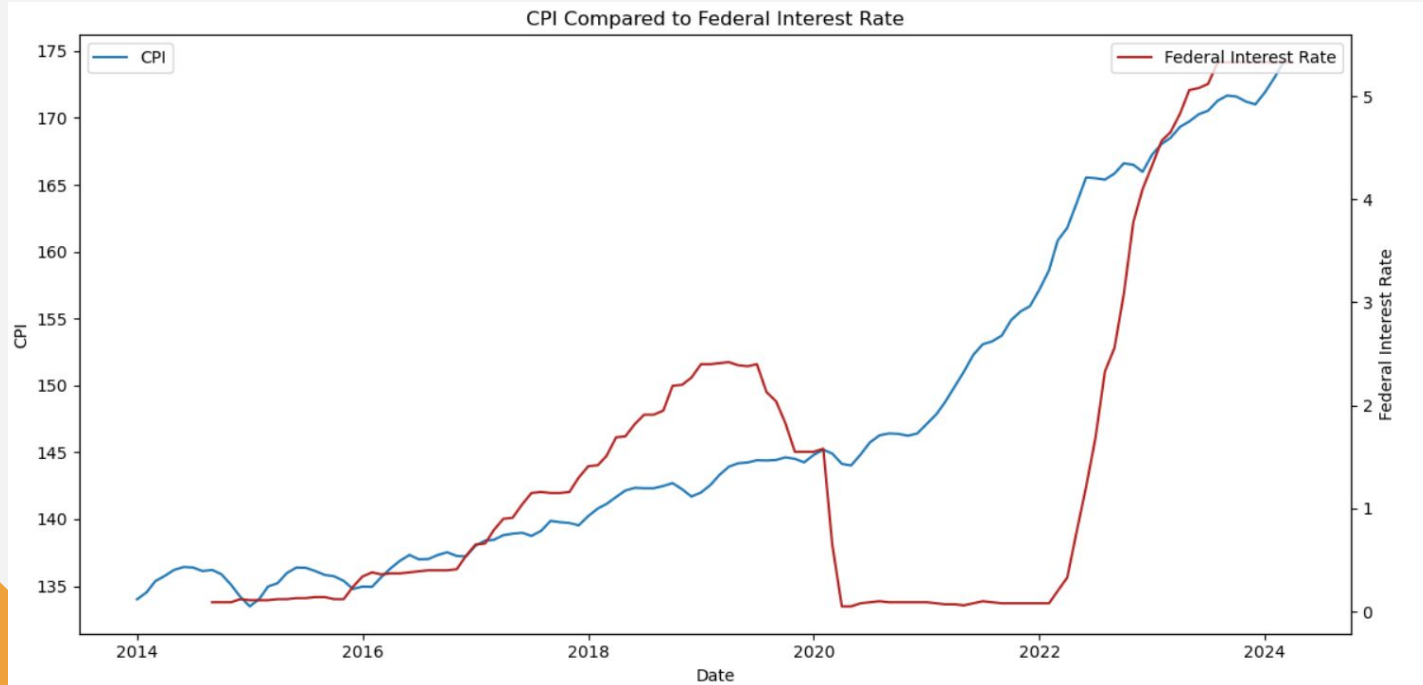
Bitcoin is known to be **extremely volatile**, with daily gains as high as 29% and losses as low as -37%

## Trends



Long term and yearly trends strikingly similar to stocks, with less activity around October

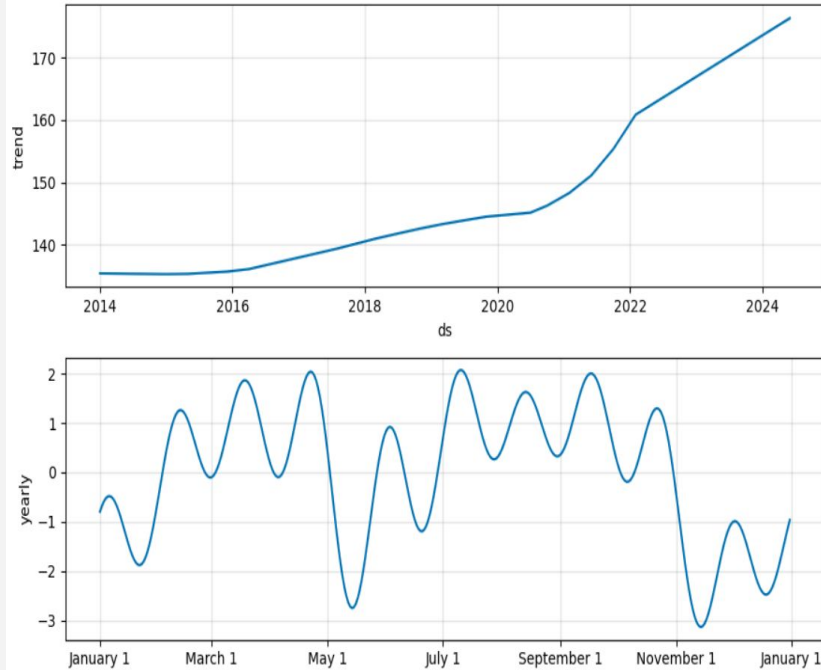
# Federal Interest Rate Compared to Consumer Price Index



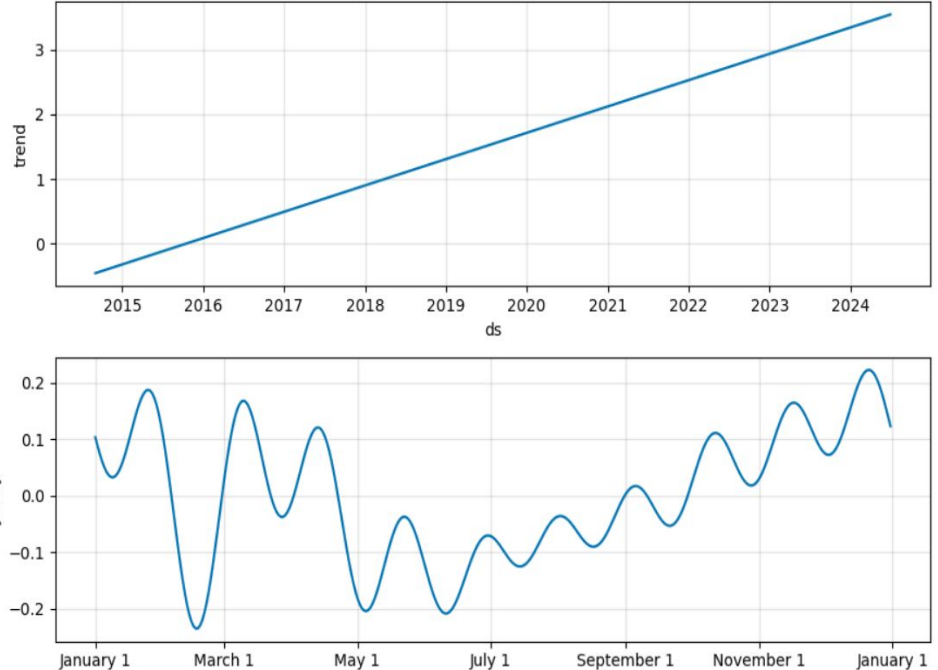
Correlation: 0.80757

# CPI & Interest Rate Components

## Consumer Price Index



## Federal Interest Rate



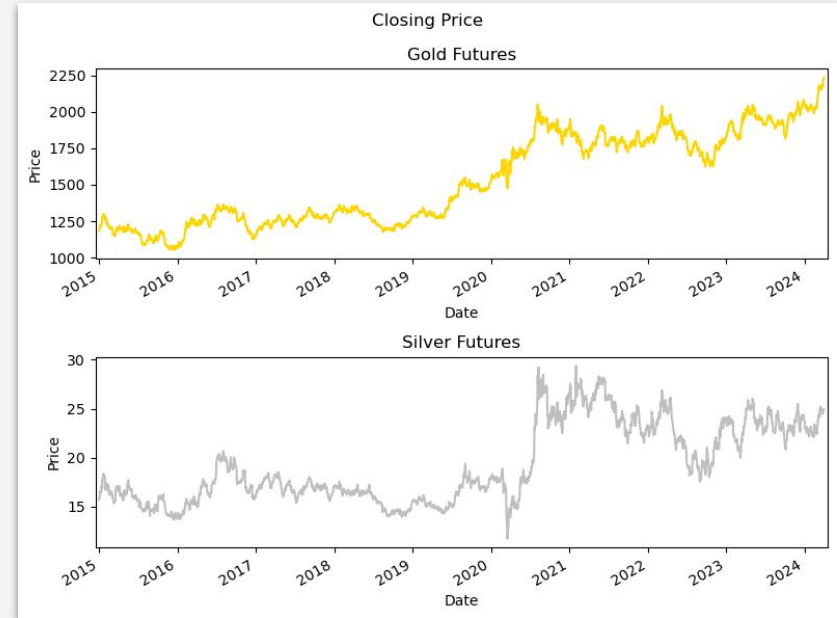
# Gold & Silver

## Futures

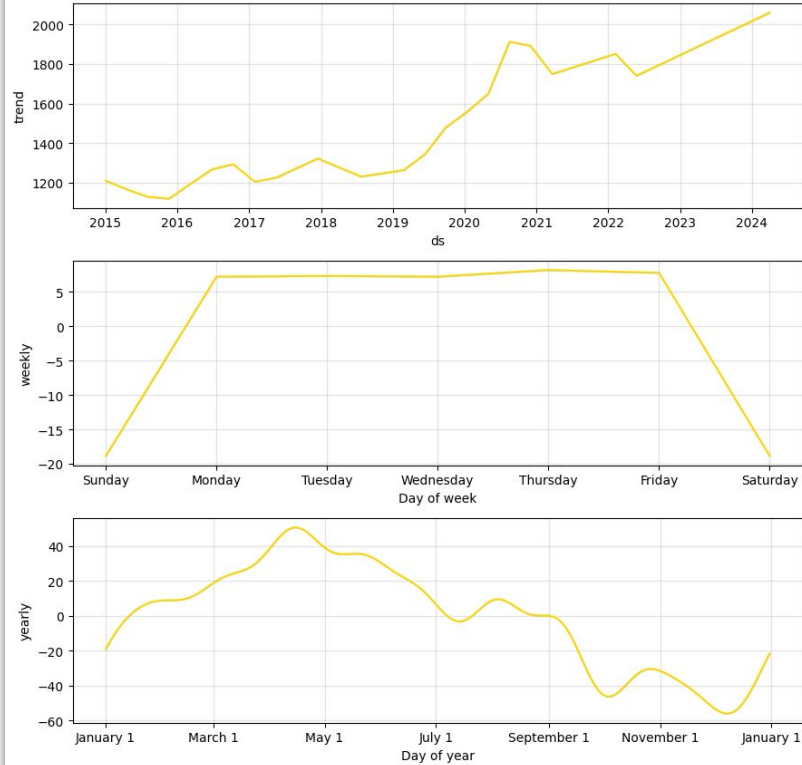
"Futures" are a contract between buyer and seller to exchange an amount of a metal for a price on a predetermined date. The contract can be traded between buyers.

## Correlation

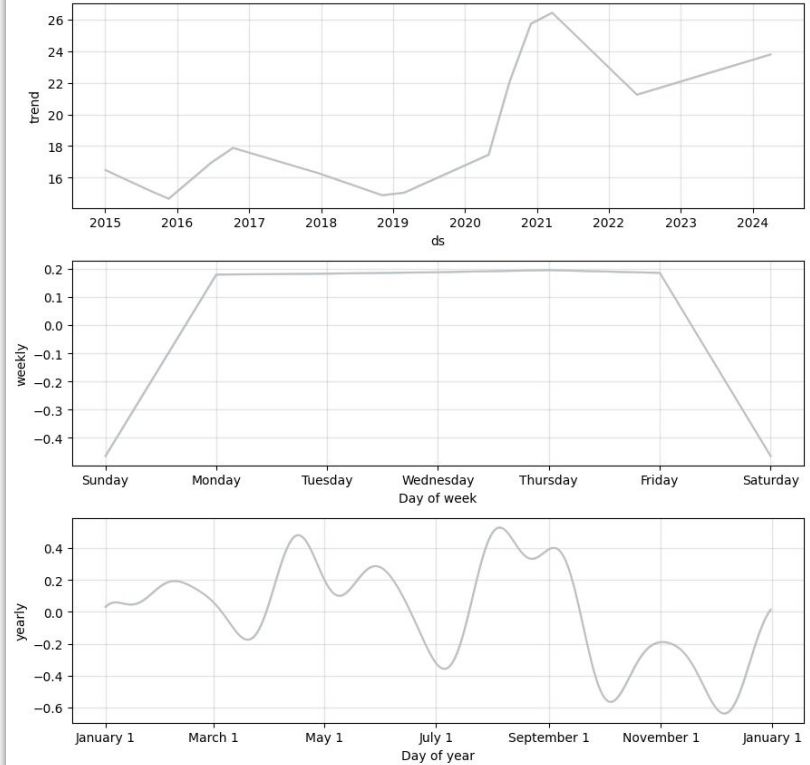
The correlation between Gold and Silver Futures was calculated to be **0.87**



Gold Components

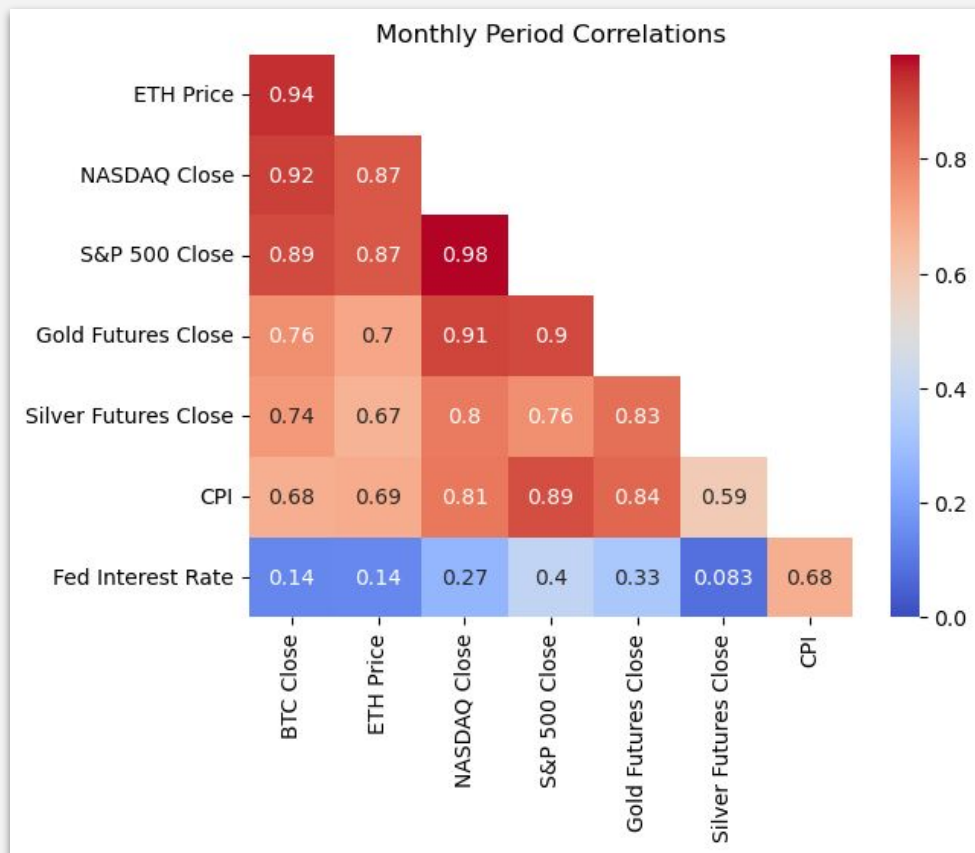


Silver Components



# Gold & Silver Trends, Seasonality

# Correlations





# Overview of Results

High correlation with CPI indicates how good a resource is for hedge funds

1. S&P 500 at 0.89
2. Gold Futures at 0.84
3. NASDAQ at 0.81
4. Ethereum at 0.69
5. Bitcoin at 0.68
6. Silver Futures at 0.59



**So, Is Bitcoin  
the new  
Gold?**



# No

While Bitcoin provides an exciting new option for investing. Gold and other precious metals remain unique as a tangible asset and hedge against risk and inflation.



# Risk & Investment Strategy

## Risk


Risk is at the heart of investment strategy. Investors will make choices in an attempt to hedge in order to minimize loss and secure profits. It is up to each investor to determine the level of risk they're comfortable with.

## Diversification

Investors will minimize risk by diversifying their portfolios. The assets discussed above are only some of the many ways people seek to provide for their financial future.

## Other Types of Investments

There are many other types of investments with varying levels of inherent risk including: Bonds, Certificates of Deposit (CDs), Mutual Funds, Exchange-Traded Funds, and Real Estate. They all can have a place in a well-balanced portfolio.





# Thank You

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