Ray Dalio Calls for Investment Diversification, But Not in Bitcoin

By Andrey Shevchenko


Dalio warned from holding Bitcoin, saying that it’s neither a medium of exchange nor a store of value.

Dalio was interviewed at the World Economic Forum in Davos, Switzerland, where he advised investors to hold a global and diversified portfolio in this market, while increasing their stake in stock markets.

While Dalio acknowledged recession concerns, he argued that “cash is trash” due to the government’s ability to print it at will — something he believes they will be forced to do during a market downturn. Due to this, jumping into cash just before the eventual market fall is ill-advised, according to Dalio.
“There’s two purposes of money, a medium of exchange and a store hold of wealth, and Bitcoin is not effective in either of those cases now.”

He added that the volatility of Bitcoin makes it unattractive for serious investment, while something like Libra could be a better option. Elaborating on his preference of gold as a store of value, he noted that central banks are some of the largest metal holders:

“What are they going to hold as reserves? What has been tried and true? Are they going to hold Bitcoin digital cash... They’re going to hold gold. That is a reserve currency.”

**Bitcoin and the global economy**

Bitcoin is often touted as “digital gold,” a reserve asset independent from government control.

But while many believe (https://cointelegraph.com/news/is-bitcoin-a-store-of-value-experts-on-btc-as-digital-gold) in the store of value thesis of Bitcoin, its performance so far has not indicated meaningful correlation with global markets. While it does appear to have slightly positive correlation (https://cointelegraph.com/news/new-data-suggests-bitcoin-and-gold-aren’t-as-correlated-as-you-think) to gold, the indexes are small enough that they can be attributed to coincidence.

These may still be teething problems due to the relative novelty of cryptocurrencies. As noted (https://cointelegraph.com/news/is-bitcoin-a-safe-haven-for-your-money) by Duke University professor Campbell Harvey, the sample size is still too small. Over thousands of years of history, even gold was not always a reliable safe-haven asset.

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A new survey from the Bank of International Settlements (BIS) revealed that only 10% of central banks are likely to issue a central bank digital currency (CBDC) for the general public in the short term.

According to a report the BIS shared with Cointelegraph on Jan. 23, the bank surveyed 66 central banks from around the world to investigate their eagerness to develop and issue a CBDC. Out of them, respondents represented 21 advanced economies and 45 emerging market economies (EMEs), thus covering 75% of the world’s population and 90% of its economic output.

**EMEs vs. advanced economies results**

The results showed that only 10% of the surveyed banks are likely to release a general-purpose CBDC in the short term — which is twice the proportion of banks last year. This figure represents 20% of the world’s population. 20% of the banks that participated in the survey said they will likely issue a CBDC in the medium term, out of which 90% are in EMEs.

The authors of the report found no evidence of a widespread transition from the research phase of CBDCs to pilots and experimentations. The report further reads:

"Cash use is the key to driving many central banks’ plans, with EME central banks aiming to reduce reliance on cash, and advanced economies acting to pre-empt any issues that might be faced by the general public in accessing central bank money."

**Motivations behind issuing a CBDC**

One of the important reasons for developing a general-purpose CBDC is to enhance financial stability. CBDCs can help central banks meet their objectives of price stability and financial stability. CBDCs can also help central banks better understand the risks and benefits of a CBDC and how it fits into the broader monetary policy framework.

Central banks in advanced economies are more likely to issue a CBDC, as they have more resources, expertise, and experience in digital currency development. Central banks in EMEs are less likely to issue a CBDC, as they face more challenges and constraints. CBDCs can help central banks meet their objectives of price stability and financial stability. CBDCs can also help central banks better understand the risks and benefits of a CBDC and how it fits into the broader monetary policy framework.
while advanced economies emphasized increased efficiency for cross-border payments as the most important motivation.

**Collaborative efforts to understand CBDCs**

On Jan. 22, the World Economic Forum (WEF) — together with some of the world’s major central banks — created a CBDC policymaker toolkit in an attempt to help policy-makers understand whether deploying a CBDC would be advantageous and guide them through its design.

To develop the framework, the WEF collaborated with regulators, central bank researchers, international organizations and experts from over 40 institutions. The framework recognizes that a CBDC — among other things — can improve the cost and speed efficiencies of cross-border interbank payments, as well as reduce settlement and counterparty risks.

That same day, the former head of payments and settlements at the Bank of Japan admitted that Facebook’s Libra had galvanized central banks globally to look seriously into digital currency issuance.

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