Hedging Against Inflation

By Paul Ebeling  October 21, 2021

#Hedge #Inflation #cryptocurrencies #bitcoin #GBITS

SBTCUSD $GBITS

The Fed is closely watching several key economic indicators right now to see whether inflation will back off any time soon. If not it has shown signs that it will raise rates slowly in an effort to stave off market volatility.

But the job market may continue to improve, and prices may keep rising, which means that bond prices will drop as investors flee fixed-income instruments, whose value erodes in inflationary times.

The Big Q: What’s an income-oriented investor to do?

The Big A: The disciplined investor can plan for inflation by cultivating asset classes that outperform the market during inflationary climates. Although traditional bonds are the usual go-to for the income-oriented, they are not the only investment that produces a revenue stream.

Here are the Top 5 asset classes to consider when seeking protection from inflation.

They range from equities to debt instruments to alternative investments, including Art, Digital Assets, Gold, RE and Top Tier Classic and Vintage motorcars. All are feasible moves for the individual investor to make, they carry different degrees of costs and risk.
The best hedge against inflation, historically, depends on your time frame. Commodities are often cited as a good bet for keeping up with the cost of living—especially gold.

However, research by Duke University professor Campbell Harvey and Claude Erb, former commodities and fixed income manager at TCW Group, shows that gold works best as an inflation hedge only over the very long-term, a Century or more.

With rising inflation, gold typically appreciates. However, gold is not a perfect inflation hedge. Other factors can drive its prices, which can fluctuate wildly from year to year meaning its inflation-adjusted returns can too. In fact, over the last 1-, 5-, 10-, 15- and 20- yr investment horizons, the variation in the nominal and real returns of gold has not been driven by realized inflation.

Many analysts and economists feel equities are a better way to protect your portfolio over the long term, particularly against an unexpected flare-up of inflation.

Corporate earnings often grow faster when inflation is higher because this indicates people are spending and the economy is growing. While it has its ups and downs, over the past 100 yrs, the stock market as represented by the S&P 500 has appreciated an average of 10% annually.

Theoretically, bitcoin will be a strong inflation hedge. Assets that investors run to in times of rising prices.

Safe-haven investments like precious metals and real estate are ones that are scarce or move counter to paper money or financial assets. Bitcoin and GBITS fits the scarce bill.

The problem is, bitcoin hasn’t much of an investment history: Created in Y 2009, it has only been actively traded for 10yr or so, and inflation has not been a big factor for most of its life.

Bitcoin and GBITS are investments too.

FACTS: BTC beat the Ys 2020–21 returns of gold and the S&P 500. And there are lots of altcoins making similarly exciting moves in the market especially GBITS.

So, get into the crypto game and start investing on today.

Have a prosperous day, Keep the Faith!