Bitcoin (CRYPTO:BTC) price resilience takes on gold as investors seek inflation protection

Gold has long been heralded as an inflation hedge. Can cryptos take its place?

The **Bitcoin (CRYPTO: BTC)** price is up 1.5% over the past 24 hours.

The world’s biggest crypto by market valuation is currently worth US$65,647 (AU$89,921), according to data from CoinMarketCap.
Today’s bump leaves the Bitcoin price slightly higher than this time last week. But the token has slid 4.5% from last Wednesday’s (Thursday Aussie time) fresh all-time highs of US$68,789.

That new record high, according to Simon Peters, crypto analyst at multi-asset investment platform eToro, was “triggered by painfully high inflation numbers from the US.”

**How are inflation concerns spurring the Bitcoin price?**

Inflation concerns are nibbling away at investor confidence across developed nations.

In the United States, the world’s largest economy, the latest inflation figures hit the news on Wednesday, 10 November. That data showed that the consumer price index (CPI) gained an eyewatering 6.2%, the fastest year-on-year rate of price increases in 30 years.

Not coincidentally, the Bitcoin price took off on the news, with inflation fears accounting for perhaps half the price momentum.

According to Björn van Roye and Tom Orlik, with Bloomberg Economics, “Our model shows that for Bitcoin, the importance of inflation and hedging against uncertainty become more important drivers over time, accounting for 50% of price moves in the latest cycle relative to 20% in 2017.”

eToro’s Peters agrees, saying:

> It is eye-opening to see the price react so spectacularly in this way. Not only is it a signal that the market is extremely averse to inflationary pressure, it is a sign investors are now firmly using Bitcoin as a hedge.
against rising prices. It is also a sign that institutional investors may be participating in ‘buying the news’ as this is the sort of movement we’d typically associate with other markets that react heavily to economic news.

Strahinja Savic, head of data and analytics at crypto derivatives provider FRNT Financial Inc, adds (quoted by Bloomberg):

Not only is the dilution of Bitcoin much less aggressive than USD over the last six years, it’s also much more consistent, not susceptible to political whims and, of course, predictable. Bitcoin’s programmed predictability contrasts it from the uncertain policy decisions that impact the dollar.

Chris Weston, head of research at Pepperstone Financial Pty Ltd drew the parallel with a rising Bitcoin price and gold, the historic inflation hedge of choice, trending higher as investors mull the fact that inflation may be running hotter for longer than expected.

“The last few days we’ve seen some really big information coming through which has made people want to go out and hedge themselves against inflation risks,” Weston said. “Bitcoin’s been doing well, crypto’s done well as a hedge I suppose, gold’s been moving up concurrently with the stronger dollar.”

**Not all inflation hedges are created equal**

The Bitcoin price may have spiked to new records on the outsized inflation figures coming out of the US.
But caution remains in order for investors hoping the cryptocurrency will protect their portfolios from fast rising prices.

According to Wilfred Daye, head of Securitize Capital (quoted by Bloomberg), “We don’t have long enough history to assert Bitcoin is indeed an inflation hedge. I would argue that gold is a better inflation hedge still. But Bitcoin as an inflation hedge is a new sexy concept – people love new ideas.”

Cam Harvey, a partner at Research Affiliates, pointed to the Bitcoin price plunge of some 50% during the February and March 2020 COVID-fuelled share market rout:

It behaves like a speculative asset... Investors need to be cautious if they’re thinking that an allocation to Bitcoin is going to provide short-term inflation protection because we know if inflation goes up unexpectedly that that’s bad for equities. And if something's bad for equities, that could lead to a risk-off trade.

Peters concludes:

It remains to be seen how far this price spike will extend. From an investor perspective what’s key is understanding the intrinsic investment case for the cryptoasset. Anyone interested in the market should do their research thoroughly instead of just buying on the back of Bitcoin price movements.
Over the past month the gold price is up 5.3%, with an ounce of gold currently worth US$1,860.

The Bitcoin price has just edged out the yellow metal, up 6.3% since this time last month.

**Should you invest $1,000 in Bitcoin right now?**

Before you consider Bitcoin, you'll want to hear this.

Motley Fool Investing expert Scott Phillips just revealed what he believes are the 5 best stocks for investors to buy right now... and Bitcoin wasn't one of them.

The online investing service he's run for nearly a decade, Motley Fool Share Advisor, has provided thousands of paying members with stock picks that have doubled, tripled or even more.* And right now, Scott thinks there are 5 stocks that are better buys.

[See The 5 Stocks](#)

*Returns as of August 16th 2021

*The Motley Fool Australia’s parent company Motley Fool Holdings Inc. owns shares of and has recommended Bitcoin and Ethereum. The Motley Fool Australia has no position in any of the stocks mentioned. The Motley Fool has a disclosure policy. This article contains general investment advice only (under AFSL 400691). Authorised by Bruce Jackson.*

---

**More on Cryptocurrencies**

**ETFs**

Why was the new BetaShares Crypto Innovators ETF (ASX:CRYP) down 5% on Thursday?

November 11, 2021 | Sebastian Bowen
Cryptocurrencies
Looking for crypto investing advice? Why your financial adviser's lips may be sealed
November 10, 2021 | Bernd Struben

Cryptocurrencies
The total value of crypto just surpassed US$3 trillion, what's next?
November 9, 2021 | Mitchell Lawler

Cryptocurrencies
Why Dogecoin, Shiba Inu and Bitcoin investors should ‘follow’ Elon Musk
November 9, 2021 | Bernd Struben

Cryptocurrencies
Here’s why the Betashares Crypto Innovators ETF (ASX:CRYP) share price is surging 7% today
November 9, 2021 | Sebastian Bowen

Cryptocurrencies
The Bitcoin (CRYPTO:BTC) price is still leaping higher, and so is its energy use
November 8, 2021 | Bernd Struben

Cryptocurrencies
Could ANZ be the next ASX bank to jump on the crypto bandwagon?
November 6, 2021 | Sebastian Bowen

Bank Shares
Own NAB shares? Here’s the bank’s proposal to stop crypto mania getting ‘really ugly’
November 5, 2021 | Mitchell Lawler

View All
• Ask A Fund Manager
• How To Invest
• Dividend Investing
• Resources Shares
• Retail Shares
• Bank Shares
• Tech Shares
• Healthcare Shares
• Small Caps
• ETFs
• 52 Week Highs

Stay connected

Sign up for our free "Take Stock" email.

Email

By clicking this button, you agree to our Terms of Service and Privacy Policy. We will use your email address only to keep you informed about updates to our website and about other products and services we think might interest you. You can unsubscribe at anytime. Please refer to our Financial Services Guide (FSG) for more information.
About The Motley Fool Australia

Our Purpose

To make the world Smarter, Happier, And Richer

Founded in 1993 by brothers Tom and David Gardner, The Motley Fool helps millions of people attain financial freedom through our website, podcasts, books, newspaper column, radio show and premium investing services. The Motley Fool launched its Australian presence in 2011, and since then has grown to reach over 1 million Australians.

Read more about us >
This Service provides only general, and not personalised financial advice, and has not taken your personal circumstances into account. The Motley Fool Australia operates under AFSL 400691. For more information please see our Financial Services Guide. Please remember that investments can go up and down. Past performance is not necessarily indicative of future returns. The Motley Fool Australia does not guarantee the performance of, or returns on any investment.

© 2010 - 2021 The Motley Fool Australia Pty Ltd. All rights reserved.

ACN: 146 988 052

Australian Financial Services Licence (AFSL): 400691

The Motley Fool Australia, PO Box 104, Isle of Capri, Qld 4217