

## Bloomberg Intelligence

### Gold vs. Bitcoin - Bull Market Companions

BI Commodities, Global Dashboard



Mike McGlone  
Team: Strategy  
BI Commodity Strategist

#### Becoming Digital Gold, Bitcoin Gaining Upper Hand vs. the Metal

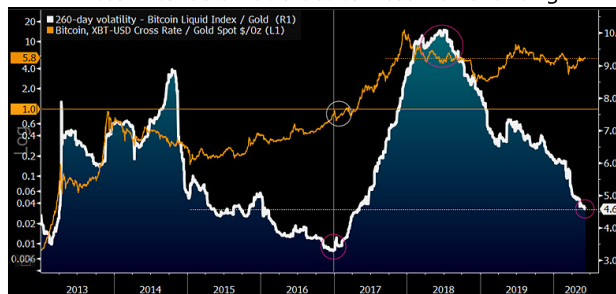
(Bloomberg Intelligence) -- Volatility and correlation measures show Bitcoin advancing as a digital version of gold and regaining a relative price-appreciation advantage, in our view. Unprecedented central bank easing is accelerating the first-born crypto maturation process, and strong investor inflows are absorbing plenty of the crypto and gold supply. (06/09/20)

#### 1. Volatility Reversion - Bitcoin Toward Gold

Gold volatility on the rise with prices vs. declining Bitcoin volatility owing to a consolidating bull market is indicative of the crypto becoming a digital version of the metal. Our graphic depicts gold 260-day volatility at the lowest vs. the same Bitcoin risk measure since the crypto-asset parabolic rally in 2017. Fast forward to the third year since that advance and the annual Bitcoin risk metric has dropped to about 70% from 100%. Volatility on the crypto was very high and is mean reverting, which is a bullish price indication, if history is any guide.

Gold volatility is doing the opposite. The annual risk measure on the metal is reverting upward from a two-decade low reached in 2019. It was extremely low gold volatility at start of the millennium that preceded the bull market to the 2011 peak. (06/09/20)

Bitcoin-to-Gold Ratio Set to Resume Advancing



Source: Bloomberg Intelligence

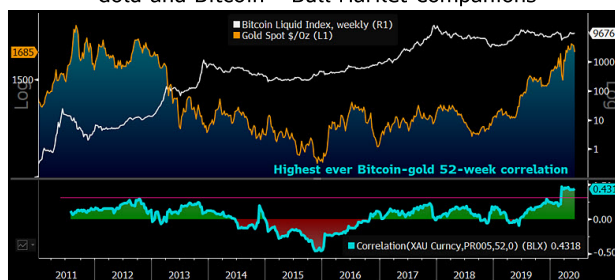
#### 2. An Enduring Relationship - Bitcoin and Gold

The highest 52-week correlation of Bitcoin to gold ever is gaining staying power, in our view. Unparalleled central-bank easing is clearly supportive of the metal and is accelerating the maturation process of the first-born crypto toward a diversifier and store-of-value mechanism akin to gold. Our graphic depicts the consolidating Bitcoin bull and recovering gold market overlaid with the rising correlation, notably since the gold price bottom in 2015.

With 260-day volatility on Bitcoin well above gold (about 70% vs. 17%), the crypto is the primary driver of the ratio, but 2020 is shifting leadership toward the metal, on the back of historic monetary stimulus. Both assets are breaking away from their broader markets. On a one-year basis, Bitcoin is up about 22% vs. minus 17% for the Bloomberg Galaxy Crypto Index to June 8. (06/09/20)

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Gold and Bitcoin - Bull Market Companions



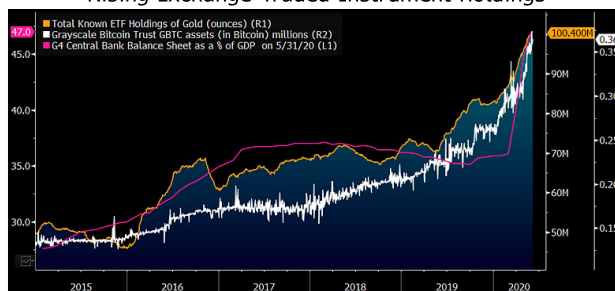
Source: Bloomberg Intelligence

### 3. Investor Inflows Supporting Gold and Bitcoin

Increasing buy-and-hold-type inflows in Bitcoin and gold would need to shift to sustained outflows for prices to decline, in our view. The more likely path of simply staying the course or accelerating keeps our price-outlook bias tilted upward. Last year, total known inflows into gold ETFs accounted for about 10% of new mining supply. Bitcoin exchange-traded instruments, led by the Grayscale Bitcoin Trust (GBTC) absorbed about 8% of new supply. Due to the 2020 halving, a similar amount of GBTC inflows in 2021 would approach 20% of supply.

GBTC trades at a premium, which somewhat overstates the BTC equivalents, but also emphasizes demand. The next-in-line instrument is the Bitcoin Tracker One in Sweden, with about 38,000 in Bitcoin-equivalent assets under management. (06/09/20)

Rising Exchange-Traded Instrument Holdings



Source: Bloomberg Intelligence

### 4. Bitcoin Breaking Away From Crypto Gaggle

The Bitcoin foundation for price appreciation is firming on a stand-alone basis and vs. the broader crypto market. Relative to the Bloomberg Galaxy Crypto Index (BGCI), the first-born is above the 2017 peak. Our graphic depicts the ratio of Bitcoin vs. the BGCI at about 25 vs. the high three years ago (23) and marking time for most of the past year.

The benchmark crypto appears to be crossing above \$10,000 resistance. Indicating its relative appreciation vs. the crypto market, the last time this threshold was breached in June 2019, the Bitcoin-to-BGCI ratio was about one-third less. A continuation of advancing Bitcoin should pull the market along, particularly with unparalleled central-bank easing. (06/03/20)

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Bitcoin Breaching \$10,000 Takes the Market Gold



Source: Bloomberg Intelligence

### 5. Gold \$1,600-\$1,900 Is Bull-Market Noise

Upward trajectories in central-bank balance sheets and the price of gold are enduring trends, in our view. The primary issue with the metals bull market is extended prices are subject to mean-reversion dips. Our graphic depicts the price of gold and the key levels -- the peak at about \$1,900 an ounce and upward-sloping 12-month moving average, which will soon be at about \$1,600. We see fluctuations within that range as mostly noise until new highs are attained. The fact that gold denominated in most other currencies has extended to record levels, should make it a matter of time in dollar terms.

The metal's dip on the back of the March stock-market swoon was a good test of the bull trend: It passed. A primary impetus for more quantitative easing and higher gold prices would be a rollover in equity prices. (06/04/20)

Clear Upward Trajectories - Gold Prices and QE



Source: Bloomberg Intelligence

To contact the analyst for this research:  
Mike McGlone at [mmcglone8@bloomberg.net](mailto:mmcglone8@bloomberg.net)