

Bitcoin, Gold and the Hard-Money Renaissance: A Practical Playbook for Allocators

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Key Takeaways

- With global money supply continuing to expand and confidence in fiat systems wavering, Bitcoin is emerging as a credible hard-money alternative alongside gold.
- A fair-value framework based on money supply, hard-asset allocation and Bitcoin's share of the store-of-value market suggests long-term upside potential, especially in inflationary scenarios.
- Regulatory clarity, rising institutional access and Bitcoin's low correlation to traditional assets create a compelling case for modest but strategic portfolio allocations.

The most useful conversations about crypto don't start with block times or cryptography; they start with the monetary system. When money supply compounds and confidence in policy waxes and wanes, investors may reach for hard assets—tangible, scarce resources with intrinsic use value whose supply is difficult or costly to expand. That is the frame for thinking about Bitcoin today: not as a tech curiosity, but as a rival claimant to the "hard-money" mantle that has been historically dominated by gold.

In a recent discussion, we walked through a first-principles valuation framework, the shifting regulatory regime in the U.S. and UK, and the nuts and bolts of considering bitcoin and crypto assets in portfolio construction. Below is the distilled narrative and a practical playbook from that conversation.

The Model: Three Levers That Drive Fair Value

We start by recognizing that global M21 (the broad money supply) grows along an exponential curve² over long arcs of time, historically ~5% a year, because inflation targets (~2%) plus real growth (~3%) are what modern central banking and productivity deliver, on average.³ Hard assets, by contrast, don't scale with policy. Gold supply grows slowly (~1%–2% a year);⁴ Bitcoin supply is fixed in code with a known glidepath.⁵

From those basics, we build a three-lever model:

1. M (Money Supply): Forecast global M2 growth over the next five years in three regimes—deflationary (3%), base case (5%), inflationary (7%).

2. H (Hard-Money Share): Estimate the share of global M2 that investors choose to hold as "hard money." Historically, gold's market value has oscillated from ~10% of M2 in calm periods to >30% in inflationary episodes. The long-run median sits near 15%.⁶

3. B (Bitcoin's Share of the Hard-Money Basket): Today, Bitcoin is roughly a mid-single-digit share of the combined gold+Bitcoin "hard-money" basket (was ~8% at our snapshot).⁷ We can plausibly model a rising share as adoption expands.

Multiply those three and divide by forward supply (in this context, the expected ounces of gold available or the expected number of bitcoin available), and you can back out implied fair values for both gold and Bitcoin. This avoids the dead end of "no cash flows, no value" by anchoring to the thing that actually competes for the investor's scarce balance-sheet space: stores of value.

What the Scenarios Say

- **Base Case (5% M2, H H 15%, B rises to ~15% of the basket by 2030):**

Implies a **Bitcoin price on the order of ~\$250k by 2030** (roughly high-teens compound annual growth rate (CAGR)) and **gold around above \$4,000/oz**, assuming ~1.5% supply growth and Bitcoin absorbing some incremental share of the hard-money bid.

- **Inflationary Case (7% M2, H lifts toward the upper teens/20s, B share rising faster):**

The total hard-money pie expands, and Bitcoin's slice grows. The compounding is nonlinear; it's how you close the gap to the oft-debated \$500k+ outcomes for the price of bitcoin.

- **Deflationary Case (3% M2, H drifts ~10%–12%, B gains modestly):**

Lower totals and slower share gains. We view this as less probable given policy reaction functions, but not impossible. As of this writing, the money-printing and deficit-spending reaction functions of most Western governments remain strong, and it is difficult to see deflation against that backdrop.

Two clarifications matter. First, these are system-level outcomes, not trader folklore. If M grows, and investors decide a larger slice of wealth should be stored in assets with constrained supply, prices will adjust. Second, gold rallied faster than our base-case path, in part because the hard-money share (H) moved up before Bitcoin's B share did. When the "multiple expansion" in the basket gets captured by gold first, you see what we've seen: gold sprinting ahead while Bitcoin consolidates. Over the past three years, central banks have accumulated more than 1,000 metric tons of gold per year, significantly above the 400–500 ton average of the prior decade, and during the first half of 2025, many official agencies continued aggressive accumulation, reflecting a record pace of reserve diversification.⁸

Regulation: From Gray Areas to Green Lights

The regulatory pipes have been unclogging thus far in 2025.

- **U.S.:** Spot Bitcoin exchange-traded products (ETPs) normalized access in 2024.⁹ Two legislative pushes matter now:

The stablecoin bill ("Genius Act") has formalized reserves and supervision—likely routing a large, persistent bid into U.S. short-term Treasuries as backing collateral. This deepens the integration between crypto's rails and the dollar's short end.¹⁰

The "Clarity Act" aims to resolve the commodity/security classification mess that has forced token-by-token litigation.¹¹ Clean lines are oxygen for product development and institutional policy.

- **UK:** Retail access to Bitcoin and Ethereum ETPs on the London Stock Exchange (LSE) is opening, catching up with continental Europe and broadening the buyer base.¹²
- **Retirement Channels:** The potential inclusion of digital assets in **401(k)** architecture is a step-function change.¹³ U.S. retirement assets are north of **\$45 trillion**;¹⁴ even **1%–2% penetration** over time is needle-moving, given Bitcoin's fixed issuance. It also diversifies the marginal price setter away from momentum traders and toward allocation committees with rebalancing rules—a stabilizer for volatility over long windows.

Net, the regulatory tide is shifting from "permissioned experimentation" to mainstream integration. That's not a guarantee of one-way price action, but it does improve market depth, liquidity quality and the potential durability of demand.

Volatility, Correlation and the Portfolio Math That Actually Matters

Bitcoin remains volatile—annualized figures around **60%–70%** over longer samples are common—but correlations to traditional assets have tended to be low (often sub-0.2 versus major sleeves).¹⁵ That combination—high standalone volatility but low correlation—means small allocations can have the potential to materially lift expected returns with only modest increases in total portfolio volatility, especially when you rebalance on a schedule. Importantly, we have to note that just because this happened in the historical track record doesn't mean it will always happen, but it is still informative to judge different assets by their live historical track records of performance.

Stablecoins: The Quiet Flywheel

It's easy to miss, but regulated stablecoins are a macro flywheel. If reserves are predominantly short-term Treasuries, then every incremental dollar of stablecoin growth is a structural bid for the front end of the U.S. Treasury yield curve, and every incremental dollar of decentralized finance (DeFi) or payments activity that prefers dollar rails becomes demand for safe collateral. That's an old-world/new-world bridge that strengthens, not weakens, the dollar's network effects. It also gives policy makers an incentive to cultivate healthy on-ramps rather than banish activity offshore. The total value of all stablecoins in circulation exceeds \$200 billion, of which **more than 98% are backed by U.S. dollars**.¹⁶

What About Bitcoin "L2s" and Building on Bitcoin?

There is meaningful experimentation atop Bitcoin, but the economic gravity of Bitcoin is store-of-value. If you need high-throughput, low-latency execution for consumer apps or markets, Ethereum, Solana and other L1/L217 stacks are, for now, the more natural homes. That's not a criticism of Bitcoin—it's a product-market-fit observation. Bitcoin excels as a collateral and savings technology; other chains are where programmability and user experience (UX) are being iterated fastest.

The Bottom Line

Bitcoin does not need to "replace" fiat to work as an investment. It needs money supply to keep compounding, some fraction of global savings to prefer assets with credible scarcity and access channels to remain open and professional. Those conditions are already in place. The reasonable institutional posture is not maximalism, it's pluralism.

1 Cash + checking + savings + small time deposits + retail money market balances.

2 An exponential curve is the visual shape you get when something grows (or decays) at a constant percentage rate over time instead of by a fixed absolute amount.

3 Source: Bloomberg. Data is measured from 1970 to 2025.

4 Source: "Gold demand trends: Full year 2024," World Gold Council, 1/31/25.

5 Source: S. Nakamoto, "Bitcoin: A peer-to-peer electronic cash system," 2008. <https://bitcoin.org/bitcoin.pdf>

6 Sources: Bloomberg, CoinGecko, World Gold Council, Clio Infra, USGS, Our World in Data, as of 12/31/24. Historical performance is not an indication of future performance, and any investments may go down in value.

7 Sources: Bloomberg, CoinGecko, World Gold Council, as of end of May 2025. Historical performance is not an indication of future performance, and any investments may go down in value.

8 Source: "Central Bank Gold Reserves Survey 2025," World Gold Council, 6/17/25.

9 Source: E. Su, "SEC approves Bitcoin exchange-traded products (ETPs)," Congressional Research Service, 1/19/24.

10 Source: "S.-1582: Guiding and Establishing National Innovation for U.S. Stablecoins Act" (Public Law No. 119-27), U.S. Congress, 2025. [Congress.gov](https://www.congress.gov).

11 Source: "H.R. 3633: Digital Asset Market Clarity Act of 2025" (CLARITY Act), U.S. Congress, 2025. [Congress.gov](https://www.congress.gov).

12 Source: P. Jha, "Bitcoin and Ethereum ETPs debut on London Stock Exchange after FCA nod," [Cointelegraph](https://www.cointelegraph.com), 5/22/24.

13 Source: "Democratizing access to alternative assets for 401(k) investors" (Executive Order No. 14330), Federal Register, 8/7/25.

14 Source: "Quarterly Retirement Market Data: Second Quarter 2025 — Retirement assets total \$45.8 trillion" [report], Investment Company Institute, 9/18/25.

15 Source: Artemis Terminal, with data measured from 2013 to 2025.

16 Source: "Here a coin, there a coin, everywhere a stablecoin" [blog post], Federal Reserve Bank of Atlanta, 1/13/25.

17 Layer 1 is the "main highway" of a blockchain; Layer 2 builds "express lanes" on top of it, relieving congestion while still using the main highway for final security and settlement.

Important Risks Related to this Article

Crypto assets, such as bitcoin and ether, are complex, generally exhibit extreme price volatility and unpredictability and should be viewed as highly speculative assets. Crypto assets are frequently referred to as crypto “currencies,” but they typically operate without central authority or banks, are not backed by any government or issuing entity (i.e., no right of recourse), have no government or insurance protections, are not legal tender and have limited or no usability as compared to fiat currencies. Federal, state or foreign governments may restrict the use, transfer, exchange and value of crypto assets, and regulation in the U.S. and worldwide is still developing.

Crypto asset exchanges and/or settlement facilities may stop operating, permanently shut down or experience issues due to security breaches, fraud, insolvency, market manipulation, market surveillance, KYC/AML (know your customer/anti-money laundering) procedures, noncompliance with applicable rules and regulations, technical glitches, hackers, malware or other reasons, which could negatively impact the price of any cryptocurrency traded on such exchanges or reliant on a settlement facility or otherwise may prevent access or use of the crypto asset. Crypto assets can experience unique events, such as forks or airdrops, which can impact the value and functionality of the crypto asset. Crypto asset transactions are generally irreversible, which means that a crypto asset may be unrecoverable in instances where: (i) it is sent to an incorrect address, (ii) the incorrect amount is sent or (iii) transactions are made fraudulently from an account. A crypto asset may decline in popularity, acceptance or use, thereby impairing its price, and the price of a crypto asset may also be impacted by the transactions of a small number of holders of such crypto asset. Crypto assets may be difficult to value, and valuations, even for the same crypto asset, may differ significantly by pricing source or otherwise be suspect due to market fragmentation, illiquidity, volatility and the potential for manipulation. Crypto assets generally rely on blockchain technology, and blockchain technology is a relatively new and untested technology that operates as a distributed ledger. Blockchain systems could be subject to internet connectivity disruptions, consensus failures or cybersecurity attacks, and the date or time that you initiate a transaction may be different than when it is recorded on the blockchain. Access to a given blockchain requires an individualized key, which, if compromised, could result in loss due to theft, destruction or inaccessibility. In addition, different crypto assets exhibit different characteristics, use cases and risk profiles. Information provided by WisdomTree regarding digital assets, crypto assets or blockchain networks should not be considered or relied upon as investment or other advice or as a recommendation from WisdomTree, including regarding the use or suitability of any particular digital asset, crypto asset, blockchain network or any particular strategy.