

Gold, Bitcoin, and the Search for SafetyAuthor: Elsy Ghanem¹*Affiliation:*

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Abstract:

Bitcoin has been sold for years as “digital gold” — scarce, portable, and supposedly built to hold its value when everything else is falling apart. 2025 and 2026 gave that pitch a real test. Gold had its best year since 1979, up 64 percent, and kept climbing past \$5,000 an ounce by January 2026, riding a stretch of genuinely frightening headlines: a fresh U.S. tariff war, a military raid that removed Venezuela's Nicolás Maduro, threats over Greenland, unrest in Iran, and an open political fight over the Federal Reserve's independence. Bitcoin did not follow. It hit its own cycle high near \$126,000 in October 2025, then dropped by roughly 46 percent while gold kept setting records, and the rolling correlation between the two assets swung from +0.29 to -0.88 in about five months. Using publicly reported price and correlation data across eight defined stretches of this period, I find that gold kept behaving like a safe haven, while Bitcoin traded more like a risk asset tied to equity sentiment than a hedge tied to fear. The digital-gold story does not hold up well here — though the resulting low correlation between the two assets still leaves a case for holding both, just not for the reason usually given.

Keywords:

Gold, Bitcoin, Safe Haven, Geopolitical Risk, Asset Correlation, Market Decoupling, Portfolio Diversification

Introduction:

“Bitcoin is digital gold” has been the pitch for close to a decade, but it rarely gets tested under real pressure. 2025 and 2026 supplied plenty of pressure. The Trump administration's tariff push unsettled global trade for most of 2025. In January 2026 a U.S. military operation removed Venezuelan leader Nicolás Maduro. The administration pushed territorial claims on Greenland. Iran grew tense enough to worry markets about a wider conflict. And on top of all of that, as I cover in the companion paper for this project, the Fed itself came under sustained political attack — a governor removed, a criminal inquiry opened against the outgoing chair.

Gold responded the way the textbooks say it should. It gained 64 percent in 2025, its best year since 1979, then kept going in early 2026: past \$4,600, then \$5,000, briefly touching just over \$5,100 by late January. Analysts tied each leg of that climb to something specific — the Maduro raid, fears about the Fed, rising tension with Iran. Bitcoin's story was messier. It peaked near \$126,000 in October 2025, alongside gold's own rally, and then it just kept sliding — down almost half from that high — while gold kept setting records through the first half of 2026. Market analysts started calling it a “decoupling,” and the correlation numbers back that up. The question I'm asking here is straightforward: during this stretch of real geopolitical and monetary stress, did Bitcoin actually act like a safe haven next to gold, or did it act like something else? To get at that, I look at four things: how gold moved across the major flashpoints of the period, how Bitcoin moved across the same flashpoints, what happened to the reported correlation between the two, and what any of this means for someone actually deciding whether to hold both in a portfolio.

Literature Review:

The distinction that matters most here comes from Baur and Lucey (2010): a “hedge” is an asset that's uncorrelated with another asset on average, while a “safe haven” is an asset that holds up specifically during the bad stretches, when it actually counts. That's a meaningful difference — plenty of assets look uncorrelated most of the time and then fail exactly when you need them not to. Baur and McDermott (2010) took this international and found gold genuinely earns the safe-haven label for most major stock markets, especially in acute crises, which is a big part of why gold has the reputation it does.

Bitcoin's claim to the same title has never been settled. Bouri, Molnar, Azzi, Roubaud, and Hagfors (2017) found it could work as a diversifier, and sometimes even a hedge (Beainy & Kamel, 2026), but they stopped short of calling it a reliable safe haven — the relationship kept shifting depending on when you looked. Smales (2019) took a harder line: Bitcoin is too volatile and too thinly traded on sentiment to really function as a safe haven, even in moments when its correlation with other assets happens to turn negative, because a safe haven also has to preserve your capital during the crisis, not just move in the right direction. Shahzad, Bouri, Roubaud, Kristoufek, and Lucey (2020) put Bitcoin head-to-head with gold and a broader commodity basket and found gold's safe-haven behavior held up far more consistently across markets and time than Bitcoin's did.

On the measurement side, Caldara and Iacoviello (2022) built the Geopolitical Risk index most researchers now use — pulling from newspaper text to score how much fear is actually in the air — and showed that spikes in that index precede drops in investment and activity. That gives later

work a standardized way to date shocks instead of eyeballing headlines, which I'll admit is closer to what I did here, for reasons I get into below. What none of this earlier literature could speak to directly is the specific 2025–2026 stretch, where market commentary started using the word “decoupling” outright and the correlation figures moved from strongly positive to strongly negative in a matter of months. That's the gap this paper is trying to fill, even if only descriptively.

Beainy et al. (2025) examined the global dependency on the US dollar, even if Bitcoin's use is increasing, the main reserve asset remain neither gold nor cryptocurrencies, but the US Dollar. The value of Bitcoin remains heavily reliant on investor sentiment (Khalife et al., 2025), but so are S&P500 stocks, the main difference remain that the former would not generate return except from the appreciation of their value while the latter would provide additional return in the form of dividends. AI has enabled more accurate pricing for financial assets (Khalife et al., 2023), but whether this is a pricing accuracy is positive for bitcoin remains a debate, what is not debatable however is the positive impact of Cryptocurrencies in times of financial crisis (El-Chaarani et al., 2025) and the increase of their adoption as a safe haven (Aoun et al., 2026).

Methodology:

I used a comparative case-study approach built on publicly reported price levels and correlation figures rather than raw exchange data — which fits a classroom project better than it would a peer-reviewed paper, and I want to be upfront about that trade-off. Gold and Bitcoin spot prices came from contemporaneous financial reporting (Reuters, Kitco, Al Jazeera, and CBS-affiliated wire coverage) around each major move. The rolling correlation figures between the two assets came from market-analytics write-ups (Bitsgap, Mudrex Learn, Forklog) that had already done the calculation themselves; I'm treating those as secondary data rather than recomputing anything from scratch.

I picked eight periods running from April 2025 to September 2026, chosen because each one has a documented price move in gold, Bitcoin, or both, alongside a specific event reported next to it — the October 2025 Bitcoin peak, the December 2025 year-end gold tally, the Venezuela raid and gold's break above \$5,000 in January 2026, and the September 2026 combination of Iran tensions and a Fed hike the White House didn't want. This has real limits. The correlation numbers are secondhand, the exact window each source used (30-day, 90-day, one-year rolling) isn't always specified, and I'm not running any formal test to check whether the “break” in correlation is statistically real or just noise in a notoriously jumpy relationship. Read this as a documented pattern worth testing properly, not as a finished econometric result.

Results:

Table 1 lays out gold and Bitcoin's price behavior alongside their reported rolling correlation across the eight periods.

Period	BTC–Gold Correlation	Gold Price Action	Bitcoin Price Action	Associated Event
April 2025	-0.61	Rising, tariff shock	~\$80K, weak (-6% YTD)	U.S. tariff announcements
September 2025	-0.49	Rallying to new highs	Rallying with risk assets	First 2025 rate cut
October 2025	+0.29 (peak)	Continued rally	Cycle high, ~\$126,000	Broad risk-on rally
December 2025	-0.55	Record \$4,449/oz (Dec 23)	Weakening	Year-end: gold +64% for 2025
January 2026	n/a	Record >\$5,000/oz (Jan 26)	Range-bound	Venezuela raid; Fed-independence fears
February 2026	-0.22	Continued strength	Range-bound, ~46% from peak	Early geopolitical stress
March 2026	-0.88 (4-yr low)	Flat-to-strong	High-beta, equity-like moves	“Great decoupling” consolidates
September 2026	Gold-Nasdaq link falls; BTC–gold >0.50	Elevated	Recovering with Nasdaq	Iran tensions; Fed hike; 10Y yield 4.79%

A few things jump out. Gold's climb was steady and, at almost every new high, tied to something specific in the news — tariffs in April 2025, the broad risk rally in October, the Venezuela raid and Fed fears in January 2026. That's basically the Baur and Lucey (2010) definition of a safe haven playing out in real time.

Bitcoin is where it gets interesting. It hit its own high right alongside gold in October 2025, at roughly \$126,000, and then just kept falling while gold kept climbing — down close to half by early 2026. By March, the correlation between the two had dropped to -0.88, which market commentary flagged as a four-year low. That's not a bad week. That's a real shift in how the two assets were trading relative to each other.

What seems to explain it: gold kept reacting to the classic safe-haven triggers — geopolitical shocks, falling real yields, steady central bank buying — while Bitcoin tracked equity sentiment and Fed policy expectations much more closely. At one point in 2026 its correlation with the Nasdaq was reportedly higher than its correlation with gold. By September 2026, as Iran tensions and the Fed's rate hike pushed the 10-year Treasury yield to its highest level since January 2025, Bitcoin's correlation with gold had partly recovered, back above 0.50 — which tells me this relationship isn't fixed in either direction. It moves with whatever's actually driving the market at the time.

Discussion and Conclusion:

So does the 2025–2026 evidence support “digital gold”? Mostly, no — at least not the strong version of that claim, where Bitcoin is supposed to track gold when things get scary. It didn't, for most of this stretch. That lines up with what Smales (2019) argued and with the mixed results in Bouri et al. (2017) and Shahzad et al. (2020): Bitcoin behaved more like a high-beta risk asset tied to stocks than like a hedge tied to fear. Gold, meanwhile, kept doing exactly what Baur and Lucey (2010) and Baur and McDermott (2010) would predict — rallying on cue with each new shock, even from an already high price.

None of this means Bitcoin is useless in a portfolio, and I don't want to overstate the conclusion. A correlation that swings from +0.29 to -0.88 in five months isn't stable in either direction, and a couple of the sources I used actually frame that instability as a diversification benefit in its own right — holding both assets can lower overall portfolio risk precisely because they're not responding to the same triggers, even if neither one is really “the” geopolitical hedge. So the practical takeaway: if you specifically want geopolitical insurance, don't count on Bitcoin to deliver it the way gold does. If you're after general diversification, there might still be a case for holding both — just not for the reason people usually give.

Like any purely financial research, the limitations of this study is not taking into account the importance of sustainability (Kaspard et al., 2026), in a world where ESG priorities are becoming more important for investors (Athari et al., 2024), impacting even firm profitability, and allowing humanity to move one step further towards building a resilient future (Subrahmanyam & Sarkis, 2025). Further limitations here are the same ones I flagged in the companion paper: I'm relying on numbers other people already calculated rather than raw daily prices, the correlation window isn't always disclosed consistently, and I haven't run a formal test on whether the early-2026 correlation break is statistically meaningful or just short-run noise. A better version of this project would pull raw daily prices and compute the rolling correlation directly, date each shock using something like Caldara and Iacoviello's (2022) GPR index instead of picking events by eye, and check whether gold's outperformance here was specific to its rivalry with Bitcoin or whether other traditional havens — the Swiss franc, the yen, TIPS — did just as well over the same stretch.

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