



CIO sees gold as an attractive standalone investment, and as a portfolio hedge against risk events. We recommend an allocation of around 5% in diversified and balanced USD-based portfolios. (UBS)

Gold: An attractive standalone investment, and a portfolio hedge

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Gold defied its critics again last year, with higher real rates and bouts of US dollar strength failing to completely unseat the metal as the price reached its highest annual close on record at USD 2,078/oz—a rise of 15% year-over-year.

At the beginning of 2023, we called for gold to reach USD 2,000/oz as we believed central bank demand could more than counterbalance outflows from exchange traded funds. While the World Gold Council's final numbers are yet to be released (due on 31 January), year-to-November 2023 data has reinforced this view.

Outside central bank buying, Chinese demand has also been strong and is underappreciated. China's economic recovery has been far from smooth sailing while the ongoing contraction in real estate is changing households investment strategies in favor of alternatives like gold. Local gold prices made sizable gains in 2023, while frequent PBoC announcements of sizable gold purchases and the rise in global geopolitical uncertainties drew local investors' attention to the metal's diversification benefits. These trends are substantiated by the elevated onshore price premiums, increases in local gold ETF holdings against the global trend, up 10 metric tonnes (mt) to 61.5mt, and elevated Swiss export volumes.

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Read the original report : [Gold: Chinese demand underappreciated, 29 January 2024.](#)

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