



CIO reiterates its view to hold a mid-single-digit percentage allocation to the metal within diversified portfolios. (UBS)

Gold pushes further into record territory

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Gold hit a new record high of USD 3,573 an ounce on 2 September, bringing its year-to-date gains above 35% and cementing its position as the best-performing major asset class this year. The rally partly reflects rising confidence that the Federal Reserve will begin cutting rates at its September meeting after a long hiatus, a move that would lower the opportunity cost of holding the zero-yielding precious metal.

Markets now assign a more than 90% chance of a cut this month, according to CME FedWatch data. Investors may also be anticipating that the next release of non farm payrolls data scheduled for Friday points to a further softening in the pace of US job creation. Consensus expectations are for a modest 78,000 job gain and a slight increase in the unemployment rate to 4.3%.

Chief Investment Office view: Gold's appeal as a source of diversification may increase amid higher government debts, persistent inflation, geopolitical risks, and the eagerness of many ex-G10 central banks to raise their longer-term holdings of the precious metal. Aside from potential support from geopolitical uncertainty, we expect gold to benefit from falling yields. Central bank buying is also expected to remain strong, in our view. A recent World Gold Council central bank survey showed that almost all respondents expect to either increase or keep their reserves stable. Overall, we now forecast global gold demand this year will rise by 3% to 4,760mt, the highest level since 2011. So we reiterate our view to hold a mid-single-digit percentage allocation to the metal within diversified portfolios. While our price target for June 2026 is USD 3,700/oz, an increase to USD 4,000/oz in a risk scenario where geopolitical or economic conditions deteriorate cannot be ruled out.



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