Gold prices surged to a new record intraday high as technical factors likely spurred gold-futures buying by short-term oriented investors. (UBS)

Gold: All-time highs, but does everything add up?

06 March 2024, 2:55 pm CET, written by UBS Editorial Team

Gold surged to a new record intraday high of USD 2,141.79/oz in recent days (previously USD 2,135.39/oz), with the quarter-to-date average now standing at a new record high above USD 2,030/oz.

While CIO have been one of the few calling for materially higher gold prices this year based on fundamentals, not everything stacks up over the last day or so. For example, as gold is a non-yield bearing asset, lower interest rates tend make the metal more appealing to investors. But in recent weeks, the reverse actually has been the case—i.e., the chances of a Federal Reserve rate cut in June fell to about 64% from 90% a month ago. Moreover, money market pricing of the quantum of Fed rate cuts this year also declined from 117bps a month ago to 86bps; money markets now imply a 21bps cut for June.

So, gold is clearly being driven by other factors. We believe more technical factors were at play recently, with prices crossing key resistance levels, but the increasing focus on the US presidential election, ongoing buying by central banks, and still relatively modest speculative positioning signal this rally has further to run over the medium term, particularly if ETF buying returns (usually trend following). However, as important US data approaches, we prefer to wait for price setbacks while acknowledging these could be modest and short lived. We also like select gold miners with attractive valuations versus gold.

Main contributors - Wayne Gordon, Giovanni Staunovo

Original report - **Gold: All-time highs, but does everything add up?, 6 March 2024.**

Important information