



CIO expects central bank demand to remain solid—they forecast purchases of around 900 metric tons in 2025—driven by diversification and dedollarization trends. (UBS)

The outlook for gold remains bright

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Gold delivered one of its biggest annual gains in more than a decade last year, rising 27.6%—beating even the S&P 500. But the precious metal lost some momentum in December, especially after a hawkish tone from the Fed at its policy meeting.

Fewer rate cuts would mean that the opportunity cost of holding gold— which is a zero-yielding asset—will not decline as fast as previously expected. The potential for a stronger US dollar in the near term, based on higher relative US rates, is also a potential headwind, since it increases the price of gold and dents demand for the metal for non-US dollar investors.

But despite this disappointment, we believe gold can build on its 2024 gains. Although US rates may fall less than expected, they are still on track to decline. And the case for holding gold rests on more than rates. We expect central bank demand to remain solid—we forecast purchases of around 900 metric tons in 2025—driven by diversification and dedollarization trends. Moreover, an increasing US federal deficit and the worsening of its debt profile over the long run should underpin gold's attractiveness versus the US dollar.

Takeaway: Based on the Fed's latest guidance, we recently trimmed our forecast for gold by USD 50 an ounce for 2025. We now expect the metal to end the year at USD 2,850 an ounce, compared to USD 2,639/oz as of the end of last week.

Original report: [Weekly Global: Charting 2025 after robust returns in 2024, 6 January 2025.](#)

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