



(UBS)

The rush to gold looks set to continue

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Gold hit fresh record highs last week and is now up more than 10% since mid-December, when its rise was interrupted by a hawkish Fed meeting.

While the precious metal is now above our fair value estimate of USD 2,870 per ounce, reaching a fresh record high of USD 2,900 on Monday, we see several reasons it can go even higher over the next 12 months. First, there has been fresh evidence that demand from central banks has been stronger than previously thought, as officials in many parts of the world seek to diversify reserves away from the US dollar. Central bank buying for 2024 reached 1,045 metric tons (mt), on par with levels seen in the previous two years and double the average of around 500mt between 2011 and 2021.

Second, geopolitical uncertainty should continue to underpin gold's appeal. Notably, it could take time for investors to evaluate the trajectory of US tariffs. The US president's offer to take over the Gaza Strip is a reminder that the new administration's approach to international relations can be hard to predict. Finally, although the Fed is unlikely to cut rates in the coming months, we do still expect further easing later in the year as inflation falls and growth cools. This fall in US rates lowers the opportunity cost of holding zero-yielding assets such as gold.

Takeaway: Gold's appeal as a store of value and hedge against uncertainty has again proven itself to many investors. We have raised our gold forecasts to USD 3,000/oz over the next 12 months, up from USD 2,850 previously.

Structured investments are one solution for investors looking to tap into gold's potential as a portfolio diversifier without being fully exposed to the asset class's downside risks. [CLICK HERE](#) to learn more about gold-linked notes to manage geopolitical risk

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