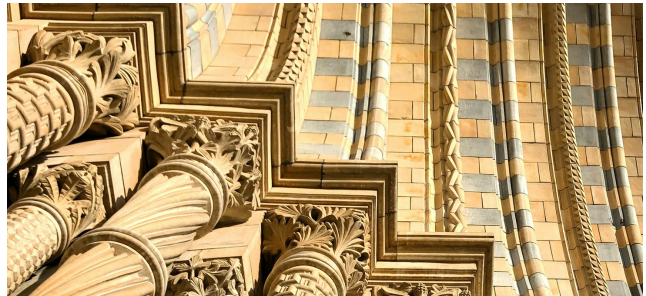


Go for gold

Go for gold

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- **Why?** (1) Gold remains an effective portfolio diversifier and hedge against political and economic risks, in our view. (2) Gold tends to move in the opposite direction to the US dollar, becoming less expensive for non-dollar holders when the greenback weakens. (3) Investment demand can pick up further, as total ETF holdings and speculators' net positioning are still well below their previous records.
- **Why now?** (1) Global gold demand this year should reach around 4,850 metric tons, the highest level since 2011. (2) We forecast gold prices to reach USD 3,800/oz by year-end and USD 3,900/oz by mid-2026. (3) Further Federal Reserve cuts while other central banks end their cutting cycle could reduce real interest rates, boosting gold.



Gold remains a valuable portfolio hedge, which we expect to benefit from strong demand, lower real rates, and investor uncertainty. Source: Unsplash

Gold

Gold in recent weeks broke out of the relatively tight trading range it has held since mid-April, with prices now up by around 40% this year, outperforming all major asset classes.

Nonetheless, we think gold prices have further room to rally. With additional Fed interest rate cuts likely to follow in the coming months while inflation is still sticky, US real interest rates could fall into negative territory. Gold prices typically move inversely to real yields owing to the metal's non-interest-bearing nature.

Gold also tends to move in the opposite direction to the US dollar, as it is priced in dollars and becomes less expensive for non-dollar holders when the greenback weakens. As the Fed catches up on policy easing to other central banks, we expect further US dollar weakness over the next 12 months, especially as concerns over the US's fiscal position linger.

The expectations of lower yields and a weaker US dollar have driven robust investor demand for gold this year, and we think investment demand can pick up further, as total

ETF holdings and speculators' net positioning are still well below their previous records. Coupled with still-elevated central bank purchases, global gold demand this year should, in our view, reach around 4,850 metric tons, the highest level since 2011.

Finally, as economic, geopolitical, and policy uncertainties remain, we expect continued flows into the yellow metal. We forecast gold prices to reach USD 3,800/oz by year-end and USD 3,900/oz by mid-2026. We favor a mid-single-digit exposure to gold in a portfolio.

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Appendix

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