



(UBS)

Key drivers underpinning strong gold rally remain in place

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Oil prices have risen to their highest levels since July as tensions between the US and Iran escalate. The US military has amassed forces in the Middle East, and President Donald Trump said Iran has 10-15 days at most to reach a nuclear deal, or “it’s going to be unfortunate for them.”

Despite the relatively muted response of gold to the latest rise in geopolitical tensions, we believe prices can rise even further. Our forecast is for the precious metal to reach USD 6,200/oz in the coming months, as the key drivers underpinning its strong rally remain in place.

Geopolitical risks are likely to stay elevated. With two aircraft carriers, fighter jets, and refueling tankers reportedly stationed in the region, the US military buildup is now bigger than that off the coast of Venezuela in the weeks before Trump ousted Nicolas Maduro at the start of this year. Whether an agreement with Iran can be reached remains to be seen, as military action against Iran in the near term seems increasingly likely. Broadly speaking, geopolitical uncertainty is unlikely to diminish given Trump’s approach to foreign affairs. While geopolitical events do not tend to have a lasting impact on global markets, they can trigger temporary spikes in volatility, supporting demand for portfolio hedges like gold.

The Fed’s easing regime should continue to support gold. A weaker US dollar and lower US real interest rates are supportive of gold, and we believe this macro environment remains intact, as the Federal Reserve has more to go in its easing cycle. Despite stronger recent jobs data and some hawkish elements in the latest FOMC minutes, easing inflation

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pressure in the coming months and a more dovish personnel profile at the Fed later this year should support additional rate cuts. We expect two 25-basis-point rate reductions by the end of September.

Gold demand is forecast to rise further. Data from the World Gold Council showed that total gold demand exceeded 5,000 metric tons for the first time in 2025, and we expect demand to pick up further, supported by rising investment activity and robust central bank purchases. Higher incomes in Asia should also underpin longer-term structural demand for gold jewelry. Supply, meanwhile, has been stagnant. While strong gold prices may stimulate mine exploration and development, Wood Mackenzie estimates that 80 mines will exhaust their current production plans by 2028.

So we maintain our Attractive view on gold, and view the yellow metal as an effective portfolio diversifier that can help hedge against a range of market and economic risks. Investors with an affinity for gold could consider an up to mid-single-digit allocation in a diversified portfolio.

Original report: [Gold should rally amid rising geopolitical tensions, 20 February 2026.](#)

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