

Market Insights – Gold trends

March 2026

Summary

Gold is a unique investment asset. It does not generate cashflow yet has delivered real returns over very long timeframes. It is perceived as a safe haven but can also experience significant falls in value. It can help offset rising inflation over the long-term, yet its short-term relationship with inflation is mixed.

Investing in gold is purchasing an asset not based on a fundamental value. Gold's future expected return relies on investors' continued perception of gold as a store of value. This belief could change at any time. However, the fascination with gold, and view of it being a store of wealth, has persisted for thousands of years.

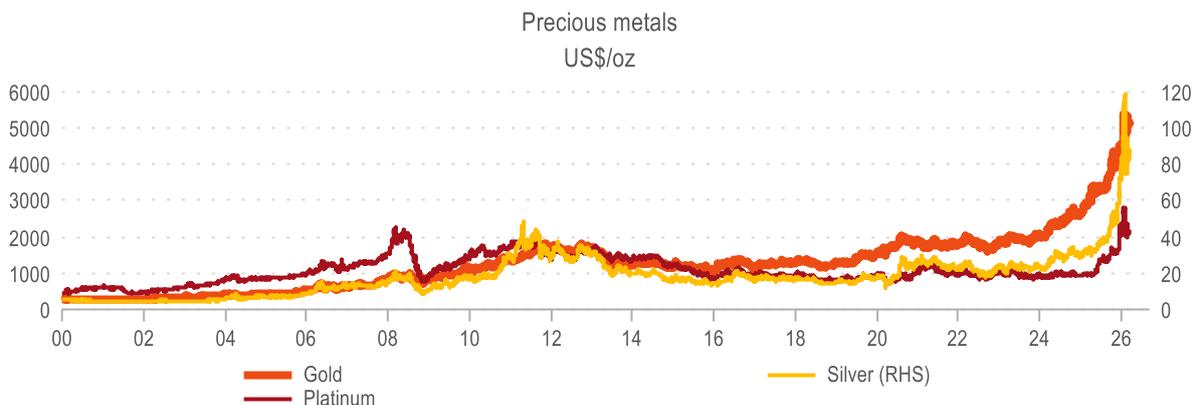
Gold price volatility is high, similar to equities, and heightened during periods of rapidly rising inflation, such as the early and late 1970s, or changing inflation expectations, such as the mid-1980s. Gold's performance has been largely uncorrelated with major asset classes and historically provided some downside protection during equity market drawdowns.

The lack of an underlying fundamental value for gold makes it difficult to provide a recommendation on the current investment case but we recognise that historical price movements have been positive for portfolios with an allocation. Heightened geopolitical tension, the desire of greater diversification, expectations of inflation pressures and growing budget deficits, could see the gold price continue trending higher.

There are potential diversification benefits from investing in gold, but caution is warranted given current very elevated price levels. Recent gains have been largely driven by exchange traded fund (ETF) investors and central bank buying. ETF investors tend to be more reactive and opportunistic, making their positions more susceptible to reversal.

Metals momentum

The price of gold soared by 64% over 2025, setting new all-time highs during the year. This was the strongest yearly performance since 1979, when the US was experiencing double digit inflation, geopolitical tensions were elevated, the USD had depreciated, and speculative buying had surged.



Source: LSEG Datastream

Gold prices have gained nearly 20% further over 2026, reaching new highs. This follows gains of 28% in 2024 and 15% in 2023, underscoring a strong multi-year trend. This is also the first time since 1979 that the gold price has continued to move higher following a 2-standard deviation percent increase.

Gold euphoria has spilt over into other precious metals, with silver rising by 149% and platinum rising by 121% over 2025. The relative cheapness of these other metals compared with gold supported an even greater percentage gain.

A key difference between gold and other commodities is supply. Almost all the gold ever mined, about 220,000 tonnes, still exists today. Annual production is broadly stable at around 3,600 tonnes, with limited sensitivity to price. As a result, demand is the key lever that influences the gold price. There is some linkage between changes in money supply and the price of gold over the long-term. Fiscal expansion over recent years has likely contributed to underlying demand momentum.

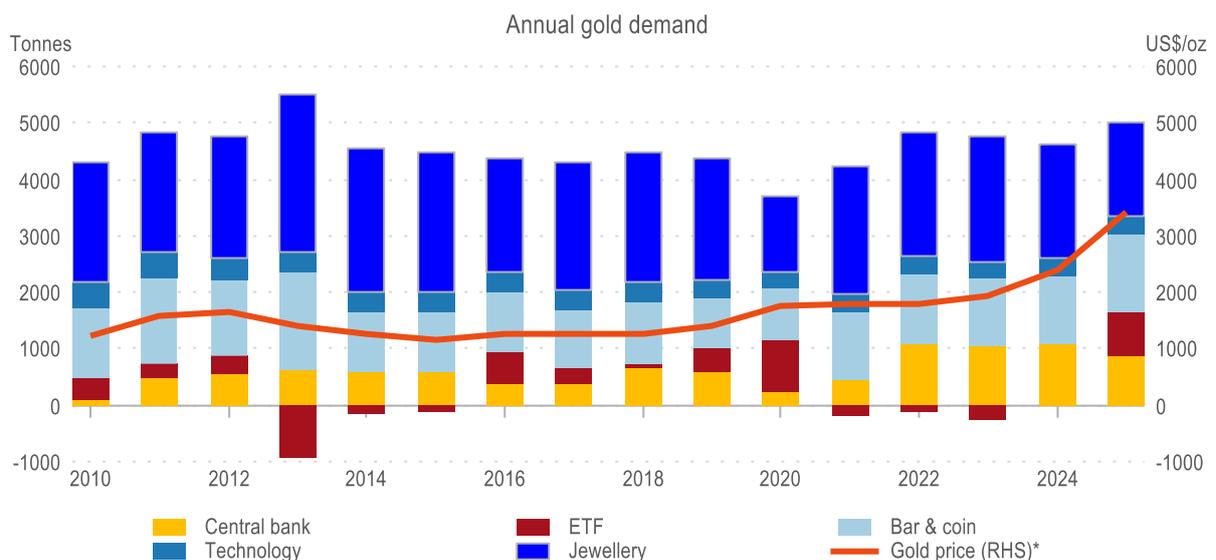
Digging into the appeal of gold

Gold demand stems from four distinct sectors: central banks, jewellery, investment, technology and industrial uses.

Central banks have long held substantial gold reserves as a signal of monetary strength and credibility of its monetary system. Under the Bretton Woods system (1944–1971), the US dollar was backed by gold, prompting countries with trade surpluses to convert excess dollars into gold. Although the global monetary system has since transitioned to fiat currencies, many central banks have retained, or continue to accumulate, significant gold holdings, both as a legacy of the Bretton Woods era and as a hedge against single-currency risk.

Gold attracts investors, whether in physical form (coins and bars) or through gold-backed ETFs, due to its perception as a safe-haven asset, offering resilience during periods of market volatility, geopolitical instability and financial crises. As inflation rises and fiat currencies depreciate, gold is expected to appreciate and maintain a store of value.

The jewellery sector has long been the largest source of gold demand, though it is highly price sensitive. China and India dominate global gold jewellery consumption, driven largely by cultural traditions and boosted by rising household wealth. However, demand volumes have declined over the past year in response to rapid price increases, seeing investment demand overtake jewellery as the largest demand sector in 2025.



Industrial applications of gold are relatively limited compared with other precious metals such as silver, platinum and palladium. Nonetheless, industrial demand has grown modestly in recent years, particularly in electronics, electric vehicles (EVs) and satellite technologies. However, unless the price premium of gold relative to its substitutes narrows, its industrial use is likely to remain constrained.

With central bank and investment activity being the primary drivers of demand led price growth in recent years, each of these factors is examined in greater detail below.

Central bank reserve rush

Russia's foreign exchange reserves were frozen by western nations in response to its invasion of Ukraine in February 2022. This action raised concerns among many emerging markets central banks about the geopolitical risks of holding reserves in foreign currencies that could be sanctioned or frozen during geopolitical conflicts. This coincided with a disconnect between the gold price and the US 10-year government bond real yield.

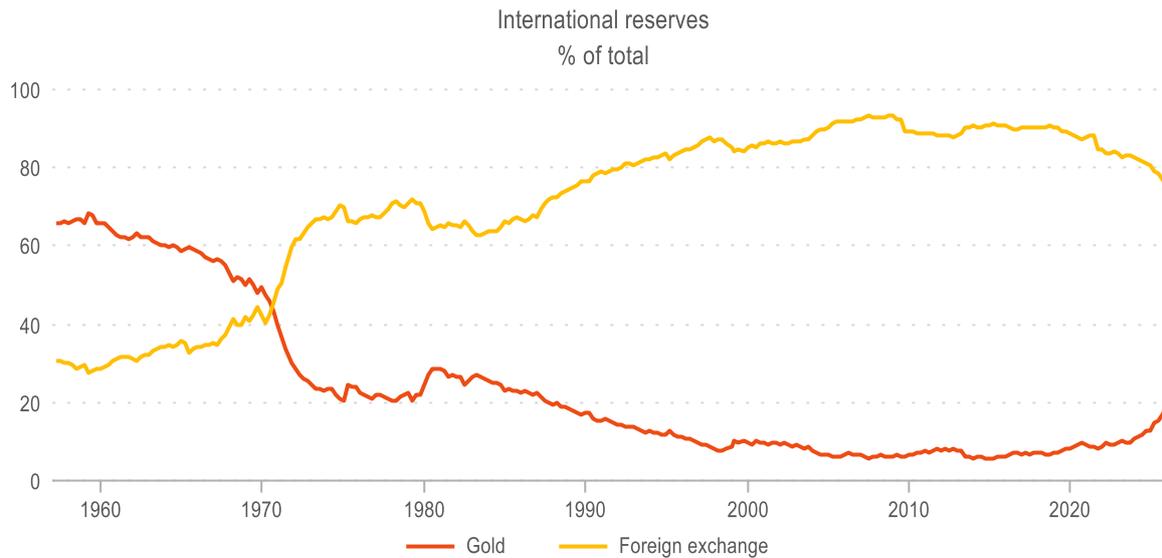
In 2022, the Central Bank of Turkey became the largest central bank buyer. This strategic accumulation also occurred amid severe domestic economic challenges, including inflation exceeding 70% year-on-year and a nearly 30% depreciation of the Turkish lira. That same year, the People's Bank of China (PBoC) resumed net gold purchases for the first time since 2019.



Source: LSEG Datastream

Since 2023, Poland's central bank has significantly expanded its gold holdings in a strategic effort to strengthen its financial resilience and reduce dependence on the US dollar. The National Bank of Poland (NBP) has progressively raised its target for gold as a share of foreign exchange reserve. Its current target would imply gold holdings of around 38% of total reserves.

Beyond these notable examples, numerous emerging markets central banks have contributed to a broader trend of central bank net gold buying and the share of international reserves held in gold has increased. Accumulation also reflects improving economic conditions and greater financial stability in many emerging markets countries, supporting long-term strategies to strengthen and diversify reserve portfolios.



Emerging markets central banks are expected to remain a steady source of additional demand in the years ahead. However, the pace of buying slowed in 2025, with price levels slowing buying activity. It may also be because of unreported buying, which has been growing in recent years, meaning that official institutions are adding to reserves without immediate disclosure.

Developed market central banks already hold substantial legacy gold reserves and have largely maintained existing positions, opting not to make significant adjustments during this period.

Investors striking gold

Coin and bars

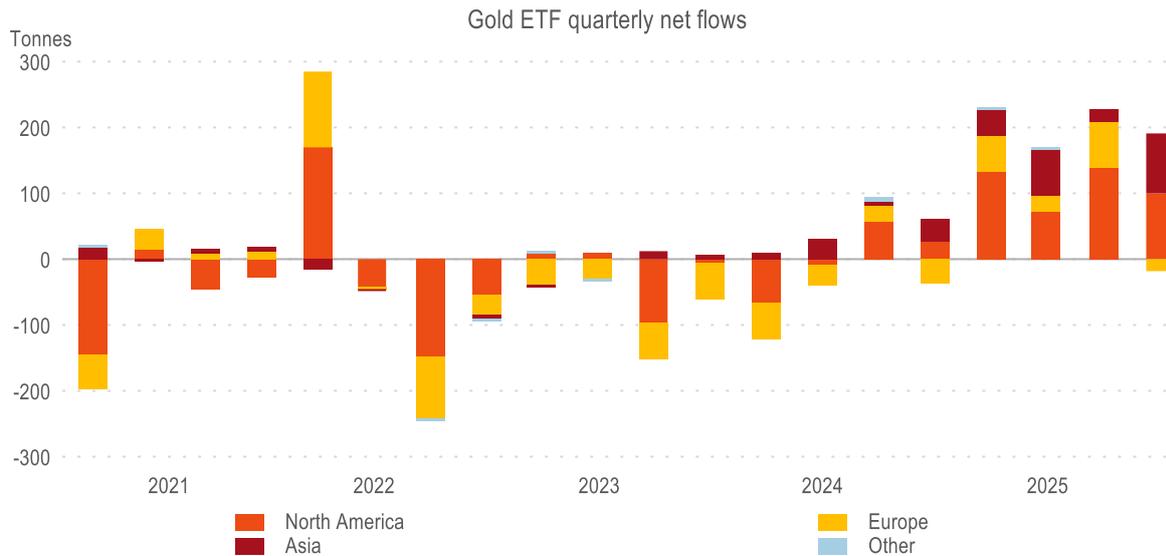
Gold bars and coins had been stable in recent years but, in 2025, saw the strongest annual demand since 2013. More than half of this demand came from India and China, where price momentum was a key driver of purchases. In both markets, deep rooted cultural traditions and gold's role as a store of wealth support steady jewellery and investment buying.

Rising household income is reinforcing underlying demand. In India, a 1% rise in disposable income typically produces a similar rise in gold demand. In China, diversification away from investments in property and equities continues to support retail buying, further encouraged by the PBoC expanding gold reserves.

ETF buying

Following the initial surge in demand led by central banks, global gold-backed exchange-traded funds (ETFs) have played a significant role in extending the rally. In 2024, ETF holdings stabilised for the first time since 2020, marking a pause after three consecutive years of substantial outflows.

Momentum accelerated in 2025, driven by renewed interest from North American and European investors, driving a record year for inflows at US\$89bn. The combination of record inflows and a rising gold price propelled total assets under management (AUM) in gold ETFs to a new all-time high of US\$559bn.



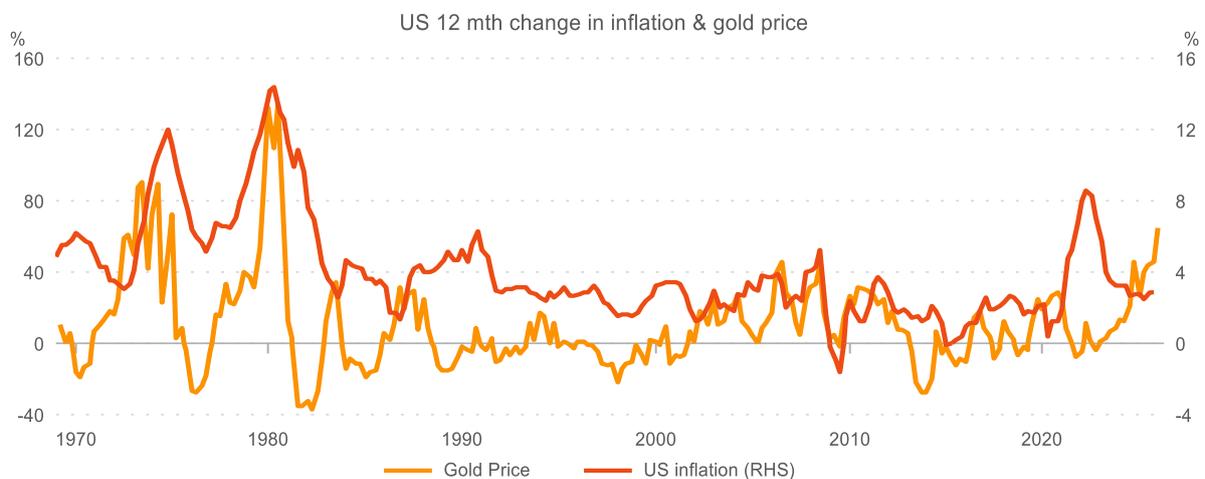
Source: LSEG Datastream ; World Gold Council

Elevated uncertainty and diversification requirements have been among key drivers of investment demand over the past year. Since the Trump Administration unveiled its ‘Liberation Day’ tariffs, questions have risen surrounding the role of the USD as a safe haven, as a reserve currency and cast doubt over confidence in the US financial system. With US assets (USD, US equities) also at high valuations, the combination of these factors is likely to have contributed to the large flows into gold by investors.

However, unlike central banks, whose purchases are typically strategic, long-term and less sensitive to short-term price movements, ETF investors tend to be more reactive and opportunistic. Their behaviour is often influenced by market sentiment, interest rate expectations and macroeconomic data, making their positions more susceptible to reversal. Typically, gold struggles to record significant price gains at times of ETF fund outflows so future price gains are largely reliant on continued momentum.

Gold’s role in a portfolio

Gold has long held a reputation as an inflation hedge as, unlike other fiat currencies, the ability to increase the supply of gold is contained. However, gold’s short-term relationship with inflation is mixed, with some periods of rising inflation coinciding with weak gold price gains.

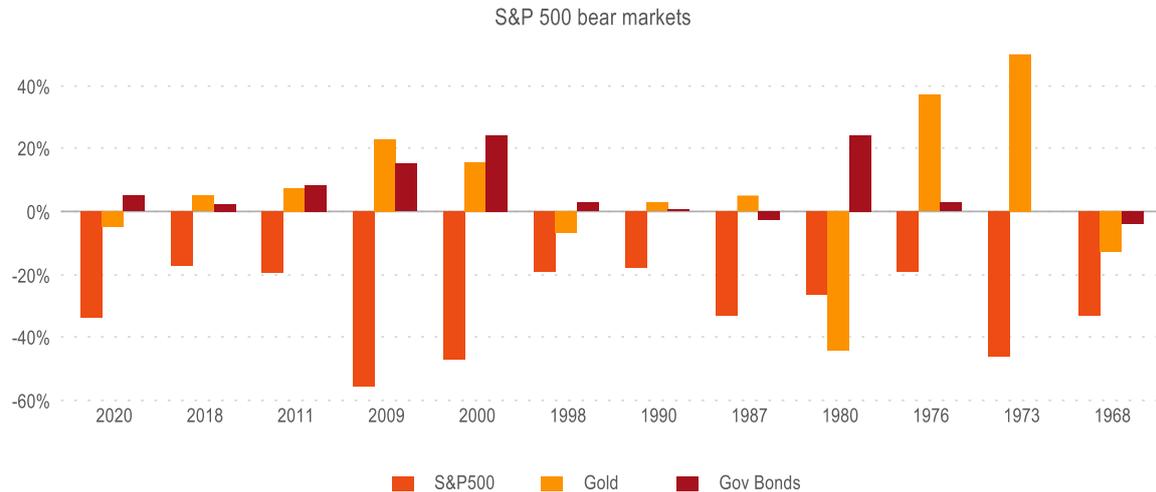


Source: LSEG Datastream

Periods of negative real yields have generally been associated with increases in the gold price, providing some protection during these times (chart on page 3).

Gold is often described as ‘crisis insurance’, with the perception that its value is maintained at times when equity markets fall sharply or when geopolitical tensions escalate.

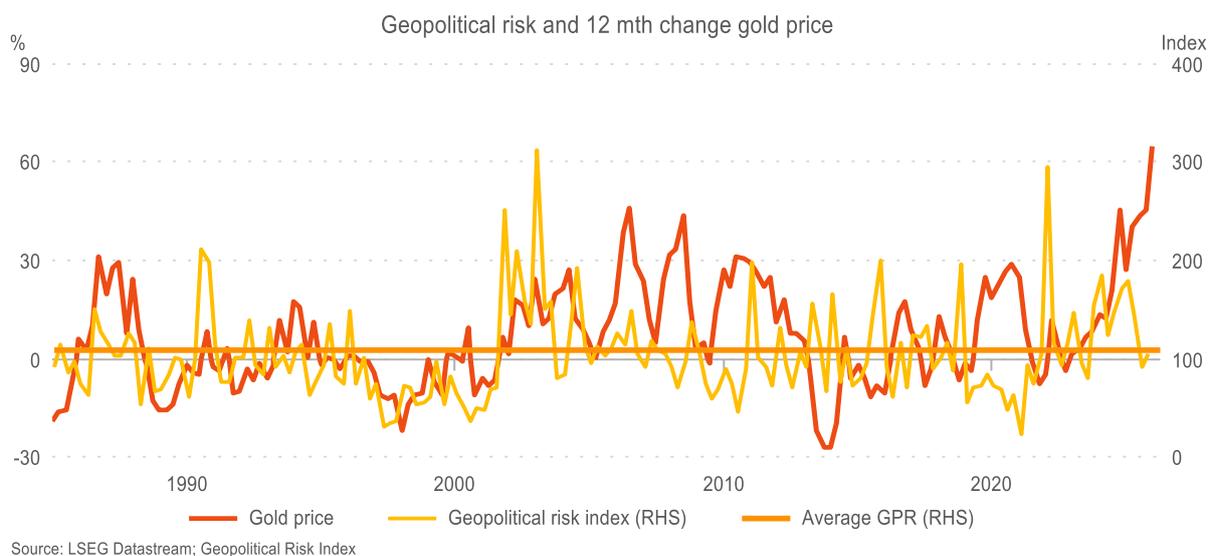
However, gold does not always provide protection during severe equity market downturns, with government bonds at times providing greater protection.



Major geopolitical events, such as war, are measured in the Geopolitical Risk Index. Equity markets typically decline around these episodes with uncertainty weighing on growth expectations.

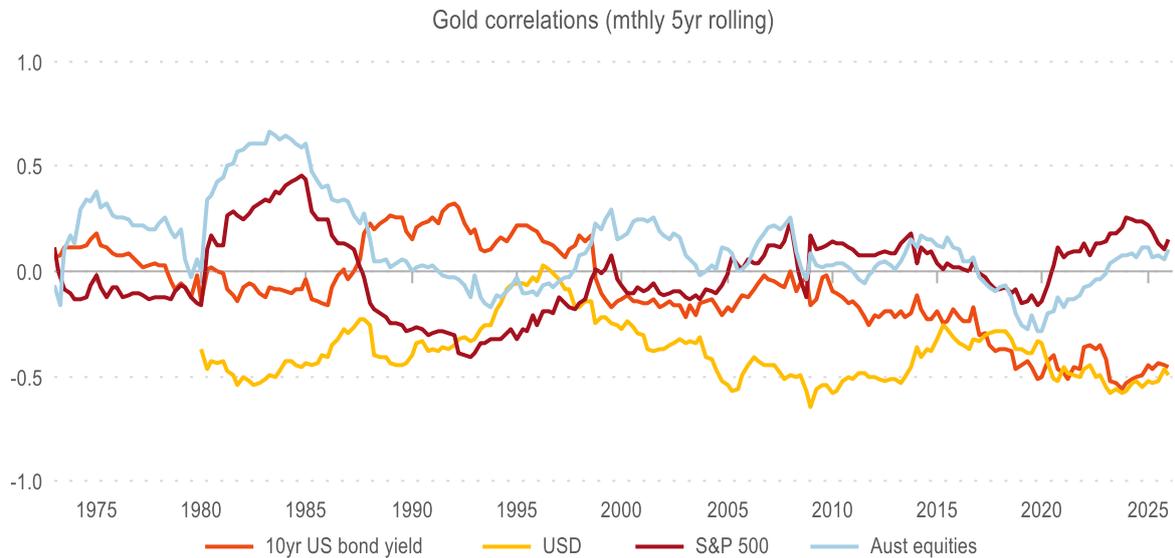
However, gold does not always provide support when geopolitical risks are elevated. Gold has shown a mixed performance during times of elevated geopolitical risks.

Notably, gold’s exuberance over the past few years has not been associated with a single extreme geopolitical spike (data up until February 2026, predating the recent Middle East escalation). Instead, gold has risen during a period of persistently elevated, but not unprecedented geopolitical risk. It may be that the gold price has now embedded a geopolitical risk premium.



Gold will likely provide better portfolio protection if confidence in fiat money (such as the US dollar or the Euro) declines or during periods of heightened sensitivity to sovereign risk. This is where gold's inability to generate cashflows is a benefit: it has no counterparty that could default.

Despite its limitations, gold offers the potential for diversification benefits given its performance has limited correlation with most major asset classes such as equities, sovereign bonds and global currencies. However, it is not a guaranteed safe haven.



While it has delivered a positive real return over long time frames, its price is volatile, and it will not always act as an inflation or crisis hedge, despite its reputation. The lack of an underlying fundamental value for gold makes it difficult to recommend investment in the asset but recognise that price gains have been positive for portfolios with an allocation and there are potential diversification benefits of gold.

Gold can fit within defensive allocations because of its low correlation with equities and perceived crisis protection, but it also fits within a real asset bucket as a commodity and as a store of value asset. Funding sources would depend on rationale for including gold into a portfolio, which could mean sourcing from growth assets, alternatives or defensives.

The price of gold is currently around all-time highs, suggesting caution in investing today. But, given the heightened geopolitical tension, the desire of greater diversification from US assets, expectations of higher inflation and growing budget deficits, the gold price should be expected to continue trending higher, notwithstanding short-term volatility.