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Global Markets Research

Research Alert

Will gold continue to glitter?

Gold future is flagging \$4,400/oz by end-2026 despite having surged more than 50% YTD
Deciphering the rally - demand from ETF and central banks in times of uncertainty
Steady demand for gold as a reserve asset, weaker USD, lower interest rates will support gold

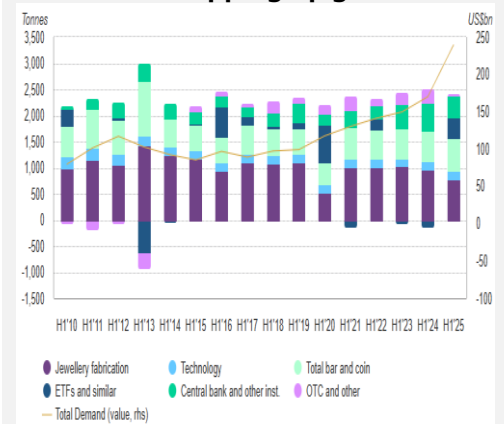
Overview

Gold prices have repeatedly set records over the past year and have had a remarkable run of over 50% YTD. At \$4,198k/oz at the point of writing, it is thus only apt if we ask if this upward trend is sustainable in the future. Despite sky high prices, the outlook for gold prices, on balance, remained tilted to the bullish side in our opinion, and futures pricing are pointing to around \$4,400k/oz by end-2026, having already been upgraded a couple of times.

What/who have been driving gold prices: ETFs and central banks, not noisy speculative positions

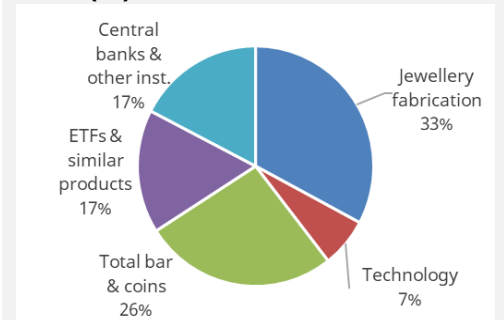
- According to the World Gold Council, total gold demand had increased by 3% y/y to 1,249t in 2Q (matching global supply), with **hefty demand for global gold-backed ETFs instrumental in boosting overall buying**, while bar and coin investors also joined the fray, attracted by its:
 - 1) Rising value
 - 2) **Safe haven attributes** in an environment of uncertain global trade policy and geopolitical turbulence.
 - 3) **Great store of value** in a regime of high inflationary pressure and easing real interest rates.
 - 4) **Role as an asset in portfolio diversification** given its low correlation to equities (0.57).
 - 5) **Hedge** against USD (correlation: -0.88) and other fiat assets (government issued currencies not backed by physical commodity)
- Closely following second, albeit moderated, was the non-speculative central banks. According to the World Gold Council, central banks added 166t to global official gold reserves in 2Q and available data suggests another 19t net addition in August when prices rallied 4.8% m/m. This is broadly in line with monthly net purchases between March-June, where prices surged 15.6%.
- Data also showed that profile of the most active central banks has changed, with traditional powerhouses such as the US and Germany replaced with emerging economies such as Russia, China, Turkey and India. Although still lagging their peers, the World Gold Council reported that National Bank of Kazakhstan was the largest gold buyer in August and the National Bank of Poland were the largest purchaser YTD.

Figure 1: ETFs and central banks have been snapping up gold



Source: Metals Focus, Refinitiv GFMS, World Gold Council

Figure 2: Share of buyers of gold in 1H25 (%)



Source: World Gold Council, HLBB Global Markets Research

Upside risk going forward

According to the World Gold Council, central banks have collectively bought over 1,000t of gold in each of the last three years, doubling from the 400-500t average over the preceding decade, largely driven by a backdrop of geopolitical and economic uncertainty.

Moving forward, the latest Central Bank Gold Reserves (CBGR) survey (conducted in April & May) continued to highlight the continued importance of gold reserves, with:

- Central banks continue to hold favourable expectations on gold, with respondents overwhelmingly **(95%) believe that global central bank gold reserves will increase over the next 12 months**.
- A record 43% of respondents believe that their own gold reserves will also increase over the same period. None anticipated a decline.
- Portfolio diversification and inflation hedging** were the key reasons for central banks snapping, and continue to snap up gold.
- The majority of respondents (73%) see moderate or significantly lower USD holdings within global reserves over the next five years**, not boding well for USD outlook and in our line with our softer DXY outlook over the next year. Respondents also expect the share of other assets like EUR, renminbi and gold to increase over the same period.
- The survey showed an uptick in respondents who actively manage their gold reserves (44% in 2025 vs 37% in 2024) to enhance returns and for risk management reasons.

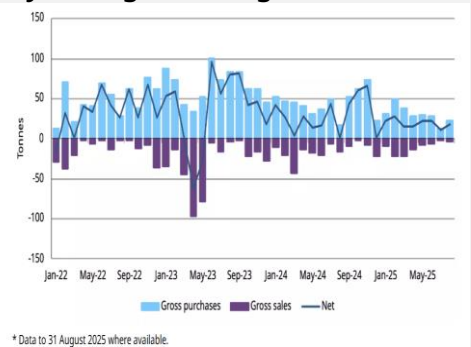
With all these and despite the recent rally, we thus see some net, albeit potentially limited, **upside risks to future gold prices**, especially bolstered by our expectations that trade and geopolitical uncertainty will continue to linger, on easing monetary policy rates globally and on weaker Dollar in the year ahead.

Unlocking the gold-silver 80/50 rule

On a separate note, silver prices (current price: \$53.20/troy ounce) also hit an all-time high recently largely spooked by dwindling inventory in London after traders stashed up the precious metal on planes and ships ahead of US tariff, and demand will continue to be fuelled by the craze over AI, electric vehicles and energy transition given that this precious metal is a critical, although not primary component in the production cycle.

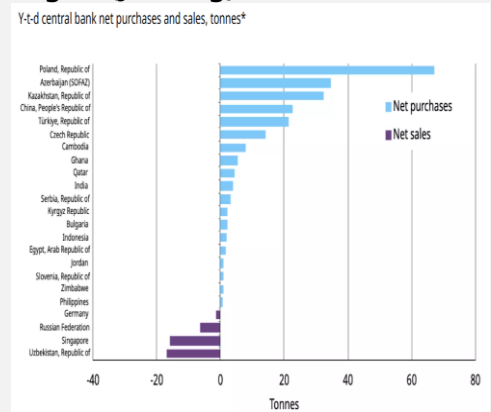
Moreover, from an investment perspective, the current gold-silver price ratio at around the 79 level suggests that gold is expensive vs silver and that it may be prudent to pivot to silver (widely recognised gold-silver ratio suggests that gold is cheap vs silver when the ratio is at 50 and expensive if the ratio is high at 80). That said, we would like to add that central banks will unlikely purchase silver as a reserve asset, hence potentially capping upside in silver prices.

Figure 3: Central banks were net buyers of gold in August



Source: IMF, respective central banks, World Gold Council

Figure 4: Central banks' purchases of gold (Jan-Aug)



Source: IMF, respective central banks, World Gold Council

Figure 5: House view and forecasts

	4Q-25	1Q-26	2Q-26	3Q-26
DXY	96.45	95.57	94.24	92.99
Fed funds rate (%)	3.50-3.75	3.25-3.50	3.00-3.25	3.00-3.25
10Y UST yield (%)	4.00	3.85	3.75	3.70

Source: HLBB Global Markets Research

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