GOLD'S PRICE DYNAMICS OVER THE SHORT- AND LONG-TERM

October 2025

Long-term price determinants

Gold's appeal lies in its diverse uses: roughly one-third of demand comes from jewellery, a smaller share from technology, and the rest from investment and central banks. It therefore has exposure to a mix of industries – financials, consumer discretionary, and industrials – which has allowed it to keep up with global financial markets and economic expansion since its price decoupling in 1971.

Figure 1: Sources of global demand[1] for gold is dispersed across various market drivers

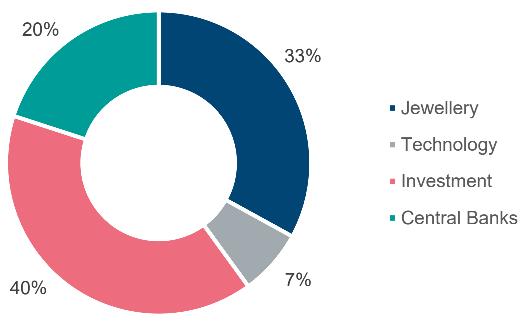
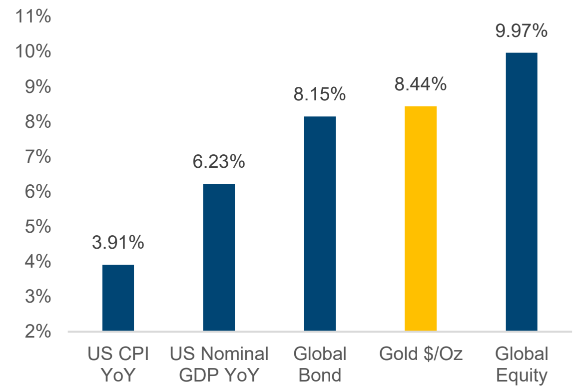


Figure 2: Gold's diversification benefits have allowed it to track global growth[2]

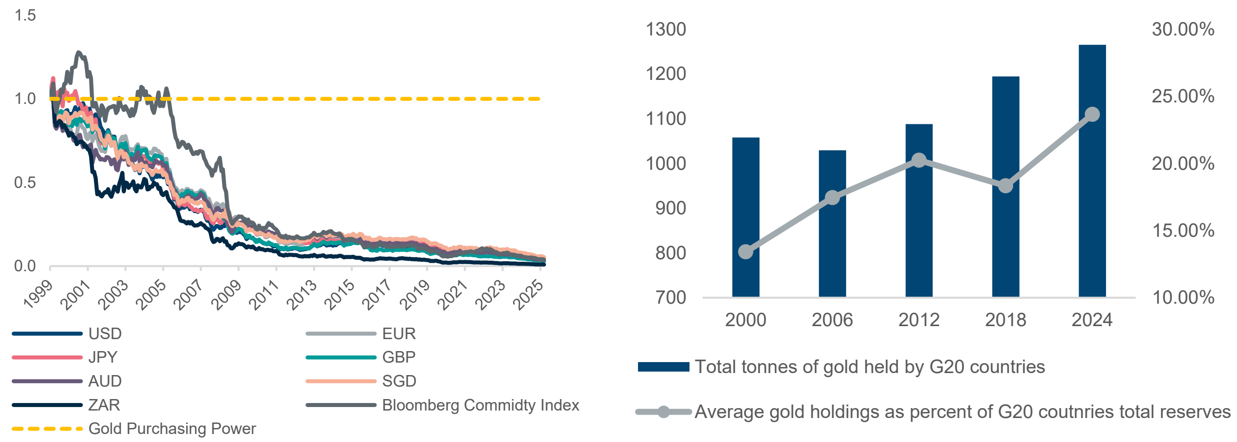


Source: World Gold Council, Bloomberg
Note 1: Gold demand is the 10-year average of annual net demand as at end of 2024
Note 2: Annualised performance since 1971

Gold is a scarce metal with high liquidity and no credit risk; it functions as both a tangible good and a monetary asset, giving it a safe-haven role, unlike any other fiat currency. These qualities support its long-term return potential, with valuation anchored by investment demand and reserve accumulation, which have grown annually by 7% and 18% respectively since 2015.

Dedollarisation and sanction risk have also had notable effect on gold's overall demand. BRICS countries like China have increased their net gold reserves from 395 tonnes in 2000 to 2,280 tonnes in 2024 placing it in the top 10 gold owners globally. The long-term value of gold is therefore underpinned by the appetite of global agencies to preserve their wealth.

Figure 3: Purchasing power[1] of major fiat currencies and commodities has deteriorated relative to gold, which coherently drives its demand as a reserve currency



Source: Bloomberg, World Gold Council
Note 1: The price per ounce of gold in global currencies, rebased to 1 at January 2000

Sustained depreciation in fiat currencies is a result of prolonged monetary easing and fiscal stimulus. It makes sense that the gold prices therefore track the expansion of money supply (because it spurts demand for gold) over time as seen in figure 5. It is also clear that gold not only gradually outperforms CPI over time, but that it significantly outperforms in periods of high inflation, which strengthens its case as a wealth preserving asset. Money supply is currently increasing globally – in the wake of interest rate reductions – and the demand for risk-free assets like short-term treasuries could decrease, tilting investors furthermore into alternative safe-haven assets like gold for diversification.

Figure 5: Gold prices have tracked the expansion of US money supply

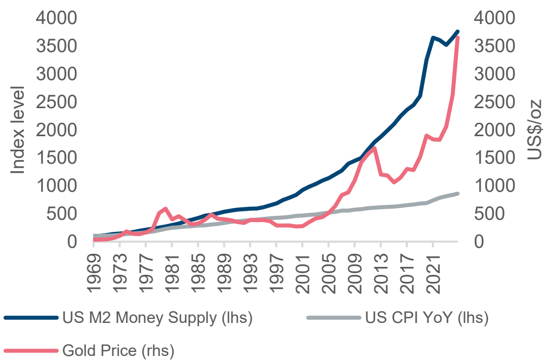
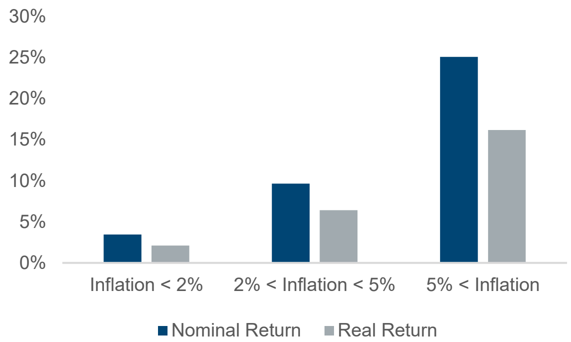


Figure 6: Gold historically rallies in high inflation[2]



Source: Bloomberg
Note 1: US CPI YoY and US M2 Money Supply have been rebased to 100 as at January 1971
Note 2: Average annual performance of gold within US YoY inflation regimes since 1971

After considering the long-term characteristics of gold's price return, global growth drivers, money supply, and the relative performance and expansion of investment markets, we can come up with a reasonable valuation based on an Ordinary Least Squares (OLS) regression. We use US GDP Growth YoY%, Global Equity and Debt Market Capitalisation Growth YoY%, and US M2 Money Supply Growth YoY% as explanatory variables in this case.

The current fitted value from such an OLS regression is US$2,313, but scenario analysis suggests a high range of US$3,847 over the next year. Upward price pressures like global CPI risks, geopolitical tensions in Russia and the Middle East, continued central bank gold purchases, and most recently the US Government's shutdown can build a case for further appreciation. Under such conditions, nominal appreciation could push gold towards the upper end of our forecast range, potentially reaching US$4,000 according to more flexible additive models.

Figure 7: Recent gold prices may have overshot year to date fundamentals…

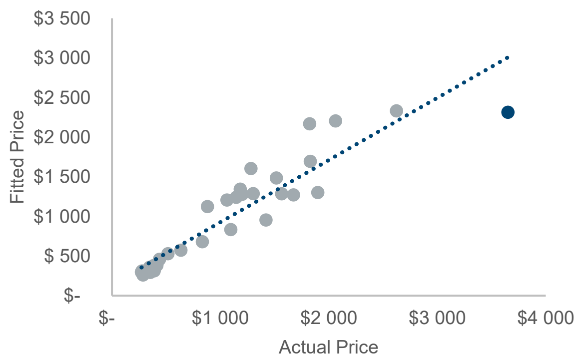
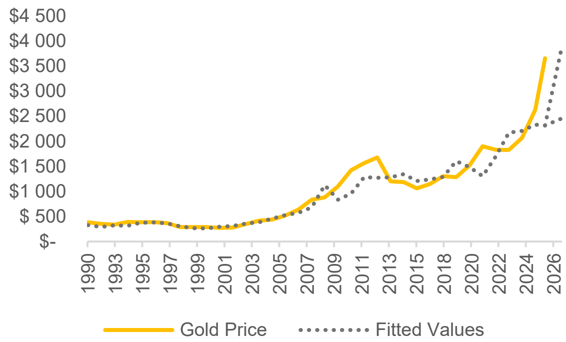


Figure 8: ..but the short-term risks support gold's appreciation past US$4,000

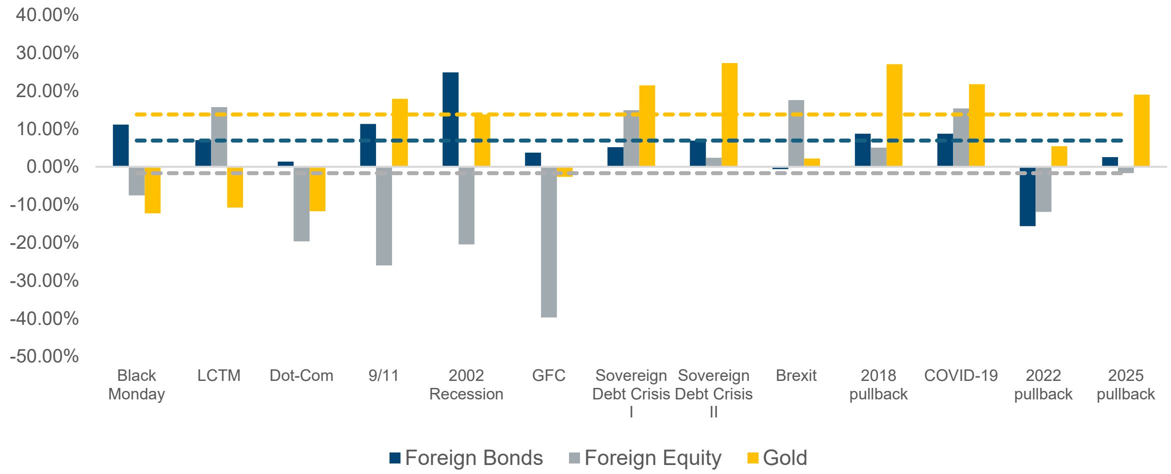


Source: Bloomberg
OLS regression and forecast: Fitted prices capture the relationship observed in the sample period between the explanatory variables and the dependent variable; they should be interpreted as indicative rather than predictive.

Risks to short-term valuation

Negative short-term systemic shocks, for example, geopolitical tensions, security threats, and economic and financial crises drive down the demand for risky assets. In these times of financial distress, the demand for gold concurrently surges because of its status as a safe-haven asset. This reinforces its role as a resilient form of investment during periods of market collapse.

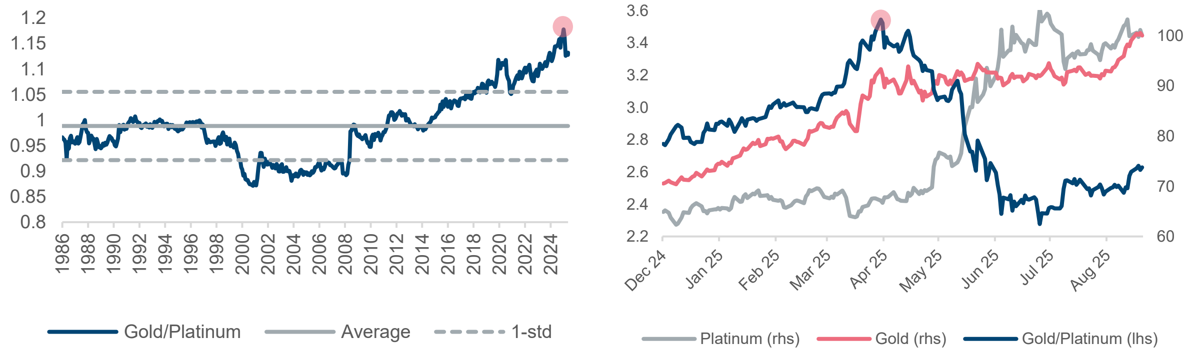
Figure 4: Gold performs well during periods of systemic sell-off compared to global equity and global bonds, highlighting is utility as a safe-haven asset



Source: Bloomberg

Current short-term downside risks for gold appear relatively limited, but the growing appeal of cheaper alternatives such as platinum could cap its upside. This dynamic is evident in the gold-to-platinum ratio, which has climbed well above its long-term average, signalling sustained demand for gold relative to platinum. Yet, despite gold being around 33 times scarcer, it trades at almost double platinum's price (US$3,900 vs US$1,600 at the end of September). The ratio has also remained above one standard deviation from its historical average for an extended period, suggesting that it may have stretched its relative valuation. This leaves room for a potential rotation into alternatives such as platinum, a trend already reflected in recent price action: at time of the ratio's all-time high in April, gold gained around 4%, while platinum has surged nearly 50% two months after.

Figure 9: Gold have stretched its relative valuation to alternatives like platinum (left) – which could tilt investors to cheaper alternatives (right), limiting further upside for the gold price.



Source: Bloomberg
Note: Gold and platinum prices are based to 100 as at end of August 2025 on the chart on the right, which is discounted by daily performance leading up to this date.

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