30 April 2025

Gold shines again – this time as a geopolitical anchor

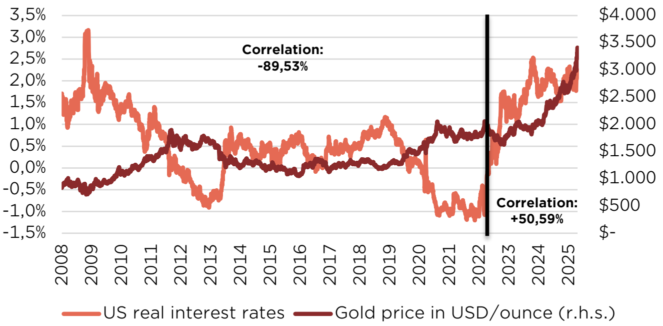
The price of gold has reached remarkable highs in recent months, surprising numerous investors. This price increase was unusual, particularly given the persistently high interest rate level in the US. After all, the price of gold typically falls when interest rates rise, as gold itself does not generate any ongoing income. However, the current market phase follows different principles: Despite high real interest rates, the price of gold is rising continuously, demonstrating a fundamental shift in investor perception. The unusual decoupling from real interest rates is primarily due to the ongoing geopolitical uncertainty and the resulting, unprecedented gold purchases by central banks. This raises the question of whether a new regime is currently developing in which historical patterns no longer apply.

Real interest rates and gold: A new era of decoupling?

The relationship between real interest rates and gold is one of the fundamental economic relationships in financial markets. Traditionally, there is a negative correlation: When real interest rates (nominal interest rates less inflation expectations) rise, gold loses its attractiveness as an interest-free asset, as the opportunity cost of holding gold increases. This correlation has provided a reliable basis for investment decisions and market forecasts for decades.

However, in the current market phase, a remarkable anomaly can be observed. Although real interest rates have risen sharply, the value of gold has also increased. The historically negative correlation between the gold price and real interest rates has dissolved since 2022, indicating a change in market behavior. The unique feature of the current economic situation is that high real interest rates coincide with a slowing economy and potentially rising US inflation – an unusual combination that challenges traditional market models. This decoupling is not a superficial phenomenon, but rather points to profound changes in the global financial architecture.

Gold price and real interest rates



Source: Refinitiv Datastream

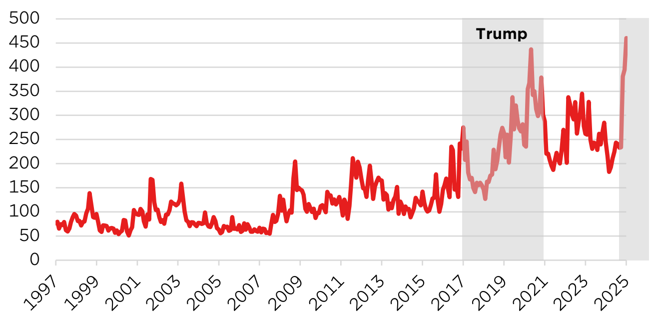
Although nominal interest rates in the US and Europe have now returned to moderate levels after a long period of extremely low interest rates, confidence in a lasting "interest rate normality" is low. The interest rate turnaround was already initiated last year by the ECB and the Fed, and market participants anticipate further interest rate cuts by both central banks, which should further support the attractiveness of gold.

Geopolitical uncertainty

International relations are currently undergoing a phase of exceptional instability – an environment that traditionally has a positive impact on the price of gold. Since Russia's attack on Ukraine in 2022, a new geopolitical reality has emerged in which military conflicts, the formation of economic blocs, and diplomatic tensions are profoundly altering the global order. The war in Ukraine is at the center of a multipolar shift: It has not only led to massive economic sanctions against Russia, but has also profoundly shaken confidence in Europe's political predictability and stability. Uncertainty about further escalation, possible secondary conflicts, and the future of NATO's alignment are intensifying the search for "safe havens" – and gold is directly benefiting from this.

However, political developments in the United States are having an even greater impact. Donald Trump's second term in office has led to profound uncertainty in international economic and security policy. Trump's protectionist rhetoric, his open attacks on multilateral institutions, and his repeated questioning of NATO alliance commitments are raising doubts about the reliability of American security guarantees. At the same time, its confrontational trade policy toward the rest of the world is causing increasing economic volatility. For the markets, this means fundamental uncertainty about future conditions – and for gold, a sustained demand stimulus as a stable counterpart in a politically unpredictable environment.

Economic Policy Uncertainty Index



Source: Refinitiv Datastream

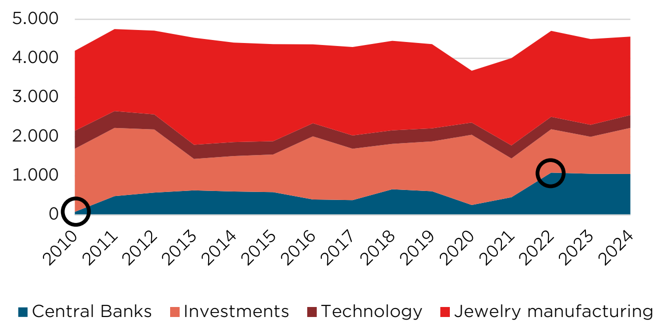
Central bank purchases as drivers of the gold price: trend or temporary phenomenon?

High demand from central banks is one of the key reasons why the price of gold remains at historically high levels. Influenced by the analyses of his chief economic policy advisor, Dr. Stephan Miran, the Trump administration has pursued a policy of "burden sharing" and securing US dominance – if necessary, including tariffs and economic pressure on countries that seek to "dedollarize" or withdraw from the US financial system. Central banks, particularly in emerging markets, are responding by diversifying their reserves: They are buying gold and selling US Treasuries.

Gold is thus becoming a strategic store of value, unaffected by US sanctions or exchange rate manipulation. The central banks of China, Russia, and other BRICS countries are deliberately increasing their gold holdings to hedge against the "weaponization" of the dollar – that is, the use of the US currency as a geopolitical tool of pressure. Gold offers them a reserve that operates outside the Western financial system and can serve as a basis for alternative payment systems.

The increasing central bank purchases since the Russian war of aggression against Ukraine are noteworthy. These rose to almost 23 percent of total gold demand last year. By comparison, in 2010, it was only around two percent. Numerous countries and their central banks were likely alarmed by the seizure of Russian central bank assets after the outbreak of the war in Ukraine – a previously unprecedented event in international financial policy. This experience made many nations aware of the potential vulnerability of their reserves denominated in Western currencies.

Gold demand in tons



Source: ICE Benchmark Administration, Metals Focus, Refinitiv GFMS, World Gold Council

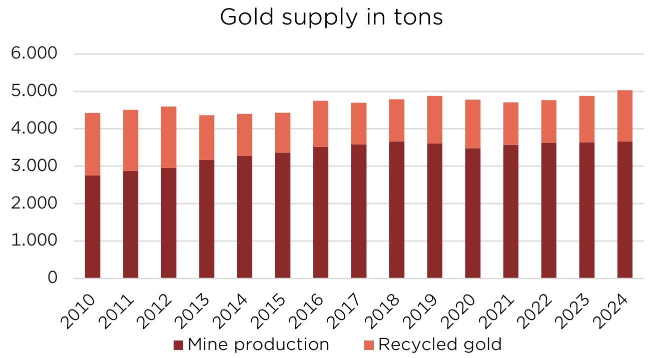
In 2024, the Polish central bank was the world's largest buyer of gold among central banks – with a significant expansion of its reserves. It was followed by the central banks of Turkey, India, Russia, and China. This geographical distribution of gold purchases confirms the pattern mentioned: It is primarily emerging markets and countries with geopolitical tensions with the Western financial system that are expanding their gold reserves.

Capital market as a dynamic price driver

In addition to extensive purchases by central banks, the capital market is also a strong driver of the gold price. Institutional investors and asset managers are increasing their allocations to gold-based financial products – not only to hedge against geopolitical risks and uncertainties, but also for speculative reasons. In phases of increased volatility or excessive valuations on the capital markets, analysts regularly observe a shift of investment funds into gold. In 2024, gold ETPs (Exchange Traded Products) recorded inflows of around USD 3.4 billion – assets under management thus rose to over USD 270 billion. The possibility of investing in gold via ETPs has made the precious metal accessible to a broader range of investors and at the same time significantly increased market liquidity.

Demand increases, production stagnates

At the same time, gold production is stagnating. Production has barely changed in recent years and remains at around 3,500 tons per year. Given the massive price increase that has occurred during this period, this suggests that the gold industry has reached its capacity limits. Typically, a doubling of the price, which has occurred since 2020, should provide a powerful incentive for increased investment in mining and the gold industry.



Source: ICE Benchmark Administration, Metals Focus, Refinitiv GFMS, World Gold Council

The current development of the gold price can no longer be explained exclusively by classical economic models, but must be viewed in the context of a potential regime change. As long as international tensions and the desire for less dependence on the US dollar persist, central banks will likely continue to expand their gold reserves. The role of gold could therefore continue to evolve in the coming years: from a classic "safe haven" to a central building block of a multipolar, decentralized monetary system in which the dollar remains important but is no longer the only alternative. The consequence: Gold is no longer valued solely for its traditional role as a hedge against inflation, but increasingly as a hedge against geopolitical and systemic risks.

Jan Mooren

Market data

Stock marktes	As of 02.05.2025 10:15	Change versus 10.04.2025 -1 week	14.03.2025 -1 month	16.01.2025 -3 months	16.04.2024 -1 year	31.12.2024 YTD
Dow Jones	40753	2,9%	-1,8%	-5,6%	7,8%	-4,2%
S&P 500	5647	7,2%	0,1%	-4,9%	11,8%	-4,0%
Nasdaq	17711	8,1%	-0,2%	-8,4%	11,6%	-8,3%
DAX	22851	11,1%	-0,6%	10,6%	28,6%	14,8%
MDAX	29055	13,0%	-0,4%	13,9%	11,9%	13,5%
TecDAX	3690	11,4%	-2,2%	4,0%	12,1%	8,0%
EuroStoxx 50	5219	8,3%	-3,4%	2,2%	6,1%	6,6%
Stoxx 50	4438	8,1%	-4,3%	-0,3%	2,6%	3,0%
SMI (Swiss Market Index)	12180	8,3%	-5,7%	2,0%	8,8%	5,0%
Nikkei 225	36831	6,4%	-0,6%	-4,5%	-4,3%	-7,7%
Brasilien BOVESPA	135067	6,9%	4,7%	11,4%	8,6%	12,3%
Indien BSE 30	80581	9,1%	9,1%	4,6%	10,5%	3,1%
China CSI 300	3771	0,9%	-5,9%	-0,8%	7,4%	-4,2%
MSCI Welt	3664	7,1%	-0,1%	-2,2%	11,1%	-1,2%
MSCI Emerging Markets	1112	8,1%	-0,7%	4,2%	10,1%	3,4%
Bond markets						
Bund-Future	131,78	142	455	27	57	-166
Bobl-Future	119,47	63	266	254	225	161
Schatz-Future	107,50	14	83	86	203	51
3 Monats Euribor	2,16	-11	-32	-59	-175	-56
3M Euribor Future, Dec 2025	1,64	-14	-44	-43	-101	-25
3 Monats $ Libor	4,33	-1	0	-1	-112	-4
Fed Funds Future, Dec 2025	3,47	-2	-24	-45	-103	-44
10 year US Treasuries	4,22	-19	-10	-40	-45	-36
10 year Bunds	2,47	-8	-37	-5	0	11
10 year JGB	1,26	-9	-25	8	42	18
10 year Swiss Government	0,37	-10	-45	-4	-38	10
US Treas 10Y Performance	613,14	1,0%	0,6%	3,7%	7,5%	3,6%
Bund 10Y Performance	562,66	0,7%	3,3%	0,9%	2,5%	-0,3%
REX Performance Index	459,69	1,0%	2,6%	2,2%	4,2%	1,5%
IBOXX AA, €	3,07	-10	-23	-9	-37	3
IBOXX BBB, €	3,60	-11	-13	0	-43	14
ML US High Yield	8,33	-32	62	83	-8	68
Commodities						
MG Base Metal Index	400,44	0,7%	-9,1%	-4,3%	-5,8%	-1,3%
Crude oil Brent	62,27	-2,6%	-12,3%	-22,8%	-31,0%	-16,7%
Gold	3256,38	3,1%	9,0%	19,8%	36,5%	24,0%
Silver	32,93	6,7%	-2,1%	6,7%	16,6%	11,0%
Aluminium	2345,00	0,6%	-13,2%	-10,7%	-8,0%	-7,2%
Copper	9171,28	1,9%	-5,8%	0,5%	-2,0%	6,0%
Iron ore	99,25	-0,6%	-3,5%	-1,2%	-6,4%	-4,2%
Freight rates Baltic Dry Index	1411	11,2%	-15,5%	37,9%	-20,7%	41,5%
Currencies						
EUR/ USD	1,1317	2,1%	3,9%	10,2%	6,4%	8,9%
EUR/ GBP	0,8517	-1,3%	1,2%	1,2%	-0,3%	3,0%
EUR/ JPY	164,30	1,9%	1,5%	2,4%	-0,1%	0,8%
EUR/ CHF	0,9364	0,7%	-2,9%	-0,1%	-3,6%	-0,5%
USD/ CNY	7,2706	-0,7%	0,4%	-0,9%	0,4%	-0,5%
USD/ JPY	141,85	-1,8%	-4,6%	-8,6%	-8,3%	-9,8%
USD/ GBP	0,75	-2,4%	-2,8%	-7,9%	-6,3%	-5,7%

Source: Refinitiv Datastream

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