



With underlying demand for gold intact, we recommend structured strategies to buy gold on dips. (Shutterstock)

A second wind for gold

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Sentiment is improving for gold given a weaker dollar, more market conviction in eventual Fed rate cuts, and solid underlying demand. This suggests the price is on track to hit our target of USD 2,500/oz some time around the end of 2024.

Gold provides a measure of diversification within a portfolio context, and can reduce overall volatility over the longer term. We recommend investors use structured strategies to trade the range in gold price.

After a 20% surge from mid-February to mid-April, gold prices recently softened upon the presence of a hawkish Federal Reserve pivot, easing geopolitical risks, and profit-taking by speculators. Yet, over the past week, improving sentiment on a weaker dollar and more market conviction in eventual Fed rate cuts reversed this trend and supported the price of gold.

While strong US economic data could further delay Fed cuts, and rate-related headwinds may continue, we believe solid end demand will help gold reach USD 2,500/oz by end-2024/early-2025.

Demand for gold is likely to remain resilient. The World Gold Council (WGC) reported total demand rose 3% year over year in 1Q24 to 1,238 metric tonnes (mt) despite 114mt of outflows from total ETFs. The WGC data shows the central bank buying spree continued through 1Q despite higher prices, suggesting that **central bank demand is likely to remain a mainstay of total demand going forward**. Central banks made purchases of around 290mt in the first quarter, above our expectations of around 220mt per quarter in 2024. These purchases posted a new first-quarter record, and set the tone for a third straight year in which central banks could buy more than 1,000mt.

Downstream, retail, and corporate demand is additive. Jewelry demand has proved to be surprisingly resilient, while industrial demand jumped 10% year over year in 1Q24. We expect steady growth in retail and industrial demand in the coming quarters.

In view of the potential for the price of gold to trade within a range, we recommend investors **use structured strategies during gold price pullbacks below USD 2,250/oz, and buy on dips for a rise to USD 2,500/oz.** Ongoing geopolitical tensions as well as the easing of US monetary policy through 1Q25 should help boost the price of gold (and weaken the broad USD).

However, we also acknowledge delays in Fed cuts (or a hawkish pivot) are a risk to our view that ETF flows can turn positive in 2H24.

For additional information, please visit our [Commodity Report: Gold: Strong demand should underpin prices.](#)

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