



CIO retains its bullish view on gold over the next 12 months, forecasting the yellow metal to reach USD 2,900/oz by the end of next year. (UBS)

Reasons we believe gold's rally should continue in 2025

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Gold held steady at around USD 2,650/oz this week, as recent US dollar strength, the rise in US Treasury yields, and better risk appetite toward US equities have kept prices in a range. Since its all-time high at the end of October, gold has fallen over 4.7%.

Bullion is still near 29% higher than at the start of this year, outperforming the S&P 500, and we expect gold to build on its gains in 2025.

Central banks should continue to accumulate gold as they diversify reserves. The latest International Monetary Fund data showed that global central banks' net gold purchases in October rose to the highest monthly level this year. Based on the agency's historical pattern of underreporting this metric, we now expect the official sector to buy 982 metric tons of gold this year, up from our previous estimate of 900mt. While this remains lower than levels seen over the past two years, it represents a significant step-up from the average of around 500mt in the years since 2011. We think the strong buying momentum will continue amid de-dollarization efforts and expect central banks to buy another 900mt of gold or more in 2025.

Demand for gold as a key portfolio hedge should rise. While US President-elect Donald Trump's policy agenda has been well broadcasted, uncertainty remains on what will be implemented from fiscal, trade, and geopolitical standpoints, especially given his transactional approach. With the Russia-Ukraine war still ongoing, and the situation in the Middle East no less complicated, we think investor demand for hedges should rise further, boosting inflows to gold exchange-traded funds.

Lower rates are likely to support the case for holding gold. We expect the Federal Reserve to cut rates by 25 basis points on Wednesday, with more easing ahead in the coming year. This should reduce the opportunity cost of holding the metal, which is non-interest-bearing. A weaker US dollar in the medium term, due to lower rates and concerns over the US government debt trajectory, should also support gold prices. Since gold is denominated in US dollars, a weakening of the US currency makes the metal cheaper for non-dollar investors, bolstering demand.

So, we retain our bullish view on gold over the next 12 months, forecasting the yellow metal to reach USD 2,900/oz by the end of next year. We recommend an allocation of around 5% within a USD-based balanced portfolio as a diversifier. More broadly, we also see long-term opportunities in copper and other transition metals as demand increases alongside rising investment in power generation, storage, and electric transport.

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