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Despite record-high prices, CIO expects gold ETF holdings to increase once the Federal Reserve starts cutting rates around mid-year, as these buyers tend to move more in sync with interest rate adjustments. (UBS)

Gold: Retaining a positive long-term outlook

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CIO previously expected gold to rise, forecasting it to end the year at USD 2,250/oz. But it has rallied faster and more forcefully than our already bullish expectations.

The rally thus far has been driven by buyers who haven't traditionally made material purchases, while the usual ETF buyers have remained net sellers. In fact, ETF holdings stand at a 4-year low. A combination of market concerns—including the sanctioning of USD-based assets, CNY devaluation fears, and renewed inflation risks—have supported solid demand from central banks and Asian investors. In January and February, preliminary data indicates central banks bought around 64 metric tons of gold and China imported 132 metric tons from Switzerland, a key gold refinery hub. We expect these buyers, who are less price sensitive, to continue accumulating gold in the months ahead.

Furthermore, despite record-high prices, we expect gold ETF holdings to increase once the Federal Reserve starts cutting rates around mid-year, as these buyers tend to move more in sync with interest rate adjustments. This event could trigger another step-up in demand via ETFs. So, with this catalyst still ahead, we lift all our forecasts by USD 250/oz, expecting gold to trade at USD 2,300/oz in June and at USD 2,500/oz at end-2024 and end-March 2025. Renewed price setbacks in the short term remain possible if US economic data delays Fed rate cuts, but so far these setbacks have been shallower than we had expected.

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Important information