



Central bank purchases for gold have been strong and CIO believes that uncertainty around the upcoming US election should support bullion. (UBS)

# Fundamentals to support higher oil, gold prices

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**The recent rallies in both oil and gold appeared to lose momentum last week, amid news of a possible ceasefire between Hezbollah and Israel. However, elevated geopolitical tensions are likely to support hedging demand for both commodities from investors.**

Over the weekend the US government said it was sending an advanced anti-missile system to Israel, along with troops to operate it.

But we also expect fundamental forces to underpin gold and oil in coming months. Starting with oil, we expect modest supply growth to keep the market in deficit. The International Energy Agency estimates that the oil output rose just 0.3% in the first half of 2024. Demand growth continues to outstrip supply and energy demand looks likely to be bolstered into 2025 by solid economic growth as central banks cut rates.

The outlook for gold demand is also positive, in our view. Gold has historically rallied by as much as 10% in the six months after the first Fed rate cut, and investor appetite for gold exchange traded funds is continuing to pick up. Central bank purchases for gold have been strong and we believe that uncertainty around the upcoming US election should support bullion.

*Takeaway: We continue to see value in exposure to oil and gold in a well-diversified portfolio and believe that both commodities can serve as effective portfolio hedges to help investors navigate an uncertain market environment.*

Main contributor – Mark Haefele

Original report - [Fundamentals to support higher oil, gold prices, 14 October 2024.](#)

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