WORLD GOLD COUNCIL

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Gold Outlook 2025

Navigating rates, risk and growth

Contents

A fine line influenced by rates, risk and growth

Gold is poised for its best annual performance in more than a decade – up 28% through November. Behind this, central bank and investor buying have more than offset a notable deceleration in consumer demand. Asian investors have been a near constant presence, while lower yields and a weakening US dollar in Q3 fuelled Western investment flows. However, it is gold's role as a hedge amidst rising market volatility and geopolitical risk that most likely explains its remarkable performance.

As we look forward, all eyes are focused on what Trump's second term may mean for the global economy. Thrill-seeking investors may benefit from an early wave of risk-on flows, but potential trade wars and inflationary forces may spill over into an expected subpar economic growth.

The market consensus of key macro variables such as GDP, yields and inflation – if taken at face value – suggests positive but much more modest growth for gold in 2025. Upside could come from stronger than expected central bank demand, or from a rapid deterioration of financial conditions leading to flight-to-quality flows. Conversely, a reversal in monetary policy, leading to higher interest rates, would likely bring challenges. In addition, China's contribution to the gold market will be key: consumers have been on the sidelines while investors have provided support. But these dynamics hang on the direct (and indirect) effects of trade, stimulus and perceptions of risk.

Figure 1: Gold responds to a combination of factors that influence its role as a consumer good and investment asset

Hypothetical macroeconomic scenarios and their implied gold performance*

Expected Fed funds rate	Current 4.5% - 4.75%; 100bp lower by year end	Current 4.5% - 4.75%; 5.5% by year-end	Current 4.5% - 4.75%; 3% by year-end
Economic scenario	**Below-trend recovery**	**Higher for longer**	**Dovish Fed**
Opportunity cost			
Economic expansion			
Risk and uncertainty			
Momentum			
Implied gold performance	Rangebound with slight upside	Downside pressure	Notably higher

Colour key (effect on gold):	Positive		Neutral		Negative

*Based on market consensus and other indicators by Oxford Economics as of 30 November 2024. Impact on gold performance based on average annual prices as implied by the Gold Valuation Framework. See Figure 3, p.7 for details.
Source: Bloomberg, Oxford Economics, World Gold Council

Table 1: Gold has performed strongly in 2024

Gold price and return across currencies*

	USD (oz)	EUR (oz)	JPY (g)	GBP (oz)	CAD (oz)	CHF (oz)	INR (10g)	RMB (g)	TRY (oz)	AUD (oz)
30 November price	2,651	2,509	12,751	2,084	3,711	2,336	76,400	616	91,981	4,065
Y-t-d return	27.6%	33.7%	35.1%	27.7%	35.1%	33.7%	21.4%	28.0%	50.3%	33.9%
Y-t-d average price	2,366	2,181	11,511	1,848	3,233	2,080	70,268	551	77,621	3,573
Y-t-d avg vs 2023 avg	21.9%	21.5%	31.2%	18.4%	23.4%	19.3%	19.0%	22.5%	67.8%	22.2%

*As of 30 November 2024. Based on the LBMA Gold Price PM in USD, expressed in local currencies, except for India and China that are based on the MCX Gold Sport Price (PM) and the Shanghai Gold Benchmark PM, respectively.
Source: Bloomberg, ICE Benchmark Administration, World Gold Council

2024: A record year

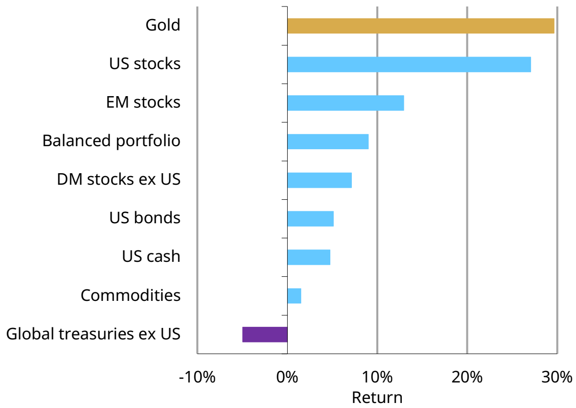
The gold price has increased by more than 28% y-t-d in US dollars, trading 22% higher on average this year than during 2023; its performance across currencies was equally strong (**Table 1**). Gold reached 40 new record highs y-t-d and total gold demand in the third quarter surpassed US$100 billion for the first time.

Investment demand, especially through over-the-counter transactions, was supported by an undercurrent of geopolitical risk and volatility in many regional financial markets. Central banks continued to add gold to reserves y-t-d, with buying picking up speed in early October. And, for most of the third quarter, Western investors flocked back to gold as central banks started cutting interest rates.

Against this backdrop, gold remains one of the best performing assets of the year (**Chart 1**).[1]

Chart 1: Gold has outperformed most major asset classes this year

Major asset class performance y-t-d*



*As of 30 November 2024. Indices used Bloomberg Barclays Global Treasury ex US, Bloomberg Barclays US Bond Aggregate, ICE BofA US 3-Month Treasury Bills, New Frontier Global Institutional Portfolio Index, MSCI World ex US Total Return Index, Bloomberg Commodity Total Return Index, MSCI EM Total Return Index, LBMA Gold Price PM (USD/oz), MSCI US Total Return Index.
Source: Bloomberg, ICE Benchmark Administration, World Gold Council

2025: A tale of two halves?

Sort of landing

All eyes are on the US. Trump's second term may provide a boost to the local economy but could equally elicit a fair degree of nervousness for investors around the world.

As we look into 2025, market consensus suggests that the Fed will deliver 100 bps in cuts by year end, with inflation softening but still above target. European central banks will also likely cut rates by a similar amount. The US dollar is expected to remain flat or slightly weaken as conditions normalise, while global growth remains positive but continues to grow below trend.

In this context, the actions of the Fed and the direction of the US dollar will continue to be important drivers for gold. But just as the past few years have shown, these two are not the only factors that determine gold's performance. We instead rely on a more robust framework that allows us to capture the contribution of all sectors of gold demand and supply.

Specifically, we look at the role of:

Economic expansion – and its direct effect on consumer demand.

Risk and uncertainty – as a trigger for flows from investors looking for effective hedges.

Opportunity cost – making gold more (or less) attractive relative to bond yields.

Momentum – which can boost trends or, equally, mean-revert them.

Our analysis based on Qaurum℠ suggests that, if the economy were to perform according to consensus in 2025, **gold may continue to trade in a similar range** to that seen in the last part of the year, with the potential for some upside (**Figure 2, p.5**).

1. US stocks have continued to move higher in recent days, and as of 9th December have increased by more than 30%, y-t-d.

Figure 2: Market consensus suggests rangebound performance for gold in 2025

Consensus expectations and select gold drivers*

Expected Fed funds rate	Current 4.5% - 4.75%
	100bp lower by year end
Economic scenario	**Below-trend recovery**
Opportunity cost	10yr yields: stable, marginally down
	Dollar: flat to slightly down (normalisation)
Economic expansion	Below-trend growth
Risk and uncertainty	Inflation falls but slightly above target
	Risk-on positioning
	Geopolitical risks elevated
Momentum	Commodities down marginally
	Gold net positioning normalises
Implied gold performance	Rangebound with slight upside

Colour key (effect on gold):	Positive		Neutral		Negative

*Based on market consensus and other indicators as of 30 November 2024. Impact on gold performance based on average annual prices as implied by the Gold Valuation Framework. See Figure 3, p.7 for details.
Source: Bloomberg, Oxford Economics, World Gold Council

As we discussed in our mid-year outlook, this implied performance likely indicates that gold is efficiently reflecting all the currently available information.

Risk-on/risk-off

Trump starts his second term in late January but the US stock market is already banking on a pro-business agenda with a near 7% increase since early November. Tech stocks (and the Magnificent 7) have done even better.

A more business-friendly fiscal policy combined with an America-first agenda is likely to improve sentiment among domestic investors and consumers. This will likely favour risk-on trades in the first few months of the year. The question, however, is whether these policies will also result in inflationary pressures and disruptions to supply chains. In addition, concerns about European sovereign debt are once again mounting, not to mention continued geopolitical instability, particularly in light of the events in South Korea and Syria in early December.

In all, this could prompt investors to look for hedges, such as gold, to counter risk.

The Fed on a tightrope

Monetary policy is limited in scope and its effects take time to become evident, complicating the decisions made by central bankers about whether to continue, pause or reverse the course of a given policy.

The Fed is aiming to engineer a hard-to-come-by soft landing. It has so far managed to cool inflation without taking the wind out of the sails of the economy. But 2025 will likely not prove easy.

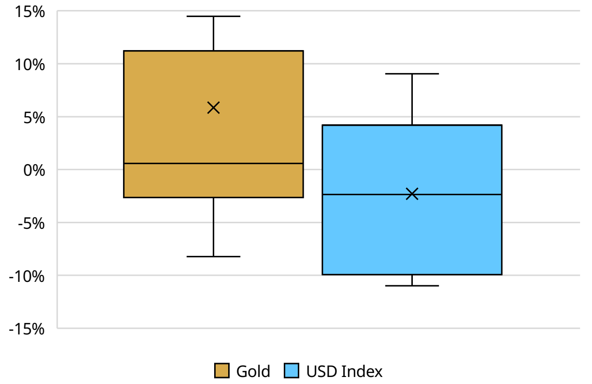
There are many reasons why inflation can rebound, but the economy is still not strong and a reversal in policy could deteriorate credit conditions. If the Global Financial Crisis taught us anything, it is that when issues in the system start to unravel, they unravel fast!

Historically, gold has risen by an average of 6% in the first six months of a rate cut cycle. Its subsequent performance has been influenced by the length and depth of that cycle (**Chart 2**).

Overall, a more dovish Fed will be beneficial for gold, but a prolonged pause or policy reversal would likely put further pressure on investment demand.

Chart 2: Aggressive cutting cycles have served gold well

Gold and USD returns in the first six months of a rate cut cycle over the past 40 years*



*Data from January 1984 to August 2024 covering the past 10 Fed easing cycles. Calculation based on the LBMA Gold Price PM, ICE BofA US 3-month Treasury Bills and DXY Index.
Source: Bloomberg, ICE Benchmark Administration, World Gold Council

Can Asian demand continue?

China and India are gold's largest markets. More generally, Asia makes up more than 60% of annual demand (excluding central banks). Its contribution to performance can't be understated.

This year, Asian investors added to gold's performance, particularly during the first half, and Indian demand benefitted from the reduction in import duty in the second half.

However, the risk of trade wars looms large. Chinese consumer demand will likely depend on the health of economic growth – whether through normal means or government stimuli. And while the same factors that influenced investment demand in 2024 are still present, gold may face competition from stocks and real estate.

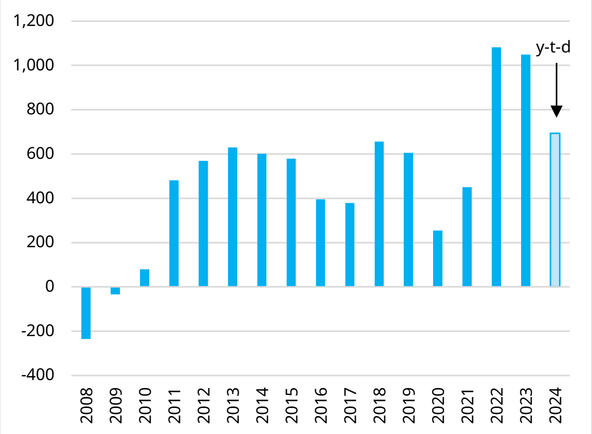
India seems to stand on a better footing. Economic growth remains above 6.5%, and any tariff increase will affect it less than other US trading partners given a much smaller trade deficit. This, in turn, could support gold consumer demand. At the same time, gold financial investment products have seen remarkable growth and while they make up a small portion of the overall market, they have been a welcome addition to gold's ecosystem.

Central banks as buyers

Central banks have been net buyers for almost 15 years (**Chart 3**).[2] The importance of gold in foreign reserves is well recognised: the role it plays as a long-term store of value, as a diversifier, its performance in times of crises, and the fact that it does not carry credit risk. In an environment of ever-increasing sovereign debt and geopolitical uncertainty, gold's role is well cemented.

Chart 3: Central banks have been net buyers since Q2 2009

Annual central bank and official sector demand*



*As of Q3 2024. For an explanation of gold market sectors, please see the Notes and definitions sections of Gold Demand Trends.
Source: Metals Focus, Refinitiv GFMS, World Gold Council

While central bank demand will likely end the year below previous records, it has remained strong, positively contributing to gold's performance to the tune of 7%–10%.[3]

Equally, central banks will remain an important part of the puzzle. Central bank buying is policy driven and thus difficult to forecast, but our surveys and analysis suggest that the current trend will remain in place. In our view, demand in excess of 500 tonnes (the approximate long-term trend) should still have a net positive effect on performance. And we believe central bank demand in 2025 will surpass that. But a deceleration below that level could bring additional pressures to gold.

Conclusion

Our analysis, based on Qaurum℠, examines gold's potential reaction to underlying market conditions based on the current consensus as well as a more bearish and bullish scenarios **(Figure 3, p7)**.

Gold is likely to remain rangebound if existing market expectations are correct. However, a combination of higher rates and lower economic growth could negatively affect investors and consumers. This could be particularly evident in Asia. Conversely, significantly lower interest rates, or a deterioration in geopolitics or financial market conditions will improve gold's performance.

Finally, a key checkpoint will be central bank demand as it will continue to provide a boost to gold if it remains at a healthy level.

Gold's final price performance will depend on the interaction of gold's four key drivers: economic expansion; risk; opportunity cost; and momentum.

2. Central banks turned from net sellers to net buyers in the second quarter of 2009. However, it was not until 2010 that annual demand became consistently net positive.
3. Our analysis, based on Qaurum℠, suggests that, holding everything else constant, a net 30 tonne increase translated to approximately a 1% rise in the gold price. When considering the balancing effects of other sectors, we estimate that the additional demand for gold this year – which will likely be close to 300 tonnes above the long-term average – would imply an additional 7%–10% increase in price performance.

Figure 3: Hypothetical macroeconomic scenarios and their implied gold performance*

Expected Fed funds rate	Current 4.5% - 4.75% 100bp lower by year end	Current 4.5% - 4.75% 5.5% by year-end	Current 4.5% - 4.75% 3% by year-end
Economic scenario	**Below-trend recovery**	**Higher for longer**	**Dovish Fed**
Opportunity cost	10yr yields: stable, marginally down Dollar: flat to slightly down (normalisation)	10yr yields: higher Dollar: up on US exceptionalism	10yr yields: lower Dollar up on safe haven
Economic expansion	Below-trend growth	Material slowdown	Growth near trend
Risk and uncertainty	Inflation falls but slightly above target Risk-on positioning Geopolitical risks elevated	Inflation reaccelerates Market volatility Geopolitical risks elevated	Inflation drops below 2% Risk-off positioning Geopolitical risks elevated
Momentum	Commodities down marginally Gold net positioning normalises	Commodities rebound Gold net positioning weakens	Commodities sell off Gold net positioning strengthens
Implied gold performance	**Rangebound with slight upside**	**Downside pressure**	**Notably higher**

Colour key (effect on gold):	Positive		Neutral		Negative

*Based on market consensus and other indicators by Oxford Economics as of 30 November 2024. Impact on gold performance based on average annual prices as implied by the Gold Valuation Framework. Our tool, Qaurum[SM], can be customised to reflect different inputs from those herein included.
Source: Bloomberg, Oxford Economics, World Gold Council

World Gold Council

We are a membership organisation that champions the role gold plays as a strategic asset, shaping the future of a responsible and accessible gold supply chain. Our team of experts builds understanding of the use case and possibilities of gold through trusted research, analysis, commentary and insights.

We drive industry progress, shaping policy and setting the standards for a perpetual and sustainable gold market.

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Information regarding Qaurum℠ and the Gold Valuation Framework

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