

# FX Viewpoint Flash

Currencies  
Global

## Gold in new paradigm, possibly higher in the near term

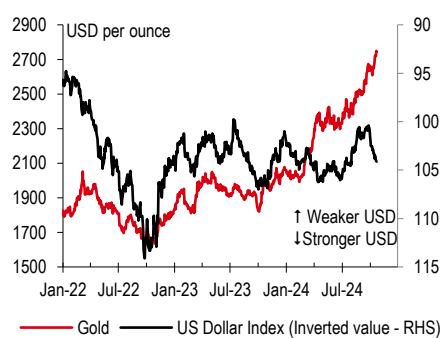
- ◆ Geopolitical risks and US election uncertainties buoy gold...
- ◆ ...but this is not supported by physical demand...
- ◆ Firm USD and US yields could tame fresh gold rallies

Recently, uncertainties around the US elections on 5 November and geopolitical concerns have been supporting gold. The near-term upward trajectory shows no signs of easing. **Gold prices could go even higher over the near term and into 2025, but the rally may become overstretched** and possibly be curbed when the USD and the US yields stay firm, in our precious metals analyst's view.

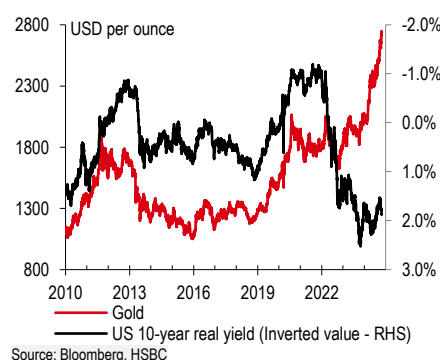
**Our precious metals analyst believes gold has entered a new price paradigm**, which will probably remain above USD2,000 per ounce, supported by a mix of bullish factors, including "safe haven" demand prompted by **geopolitical risks and economic uncertainty**. **Mounting fiscal deficits** are also encouraging gold demand. **Global monetary easing and expectations of further easing** have increased speculative demand for gold.

Nevertheless, **a combination of physical and financial market factors may tame the rally, as we move through 2025**, with gold prices likely to be moderately lower by end-2025. In the physical market, high gold prices are driving outright declines in gold jewellery purchases, alongside lower gold coins and bar demand. At the same time, global gold output is on an upward trajectory at least for this and next year, with mining being the biggest single source of new supply to the market. High gold prices are also stimulating scrap supply of gold. In other words, **gold may face headwinds from weaker demand for jewellery and bar & coins and rising mine supply and recycling levels**. Gold exchange-traded funds (ETFs) continue to liquidate holdings, and central bank demand may also moderate in the face of high prices.

### 1. Gold and the USD generally move inversely to each other



### 2. The relationship between US real yields and gold may be restored



It is also worth noting that gold is an asset without a yield and is priced in USD, so **gold prices generally move inversely to the USD, albeit not in lockstep**. In our view, the USD is likely to stay firm into 2025, supported by relative high yields (as other central banks are likely to ease if the Federal Reserve cut rates further) and its "safe haven" status (amid geopolitical risks and global growth uncertainties). As the global monetary easing cycle continues, further rate cuts may be progressively less supportive of gold prices, especially when the inverse relationship between the USD or US yields (Chart 1 and Chart 2) and gold may be restored.

All things considered, our precious metals analyst thinks that gold will probably have a volatile 2025, with **a much wider trading range** (relative to its 10-year average annual range of USD300 per ounce), before moving moderately lower into end-2025.

**Gold hit record highs on geopolitical risks and US election uncertainties**

**Gold prices are likely to remain above USD2,000 per ounce**

**...but the rally is likely to moderate later in 2025, in our precious metals analyst's view**

**Firm USD and US yields could also tame the gold rally**

**2025 is likely to be a volatile year for gold**

# Disclosure appendix

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