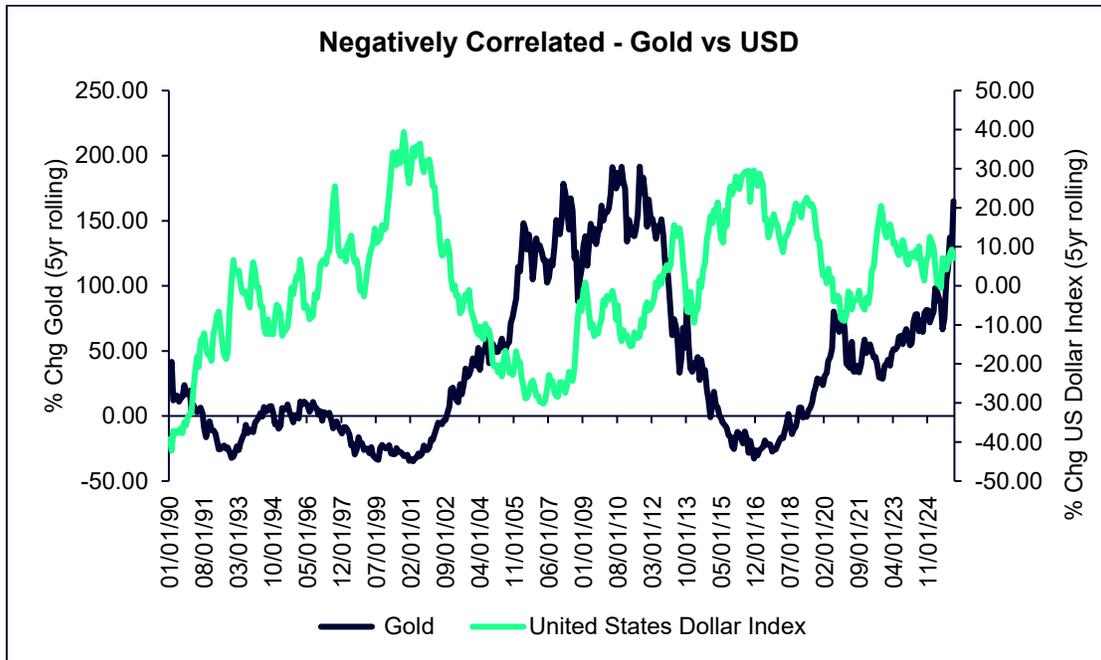


COMMENTARY
February 12, 2026

Mind on the Market

Chart of the Week



Source: FactSet, displaying five-year rolling averages. Data as of 1/31/26 in USD.

Historically, the U.S. dollar and gold have exhibited a persistent inverse relationship, driven largely by gold's pricing in dollars—when the dollar weakens, gold becomes cheaper for non U.S. buyers, often boosting demand. This negative correlation has held over long periods, reinforcing gold's role as a counterweight to dollar cycles. If the dollar were to depreciate in the coming years—whether due to shifting interest rate differentials, fiscal uncertainties, or evolving global capital flows—it could serve as a supportive tailwind for the metal. In that context, a structurally softer dollar environment would be consistent with past periods in which gold has delivered stronger multi-year returns.

Contact

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Weekly Highlights

Top sources of global gold demand:

Jewelry Buyers

Investment Buyers (bars,
coins, ETFs)

Central Bank Buyers

35-50%

20-30%

20-30%

Source: World Gold Council, State Street Investment Management

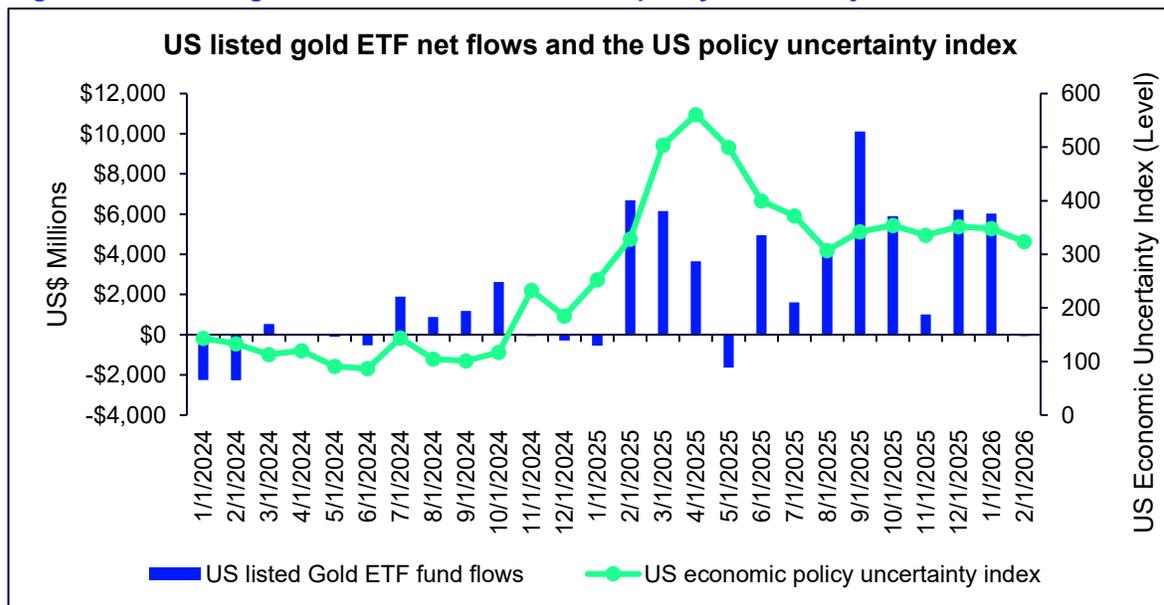
What could prompt a sustained gold market unwind in a bull market?

The historic bullion bull market cycle that started taking shape in 2023-2024 is likely to continue through 2026. Indeed, we believe gold clearing \$6,000/oz is more probable than a dip below \$4,000/oz over the next 6-12 months. Structural macro tailwinds for the yellow metal include but are not limited to: 1. Rising global debt loads and FX debasement fears; 2. Elevated stock/bond correlations; 3. ETF re-stocking and gold reallocation cycle; 4. Potential [Fed easing amid FOMC leadership transition](#); and 5. Robust physical demand from China, retail, and EM central banks.

But what are the risks to this run up in precious metals prices? And is gold in a speculative bubble? To the latter question, we definitively think the answer is no. Bullion trading seems to have rebased higher. And the metal, which was likely undervalued as a reserve asset during the post-GFC to post-Covid period, probably has a new soft floor price between \$4,000-4,500/oz.

However, we should acknowledge that the gold price path is unlikely to be linear. And excessive speculation can increase volatility. As the asset class makes more headlines and garners more short-term investor interest, there will be occasional technical corrections like the c14% drawdown observed Jan 30-Feb 2. And while a thin tail risk, we can't rule out a 20-25% unwind to below \$4,000/oz under certain scenarios.

Figure 1: US listed gold ETF net flows and the US policy uncertainty index



Source: Baker, Bloom & Davis, Bloomberg Finance L.P., State Street Investment Management (January 2024-February 2026).

While myriad market outcomes could cause an asset to fall in value, three come to mind for gold.

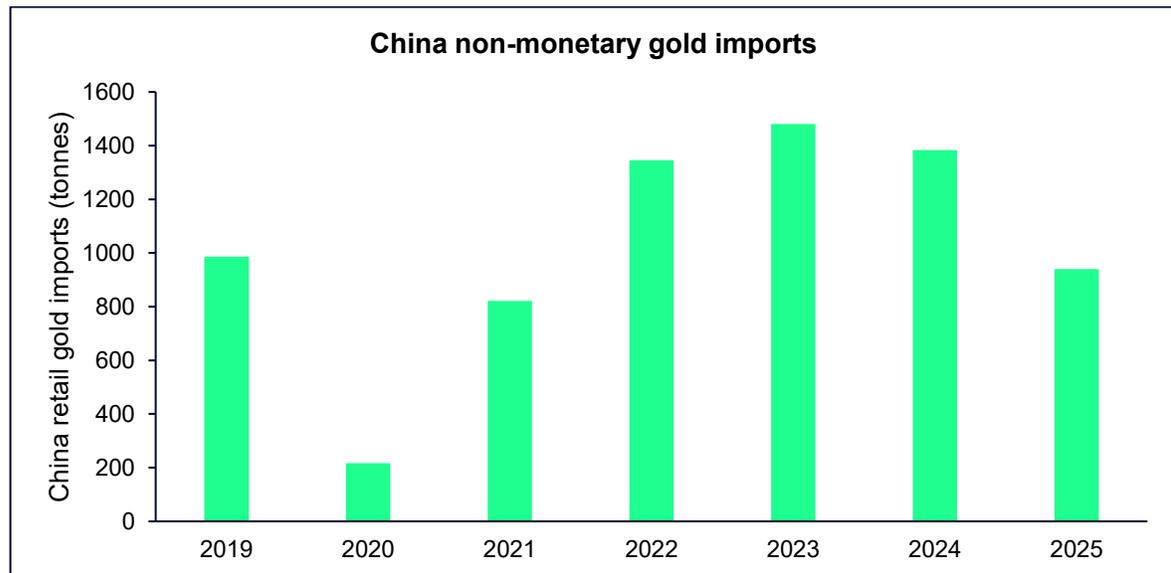
- 1. The “sell America” theme reverses to “buy America”, prompting a sustained rally in the USD.** Denomination effects are critical for gold sentiment. It is no surprise that gold/USD returns in 2025 were the strongest since 1979 at the same time that the greenback devalued the most since the 1970s during the first 7-8 months of last year¹. That is ‘alt-fiat’ demand in action. The combination of UST curve steepening, wider US fiscal deficits during peacetime, and Trump policy volatility (and its potential knock-on impacts on foreign demand for US sovereign assets) have been broadly USD negative and precious metals positive. Higher geoeconomic uncertainty under Trump 2.0 is potentially increasing demand for gold as a left-tail hedge (Figure 1)². Therefore, a sharp reversal of the “sell America” theme that prompts a material bid in the US dollar and demand for US duration amid a decline in fiscal/inflation induced term premium, is one tail risk that could send gold prices lower in 2026-2027.

¹ Bloomberg Financial L.P. and State Street Investment Management, as of September 30, 2025.

² Baker, Bloom & Davis, Bloomberg Finance L.P., State Street Investment Management, as of February, 10 2026.

- 2. Asia consumers become much more price elastic, materially reducing gold purchases and boosting scrap supply.** Chinese demand for gold is critical for price discovery. The fastest growing commodity consumer matters for gold just as it does for oil and copper markets. Chinese retail demand for the yellow metal has been surprisingly resilient—non-monetary imports in 2025 were consistent with 2019 volumes despite prices rising 240-250%³. Some of this may be due to the Trump 2.0 effect and post-Liberation Day policies that support local demand, alongside CNY devaluation fears and a quixotic property market recovery. However, a buyer’s strike in China that significantly weighs on what has been robust gold uptake post-pandemic (Figure 2) would likely loosen balances and hit global prices. Additionally, many Asian owners of gold jewelry are holding supply as a store of value. This has hindered recycling and gold scrap. A meaningful reversal of this hoarding, boosting gold supply, could be bearish.

Figure 2: China non-monetary gold import (tonnes)



Source: China Customs, State Street Investment Management. Data as of December 31, 2025.

- 3. Central banks sell gold en masse.** The official sector has added gold to its reserves for the past 16 years—the longest streak in the free-floating US dollar era⁴. This trend is likely to continue as a baseline given de-dollarization and reserve diversification trends. Empirically, these purchases have lifted the gold price floor and damped downside price volatility. While

³ China Customs, State Street Investment Management, as of December 31, 2025.

⁴ World Gold Council, State Street Investment Management, as of December 31, 2025.

showing no signs of slowing, a significant reduction in CB gold buying appetite or significant gold reserve asset sales would be a bearish phenomenon. It would loosen physical balances, see the disappearance of a non-cyclical gold buyer, and put extra pressure on jewelry consumption or ETF/private investments to fill the gap. Though highly unlikely, in our view, this would almost certainly push the gold price to a bear market as the official sector buys 20-30% of primary mine supply each year⁵.

The case for gold remains largely constructive in 2026. That said, there are tail risks that could cause prices to fall sharply. That doesn't negate the strategic case for gold over the long horizon, but may be a question among investors that have missed the rally from \$2,000 to \$5,000/oz.

Source: FactSet, World Gold Council, China Customs, Baker, Bloom & Davis, Bloomberg Finance L.P., State Street Investment Management. Past performance is not a reliable indicator of future performance.

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* This figure is presented as of December 31, 2025 and includes ETF AUM of \$1,950.80 billion USD of which approximately \$173.02 billion USD in gold assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Investment Management are affiliated. Please note all AUM is unaudited.

⁵ World Gold Council, State Street Investment Management, as of December 31, 2025.

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Generally, among asset classes, stocks are more volatile than bonds or short-term instruments. Government bonds and corporate bonds generally have more moderate short-term price fluctuations than stocks, but provide lower potential long-term returns. U.S. Treasury Bills maintain a stable value if held to maturity, but returns are generally only slightly above the inflation rate.