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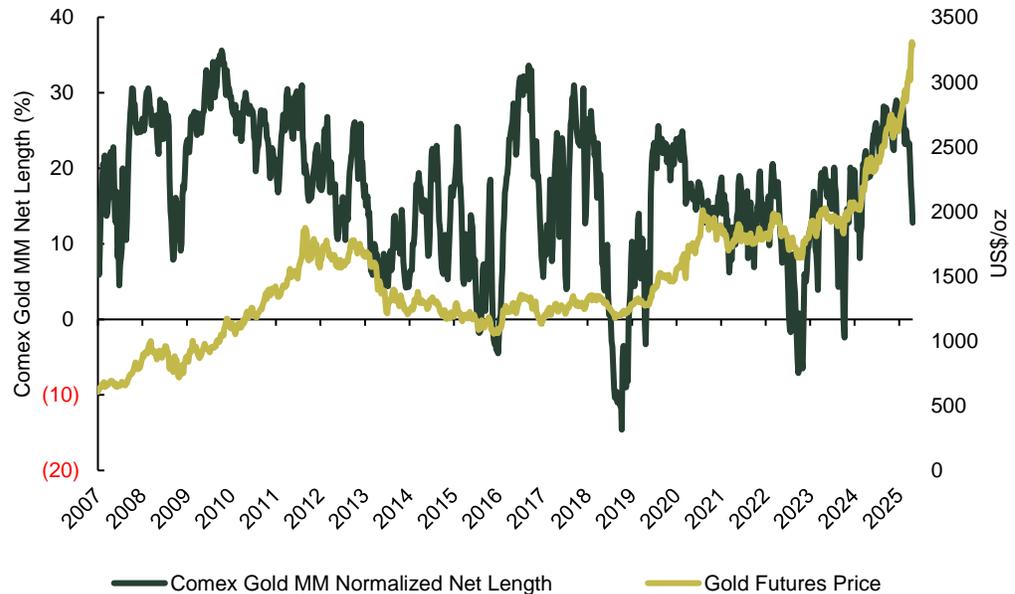
Monthly Gold Monitor

A Higher Price Regime

- We tweak our gold price outlook and widen the ranges to US\$400/oz from US\$300/oz. This is on the back of a higher gold price and price volatility regime. Importantly, we think bullion trading has found a new baseline 'floor price' at US\$3,000-3,100/oz.
- Our base case scenario (45%) is for trading to stay at record levels in 2025 at US\$3,100-3,500/oz. Our bull case outlook (35%) suggests markets could approach US\$4,000/oz, shifting to a higher US\$3,500-3,900/oz range in 2H 2025. An extended global trade war – even if isolated to US-China – should buttress demand for gold as a haven and alt-fiat asset. Our bear case (20%) of US\$2,700-3,100/oz accounts for profit-taking and a tail risk that global tariff wars and inflation risks resolve in 2025, as financial markets force the White House to shift course.
- On balance, post-Liberation Day [trade policies](#) have enhanced the case for gold investment in 2025 by concurrently filtering through the market uncertainty, FX/rates, US/global economic growth order, equity volatility, and liquidity channels. However, the feverish pace of Western gold investment demand observed during the first 14 weeks of the year may stabilize in 2Q. In our view, some consolidation could be healthier for the gold market over the medium term.

Gold's Chart of the Month

Figure 1: Comex Gold Money Manager Net Length (normalized for open interest), and Gold Futures Prices



Source: Comex, CFTC, State Street Global Advisors, as of April 22, 2025

Chart of the Month Highlights

- Comex Gold money managers cut futures/options net length to their lowest levels YTD in late April. Following the strongest 1Q since 2022, global gold ETF inflows in April also ran at half of the pace of February and March in tonnage volumes.¹
- **We don't believe this reflects a bearish turn in investor sentiment towards gold or expectations of a swift resolution of global trade tensions.** But it could represent some fatigue in the feverish pace of the gold price rally during the first 12-14 weeks of the year amid some profit-taking from Western investors.
- **Gold price consolidation and portfolio rebalancing activity is probably healthy for the market over the longer run.** Global gold ETF physical holdings are still down 18-20% from their 2020 pandemic peaks.² And the sharp fall in managed money net length on Comex has not prompted a meaningful gold futures price collapse. Both of these factors suggest plenty of scope for investors to reengage gold longs as they assess macro market conditions into 2H 2025.

Macro/Forecast Update

Is US\$3,000-4,000/oz the new normal for gold?

There is a strong tactical and strategic case to be made that the gold market has transitioned to a higher price regime north of US\$3,000/oz and could even test US\$4,000/oz-\$5,000/oz over the next 12-24 months in certain macro scenarios (e.g. stagflation and accelerated de-dollarization). [Heightened policy uncertainty surrounding world trade](#)—particularly between the two largest economies (US, China) representing ~45% of global nominal GDP³—has only exacerbated bullish sentiment towards the yellow metal. We present three discreet scenarios that frame our outlook this month:

Scenario 1 (Base Case at 45% probability): US\$3,100-3,500/oz

- Harsher trade and tariff rates are rolled back, including between US-China. But policy uncertainty and tensions remain on the front foot for the balance of 2025.
- Investors find a bottom in equities and the US dollar. But asset market volatility stays elevated versus the 2023-1H 2024 period of vol compression.
- The Fed is limited in its ability to cut policy rates due to inflation uncertainty even as US and global growth slows below potential trend.
- China retail gold demand rebounds from the 1Q troughs but is subdued compared to the 2023-2024 peaks.
- Central Bank gold demand stays robust, but slows slightly versus 2022-2024 should policymakers need to defend local economic growth in the very short term.
- Gold ETF inflows remain positive, but slow from the January-April pace.

Scenario 2 (bull case at 35% probability): US\$3,500-3,900/oz

- Trade and tariff tensions escalate; increasing the risk of US/global stagflation, reduced US dollar recycling into US sovereign assets, and hindering US financial dominance.
- Investors underweight US equity exposure and the US dollar continues to face downside pressure. Asset market volatility is prone to further and more frequent spikes.
- The Fed is initially restrained in providing accommodation as goods price inflation rises. Risks of a US or global recession increase, supporting gold tail hedge demand.
- China retail gold demand rebounds to 2024 peaks as a way for locals to hedge CNY depreciation risk and local equity market/property market volatility.
- Central bank gold demand surprises to the upside, rising from 25-30% of primary gold mine supply to 30-35% in 2025, as reserve managers diversify holdings.
- Gold ETF demand stays robust without prolonged consolidation or profit-taking, similar to the record inflow pace in 2009 and 2020.

Macro/Forecast Update (pt.2)

Scenario 3 (bear case at 20% probability): US\$2,700-3,100/oz

- Significant de-escalation or material resolution of trade and tariff tensions amid thawing US-Sino geoeconomic relations. This could prompt a material rebound in the US\$ and an upgrade to the US and global growth outlooks. However, strategic gold buyers likely emerge at sub-US\$2,900-3,000/oz.
- Investors overweight US equities and implied volatility compresses across markets.
- The Fed shifts focus to defending economic growth as inflation surveys decline again and consumer sentiment rebounds from the troughs. US market attention shifts away from adverse trade policy to potential tax cuts and deregulation. However lingering concerns about fiscal debt loads promote 'alt-fiat' demand for gold at the dips.
- China retail gold demand stays softer-than-expected for the balance of 2025.
- Central bank gold demand surprises to the downside; robust historically but falling to 18-20% of primary gold mine supply in 2025.
- Gold ETF demand flatlines in 2H 2025 and posts occasional monthly redemptions.

What can the Fed do?

Fed Under Pressure, Gold Ascends

Gold is likely to benefit with at least some easing from the Fed this year, although traders continue to debate the number of cuts. Since the April 2nd retaliatory tariff announcements, and subsequent trade policy swings, financial markets have been gripped by renewed volatility and heightened uncertainty. In response, the Federal Reserve has been treading a narrow and precarious path. The committee is pondering the appropriate policy to stabilize increasingly fragile market conditions on the back of lower growth but potentially higher prices. Indeed, advanced 1Q US GDP was weaker than expectations, while the cost index came in higher.⁴

Even prior to "Liberation Day", the Fed was contending with stubborn inflationary forces that have already weighed heavily on US consumer sentiment, which dropped to a reading of 52 this month – a leading indicator that is among the lowest ever recorded.⁵ Intensifying the pressure is President Trump's vocal and ongoing push for immediate rate cuts, as he challenges Chair Powell and Fed independence. For now, the market is still pricing-in 3-4 cuts this year even as most Fed members have pushed back on accommodation due to inflation risks.⁶

Gold historically thrives in regimes where real interest rates are falling, inflation risks are elevated, and policy credibility is in question. All three are now potentially in play. The Fed policy outlook remains highly fluid. But we think so long as financial markets and economic data lean towards subpar growth, that should support gold as Fed action is likely to be more accommodative on the margins.

Demand Drivers

CBs Still Strong and China Demand Set to Rebound in 2Q

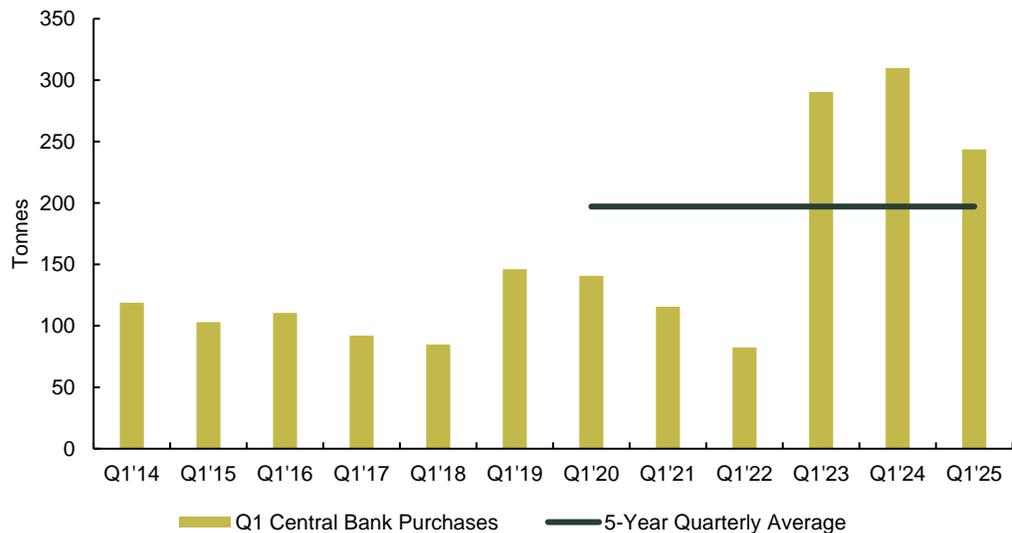
Central banks have emerged as sizable and relatively price-inelastic gold buyers, steadily accumulating reserves even during periods of elevated prices. Their sustained activity reflects a deeper structural shift in global reserve management, driven by the need to hedge against currency depreciation, geopolitical instability, and growing doubts about the long-term credibility of U.S. financial dominance. Over time, a prolonged trade war that damages U.S. financial hegemony is likely to incentivize additional gold purchases by emerging market central banks and sovereign wealth funds, particularly as they seek to diversify away from the dollar and reduce exposure to Western financial systems.

The latest data shows central banks reported net purchases of 244t in 1Q, a slight decline from the previous quarter but still significant—24% above the five-year quarterly average.⁷ **Poland led all buyers**, adding 49t and bringing its total gold holdings to 497t, or 21% of its total reserves.⁸ **Other notable names include China**, which added 13t during the quarter amid a fifth consecutive month of reported purchases, accelerating its pace of buying after re-entering the market in late 2024.⁹ **Kazakhstan also resumed accumulation**, adding 6t in 1Q to lift its total reserves to 291t.¹⁰

Investment demand for gold at the retail level remained resilient in 1Q, increasing 3% year-over-year.¹¹ **Global bar and coin demand was broadly in line with 4Q 2024**, and 15% above its five-year quarterly average.¹² **Notably**, Chinese bar and coin demand recorded its second strongest quarter as demand soared to 123t—up 12% year-over-year and 48% quarter-over-quarter.¹³

A resurgence in China's retail gold demand might also be underway. Onshore gold premiums climbed from -0.1% in March to 1.3% in April following the announcement of US tariffs. SHFE gold futures volumes and trading activity has also surged, suggesting growing domestic interest amid concerns over CNY currency depreciation, equity market volatility, and slower manufacturing growth. After a seasonally subdued 1Q, China's physical gold consumption is expected to rebound in 2Q 2025, helping offset what may be a moderation in Western investment demand.¹⁴

Figure 2:
Quarterly Central Bank
Net Purchase



Source: Metal Focus, World Gold Council, State Street Global Advisors, as of March 31, 2025

Footnotes

- 1 Bloomberg Financial L.P. and State Street Global Advisors, as of 4/30/2025.
- 2 Bloomberg Financial L.P. and State Street Global Advisors, as of 4/30/2025.
- 3 Source: IMF, as of 12/31/2024.
- 4 Source: BLS, as of 4/30/2025.
- 5 Bloomberg Financial L.P. and State Street Global Advisors, as of 4/30/2025.
- 6 Source: CME FedWatch, as of 4/30/2025.
- 7 Source: Metal Focus, World Gold Council, as of 3/31/2025.
- 8 Source: Metal Focus, World Gold Council, as of 3/31/2025.
- 9 Source: Metal Focus, World Gold Council, as of 3/31/2025.
- 10 Source: Metal Focus, World Gold Council, as of 3/31/2025.
- 11 Source: Metals Focus, ICE Benchmark Administration, Refinitiv GFMS, World Gold Council, as of 3/31/2025.
- 12 Source: Metals Focus, ICE Benchmark Administration, Refinitiv GFMS, World Gold Council, as of 3/31/2025.
- 13 Source: Metals Focus, ICE Benchmark Administration, Refinitiv GFMS, World Gold Council, as of 3/31/2025.
- 14 Source: Bloomberg Financial L.P. and State Street Global Advisors, LBMA, SGE, as of 4/30/2025.

Glossary

Central Bank

A financial institution given privileged control over the production and distribution of money and credit for a nation or a group of nations.

COMEX

The main futures market for trading metals, including gold, silver, copper, and aluminum.

Gold Spot Price

The price in spot markets for gold. In US dollar terms, spot gold is referred to with the symbol "XAU," which refers to the price of one troy ounce of gold in USD terms.

LBMA Gold Price PM (US\$/oz)

IBA independently administers the price and provides the auction platform on which the LBMA Gold Price is calculated, while LBMA own the intellectual property rights. The platform is electronic, tradeable, auditable and in line with the IOSCO Principles for Financial Benchmarks.

Real Rates

The Interest rate after adjusting for inflation. It reflects the true cost of borrowing and the actual yield on investments by stripping out the effects of rising prices.

FOMC

A committee within the U.S. Federal Reserve System responsible for setting monetary policy.

CNY Currency

Official currency of the People's Republic of China, also known as the Renminbi (RMB). "CNY" refers specifically to the onshore version of the currency traded within mainland China under government controls.

Premium/Discount

Terms used to describe the difference between international US\$ gold price and the local gold price paid.

Shanghai Futures Exchange

A major commodity futures exchange located in Shanghai, China. The SHFE offers trading in a variety of commodities, including metals, energy products and agricultural goods.

Liberation Day

Term used to describe the imposition of broad tariffs as a symbolic turning point in U.S. trade policy. It reflects the idea of "liberating" American industry from reliance on foreign manufacturing and addressing perceived trade imbalances.

Stagflation

Economic environment characterized by coexistence of stagnant economic growth, high unemployment, and rising inflation.

De-Dollarization

Process by which countries reduce their reliance on the U.S. dollar in international trade, financial transactions, and foreign exchange reserves- often driven by geopolitical motivations, sanction risk, or efforts to assert monetary sovereignty.

Tariffs

Taxes imposed by a government on imported goods and services, typically used to raise revenue or protect domestic industries from foreign competition.

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