Is gold set to shine once more?

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Have gold prices bottomed? Rising long-maturity yields are a headwind, but strong central bank demand underpins the metal's role as a core portfolio holding.

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Much like the broader global macro backdrop, gold has had an eventful 2026. After surging briefly above USD 5,500/oz in January, the precious metal pulled back to dip below USD 4,000/oz in June before stabilising. This naturally prompts the question – have gold prices now bottomed? We believe the answer is a 'qualified yes', with the path higher likely to be grinding rather than explosive. Standing in the way of a sharper rally are rising long-maturity bond yields, which present a key obstacle. Nevertheless, we believe strong demand for gold from central banks supports maintaining it as a core holding in multi-asset portfolios.

To understand where gold is headed, we must examine the key drivers shaping its trajectory, starting with its strongest source of structural support – official-sector buying.

Central bank demand – the structural anchor

The World Gold Council's 2026 Central Bank Gold Reserves survey shows 89% of central banks expect global central bank gold reserves to rise over the next year, with a record 45% expecting to add to their own holdings. We expect this ongoing trend towards greater diversification of reserves with gold to extend, supporting what continues to be a key robust source of demand.

While central bank demand provides a firm floor to gold against deeper pullbacks, it faces a formidable counterforce in rising bond yields.

Bond yields – a potential obstacle

Bond yields remain gold's chief antagonist, with the 30-year US government bond yield sitting around a 19-year high after a steep recent surge, even after the US Treasury's latest announcement to double its buyback programme for long-term bonds to curb yields. In real (inflation-adjusted) terms, long-term bond yields are testing post-2008 highs. Worries about inflation and debt levels mean investors are demanding a larger premium for holding longer-maturity bonds amid what has been an increasingly synchronised rise in long-maturity bond yields across the US, UK, Euro area and Japan markets.

Bond yields matter for gold because they represent the opportunity cost of holding it – the potential return investors give up to hold the non-yielding precious metal. Over long, multi-decadal periods, this explains why bond yields and gold prices have had an inverse relationship – as yields drove up this opportunity cost, gold prices softened and vice versa. Strong central bank demand from 2022 onwards has overwhelmed this relationship in recent years, but more recently, this hurdle has reasserted itself at a time when bond yields are pushing up against recent ceilings.

Higher bond yields, thus, set a higher return expectation bar for gold to clear when investors consider allocating between the two options.

Risk and uncertainty – the enduring tailwind

Working in gold's favour, however, is a world that remains filled with potential risks. Geopolitical tensions, fiscal deficits and worries about broader market volatility continue to underpin safe-haven demand. While gold is far from a perfect hedge, it remains one key beneficiary of this safe-haven demand. We also expect a gradually weakening US dollar to provide a modest additional tailwind.

Our view – grinding higher, not roaring back

Putting it all together, we see a case for maintaining a core holding in gold. In our view, central bank and safe-haven demand remain durable. Crucially, gold's pullback earlier this year has flushed out excessive speculative positioning that had previously capped the yellow metal's gains. That said, the rise in long-maturity bond yields undoubtedly remains a key headwind, raising the bar for gold to clear in relative-return terms.

On balance, we see gold prices grinding higher, albeit at a relatively moderate pace, towards USD 4,600 over the next 6-12 months – a trajectory consistent with a world of structurally elevated yields but persistent official-sector- and risk-driven demand. All things considered, these dynamics reinforce our view of gold as a strategic core holding in multi-asset portfolios.

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