Daily: Gold’s rally has support

UBS CIO · 2026-08-06 · English original

From the studio

Video: Three reasons why we find Japanese equities attractive (6 mins)Video: Big Tech earnings and the sell-off in semis (4 mins)Podcast: Signal over Noise | AI trade at a crossroads, on Apple or Spotify (6 mins)

Thought of the day

Gold climbed above USD 4,250/oz for the first time since June, breaking above its recent trading range of between USD 4,000/oz and USD 4,100/oz. Reported Chinese institutional buying and inflows into exchange-trade funds (ETFs) have supported the latest price movement, while recent joint government efforts by the US and Japan to stabilize the yen may also have helped reduce the risk of a sell-off in US Treasuries.

Near-term risks remain, especially if US data stay firm, oil prices keep inflation concerns alive, or markets continue to price in a more hawkish Federal Reserve rate path.

But while the immediate backdrop may remain volatile, the medium- to long-term case for gold still looks supported by several durable drivers. We expect gold prices to rise toward USD 5,000/oz in the first half of 2027.

Lower real rates should eventually revive investment demand. Gold does not pay income, so higher real yields increase the opportunity cost of holding it. But we expect inflation to gradually moderate, allowing the Fed to hold interest rates steady this year before resuming easing in 2027. This should create a more favorable backdrop for gold, as a shift toward lower policy-rate expectations would likely reduce real yields, weigh on the US dollar, and help boost investment demand for gold.

A softer dollar and diversification flows remain powerful medium-term supports. The US dollar may stay resilient in the near term, but structural challenges including large US fiscal and external deficits and already elevated investor allocations to US dollar assets mean there is scope for renewed weakness. A weaker dollar has historically been a powerful tailwind for gold, while a renewed focus on diversification away from the US dollar should benefit the precious metal.

Central bank buying provides a durable floor for the market. Central bank demand has remained an important pillar of support, even when private investment demand has been lackluster. We expect annual central bank purchases to remain elevated, supported by a long-term desire to reduce exposure to USD assets. Following a strong second quarter, when central banks bought 289 metric tons of gold, we continue to estimate full-year purchases in the 750-1,000 metric ton range this year. While these flows may not be enough to drive prices sharply higher on their own, they can help stabilize the market and offset weaker areas such as jewelry demand.

So, we think investors should separate near-term trading risk from the longer-term investment case. In fact, periods of weakness toward USD 4,000/oz or below may ultimately prove to be opportunities to build strategic exposure. For investors with an affinity for real assets, we continue to view a mid-single-digit gold allocation as appropriate within a well diversified portfolio. Investors can also consider a broad commodities exposure for better portfolio diversification.

Source: https://www.ubs.com/global/en/wealthmanagement/insights/chief-investment-office/house-view/daily/2026/latest-06082026.html