Why Asian asset owners are building strategic gold exposure

State Street · Robin Tsui;Kwan Chi Aron Chan · 2026-08-28 · English original

Asian asset owners are reassessing gold’s strategic role as inflation shocks, less reliable equity–bond diversification, currency volatility, and geopolitical fragmentation make portfolio construction more challenging.

Sovereign wealth funds, pension funds, insurers, endowments, and central banks across the region are increasingly focusing on building portfolios that can withstand a broader range of economic and market outcomes. The driving force behind this pivot has been the difficulty of navigating an economic environment dominated by inflation shocks, less reliable equity—bond diversification, currency volatility, and geopolitical fragmentation.

In such an environment, gold is viewed not merely as a tactical hedge, but as a strategic asset that can help investors:

Reduce dependence on assets exposed to sovereign and corporate credit risk

Strengthen long-term portfolio resilience

A changing macro regime is challenging traditional diversification

High-quality bonds have historically helped Asian asset owners diversify equity risk and cushion portfolios during market stress. Since 2020, inflationary pressures, aggressive monetary tightening, fiscal pressures, and geopolitical uncertainty have periodically driven equities and bonds lower together, making traditional equity—bond diversification less reliable (Figure 1).

The challenge is particularly relevant in Asia, where asset owners manage long-term local-currency liabilities while holding substantial allocations in equities, fixed income, alternatives, cash, and overseas assets (Figure 2). Exposure to US dollar investments can add another source of volatility when exchange rates move sharply (Figure 3). As a result, investors are placing greater emphasis on defensive assets that can diversify portfolios without relying on sovereign or corporate credit risk.

Currency weakness and less reliable equity–bond diversification are prompting some Asian asset owners to reconsider gold's role in portfolios. Insurers are evaluating gold despite its capital charges and lack of contractual cash flows, while endowments and official institutions are increasingly exploring gold as a destination for surplus liquidity. Gold's appeal stems from its historically low correlation with traditional assets and its potential to strengthen portfolio resilience during periods of market stress (Figure 4).

Market-specific catalysts across Asia

The catalysts for gold adoption vary across Asia, influencing how pension funds, insurers, sovereign wealth funds, and endowments assess its role within strategic portfolios.

China: Policy support and broader institutional access

In China, weakness in the property sector, domestic equity market volatility, and periods of renminbi depreciation have increased demand for assets less tied to the domestic economic cycle. Policy support is also widening asset owner access: the 2025 pilot program allows selected insurers to allocate up to 1% of assets to gold.1

Together with the continued development of gold ETFs and the Shanghai Gold Exchange ecosystem, these initiatives are creating a more supportive environment for long-term institutional ownership.

Hong Kong: Market infrastructure and retirement capital

Hong Kong is pursuing policy initiatives aimed at building the infrastructure required for institutional-scale gold investment. As it strengthens its position as a global financial center, the city is developing a comprehensive gold ecosystem spanning trading, clearing, settlement, vaulting, and connectivity with Mainland China.

Reforms to broaden access to gold ETFs within Hong Kong's Mandatory Provident Fund (MPF) system could unlock a meaningful source of long-term retirement capital.2 Combined with ongoing market infrastructure enhancements, these developments are improving accessibility and operational efficiency, making gold a more practical allocation for pension funds, endowments, and insurers.

Singapore: Established access and operational efficiency

Singapore's supportive policies and well-developed market infrastructure have positioned the city as a leading gold investment hub in Asia. The GST exemption for investment-grade precious metals,3 together with sophisticated trading, custody, and vaulting services, has enhanced accessibility and operational efficiency for asset owners seeking gold exposure.

As private wealth and institutional assets continue to grow, Singapore provides asset owners, such as insurers and endowments, efficient access to gold within a stable regulatory and operational framework.

Japan: Inflation, yen weakness, and diversification

In Japan, the strategic case for gold continues to strengthen. The yen remains near four-decade lows, while persistent inflation and subdued real yields are challenging traditional portfolio construction, even as nominal JGB yields have risen to multi-decade highs. Although the yen rebounded sharply following the coordinated US-Japan intervention in late July, underlying structural factors continue to suggest the risk of renewed weakness.

Against this backdrop, insurers, endowments, and defined contribution pension plans are increasingly seeking greater diversification beyond domestic bonds and currency exposure. Gold's historically low correlation with traditional assets and its resilience during periods of market stress are therefore attracting renewed attention among asset owners.

Taiwan and Thailand: Portfolio resilience under local constraints

Taiwan's rising overseas and US dollar exposures may reinforce the case for gold as a strategic allocation among insurers and pension funds. Meanwhile, heightened macroeconomic and geopolitical uncertainty is supporting greater interest in gold among Thai pension funds.

Adoption across both markets will ultimately be driven by regulation, capital treatment, and implementation considerations.

South Korea: Expanding reserve implementation

The Bank of Korea's move to add overseas-listed physical gold ETFs to its foreign reserve portfolio,4 alongside renewed physical gold purchases, highlights growing institutional acceptance and a broader range of implementation approaches across the region.

The central bank signal

Central bank gold buying has become a major structural force in the gold market, offering useful context for Asian asset owners. Although central banks operate under different mandates, they share a long-term focus on preserving purchasing power, enhancing portfolio resilience, and managing risk across market cycles.

The World Gold Council's 2026 Central Bank Gold Reserves Survey reinforces this trend: central banks accumulated an average of around 1,000 tonnes annually over the past four years, and 89% of respondents expect global central bank gold reserves to increase over the next 12 months (Figure 5).5

These purchases are not a roadmap for Asian asset owners, but they reflect a changing investment landscape characterized by greater diversification, reduced reliance on traditional reserve assets, and growing demand for assets free from sovereign and corporate credit risk. With geopolitical uncertainty, fiscal pressures, and currency volatility persisting, these considerations are becoming increasingly relevant for institutions seeking to build more resilient portfolios.

Implementation: How are Asian asset owners gaining gold exposure?

Asian asset owners access gold through a range of vehicles, including physical bullion, derivatives such as futures and swaps, and physically backed gold ETFs, each with distinct trade-offs in liquidity, cost, operational requirements, and risk. While central banks typically favor physical holdings, pension funds and sovereign wealth funds have historically relied on derivatives for efficient market access.

Physically backed gold ETFs offer direct exposure to the gold price without the custody requirements of physical bullion or the need to roll futures positions, making them an increasingly attractive vehicle for strategic gold allocations.

The most suitable implementation depends on an institution's investment objectives, liquidity needs, regulatory environment, and governance framework. In practice, many asset owners employ multiple vehicles, with each serving a different role within the portfolio.

Outlook: Strategic gold demand is broadening across Asia

The debate for Asian asset owners has evolved from whether gold merits a place in portfolios to how it can be most effectively implemented. Against the current backdrop of less reliable diversification, currency volatility, and geopolitical uncertainty, gold is attracting greater strategic consideration. And over time, Asian asset owners are likely to become an increasingly important driver of long-term gold demand.

1 World Gold Council, as of February 19, 2025.

2 Mandatory Provident Fund Schemes Authority, "MPFA optimizes the approval mechanism for gold ETFs," July 7, 2026.

3 Singapore Customs, "GST Exemption for Investment Precious Metals," as of May 20, 2026.

4 Korea JoongAng Daily, "Bank of Korea resumes buying gold after 13-year pause," August 3, 2026.

5 World Gold Council, Central Bank Gold Reserves Survey 2026, as of June 16, 2026.

Source: https://www.ssga.com/hk/en/institutional/insights/why-asian-asset-owners-are-building-strategic-gold-exposure