



GoldenBye

Has gold finally lost its shine or just its nerve?

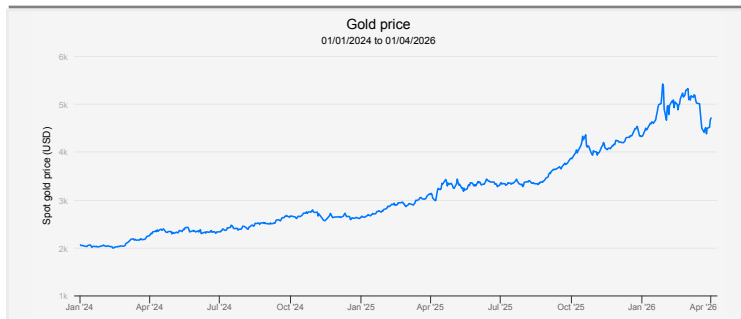
Update
03 April 2026

Let's be honest, there's something strangely hypnotic about gold. It's inspired Bond villains, Olympians, mythical cities and, more recently, a five kilogram monstrosity draped around Jay-Z's neck. Reportedly worth a cool half a mill, Oxford Street does feel like a destination best avoided with that level of ostentatious provocation on display.

But gold's true cultural pinnacle undoubtedly came when Spandau Ballet declared it indestructible in a power ballad that, against all musical logic, just refuses to die. Mercifully, the new romantic bouffant didn't enjoy the same longevity, though given the inexplicable revival of the Kevin Keegan mullet among Gen Z, never say never.

And markets have been doing their best to keep the party vibe going. The shiny metal notched up more than 40 record highs in 2024, doubled down with another 50-plus in 2025 and rounded things off with an all-time high of almost \$5,600 in late January. At that point, the "everything hedge" looked well-nigh invincible.

Fig.1: The Gold Rally Has Gone Into Reverse



Source: Bloomberg
Past performance is not a reliable indicator of future results

Then came an unexpected test in the form of the Iran war. On paper, the price of the ultimate safe-haven asset should have soared, as it did during the textbook response to Russia's invasion of Ukraine. Except gold missed the memo this time around, with prices dropping by more than 20% to settle back to \$4,500.

After one of the great commodity bull runs of modern times, has gold finally lost its lustre or just its nerve?

The dog that didn't bark

To put the current volatility into context, it's worth rewinding to the structural shift that set the rally in motion in the first place.

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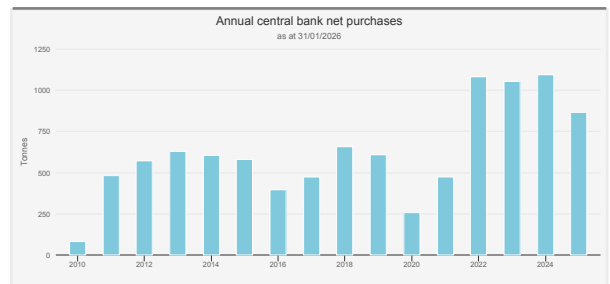
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In the years following the global financial crisis, gold moved reliably in line with real interest rates. In other words, when rates fell, gold rose, and vice versa. That relationship broke down when inflation returned with a vengeance in 2022, with gold and interest rates rising in tandem.

What triggered this U-turn? Well, largely central banks. As the chart below shows, net purchases of gold more than doubled following the freezing of Russian assets in 2022. Funnily enough, when the dollar became weaponised, the rest of the world started looking for a more neutral store of value.

Fig.1: Central Banks Have Been Avid Buyers Of Gold



Sources: Metals Focus, Refinitiv GFMS, World Gold Council



That said, central banks are not impervious to price dynamics, with net purchases dipping last year, but the long-term case for de-dollarisation still remains intact. Indeed, the latest Goldhub survey reveals that developing nations now cite geopolitical instability as one of their primary reasons for holding bullion.

And retail investors have followed suit in a classic late-cycle dynamic. The World Gold Council reported that demand for physical gold hit a 12-year high in 2025, while ETF inflows chalked up their second-highest year on record, followed by another monthly record in January. At that point, gold prices had spiralled into peak FOMO territory.

But, as we know, momentum can have a nasty habit of reversing. When the Iran war sent broader markets into a risk-off retreat, with the FTSE 100 and S&P 500 both shedding 5% in the last month alone, gold was an obvious candidate for a spell of profit-taking.

A blip or a turning point?

The bears certainly have some cause for caution: investors who piled in at the January peak will be sitting on heavy losses and recent North American ETF outflows have been significant.

Then there's the macro headwinds. Gold is priced in dollars, so a stronger greenback is an automatic headwind. Higher energy prices may be bad news for most economies but the US is a relative beneficiary as a net oil exporter, lending further support to the dollar.

Soaring energy prices have also blown up the hope of inflation returning to its 2% target any time soon, prompting the Bank of England to signal that the expected rate cut could well reverse into hikes. That, in turn, raises the opportunity cost of holding a non-yielding asset such as gold.

But the bull case hasn't vanished entirely. The threat of sanctions still looms, and with an unpredictable US administration at the helm, there's a lot to be said for keeping some reserves beyond the dollar's orbit. And while Western investors may have been selling, Chinese retail investors are still filling their boots.

The Iran war has also introduced a stagflationary cocktail of rising oil prices and slowing growth, which fuelled gold's first major bull run in the last great episode of the 1970s. There were sharp pullbacks along the way but these proved to be buying opportunities for the brave rather than a protracted bear market.

The gold standard

Investors wanting exposure have two main options. The straightforward route is a gold tracker that doesn't require channelling your inner Jay-Z. The Invesco Physical Gold ETC fits this brief, delivering a 47% return over the past year with a low ongoing charge of 0.12%. Head over to our sister website, Expert Investor, to find out [more about the fund](#).

Mining equities offer a further lever. Using the VanEck Gold Miners ETF as a sector proxy, miners outperformed the underlying gold price by almost 30 percentage points in 2025, thanks to rising margins and improved capital discipline.

BlackRock World Mining (BRWM) pairs gold miners with copper and silver to capture broader structural themes such as electrification and AI data centres. It's served up a 92% return over the past year, alongside a 3% dividend yield. Have a listen to [our recent Market Matters podcast](#) to hear manager Olivia Markham's thoughts on gold.

The million-dollar question is whether gold can resume its upward march. Things are looking fairly positive, with Goldman Sachs expecting prices to rebound to \$5,400 by year-end and nearer to \$6,000 for the more bullish analysts.

If structural demand from central banks holds firm, this correction may yet prove to be an expensive pit stop rather than the end of the road.

All data as at 31 March 2026 unless stated otherwise, returns based on share price total returns.



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