

You asked, we answered:

Is gold's appeal fading on rising vol?



Highlights:

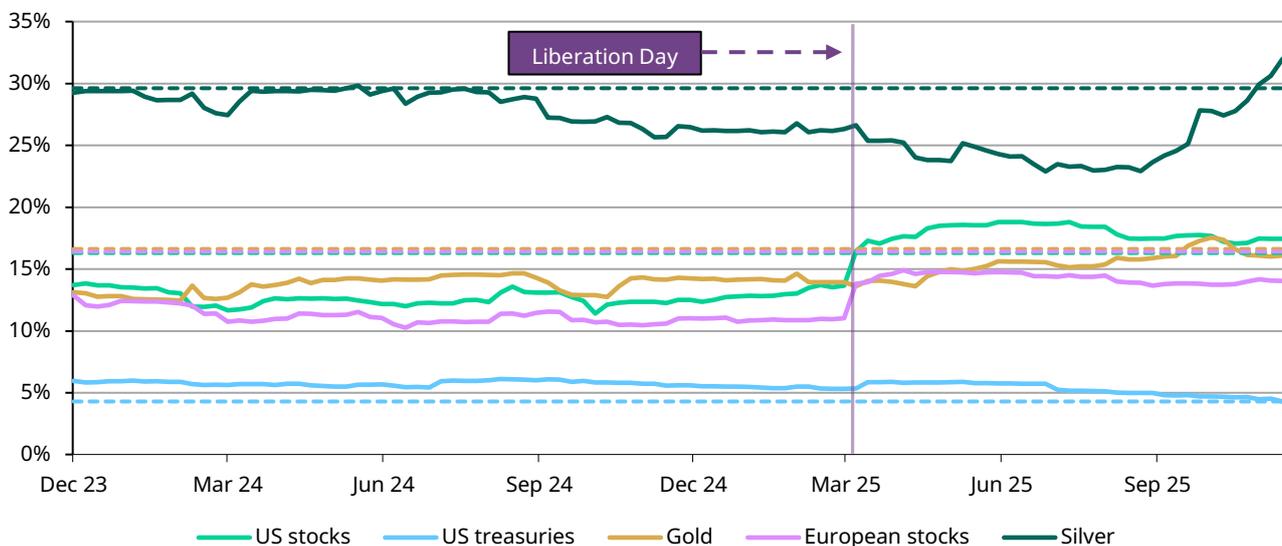
- **Volatility:** While gold's volatility rose in 2025, it did so from a low base and in line with other assets; gold's vol seems to have normalized, remaining broadly in line with long-term averages.
- **Portfolio diversification:** Despite this increase, adding gold to a diversified portfolio continues to help reduce overall risk, especially in an environment where correlation between bonds and equities has risen.

Yes, volatility rose in 2025...just like other growth assets and in line with historical averages

Amid tariff uncertainties, inflationary pressures and geoeconomic strife, there is no shortage of market, macro and geopolitical risks to feed market volatility. To get a sense of the turmoil navigated by investors this year compared to last, **Chart 1** shows the realised volatility of US stocks, US Treasuries, gold and silver. Volatility has increased in both equity and gold markets, on the back of a supercharged geopolitical and geoeconomic environment, with a significant surge in equity volatility around the initial tariffs announcement earlier in 2025. US treasury volatility on the other hand has been on a declining trend. On the whole, all asset class volatilities remain broadly in line with their long-term averages.

Chart 1: Equity and gold volatility have increased in 2025...but gold's vol is below average

1-year rolling weekly annualised volatility for US stocks, European stocks, US treasuries, silver and gold*

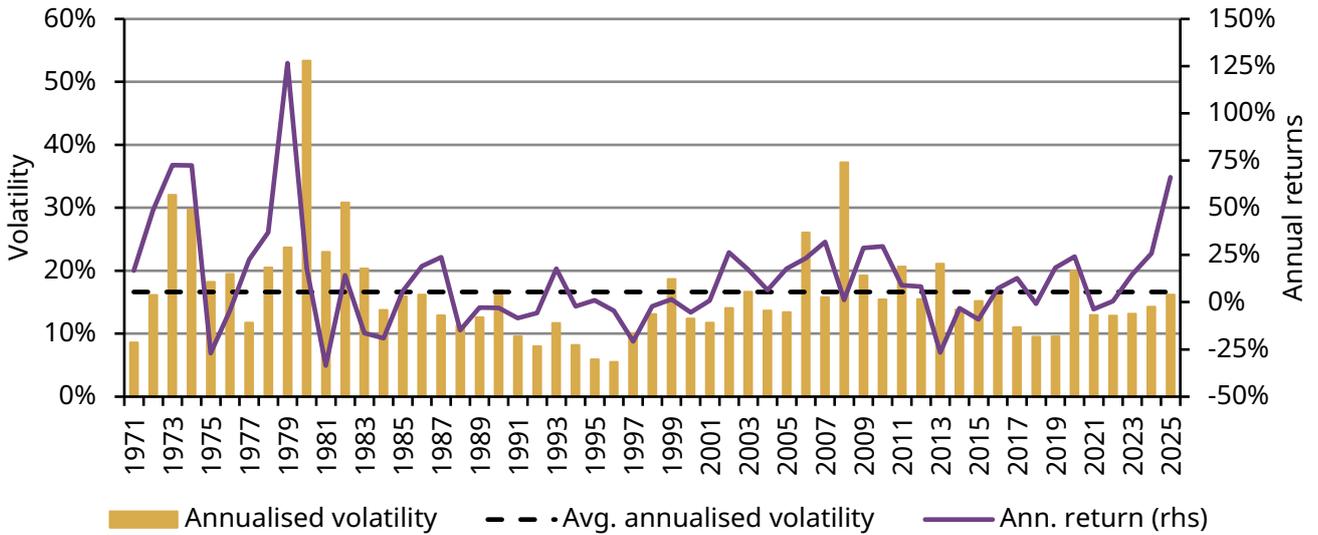


*Data as of 15 December 2025. Indices used: Bloomberg US Treasury Index, MSCI US Index, MSCI Europe Index, LBMA Silver Price, and LBMA Gold Price. Dashed lines represent the 20-year average volatility for the indices used. Source: Bloomberg, World Gold Council

While gold's volatility has risen alongside its strong price rally this year, it remains broadly in line with its long-term average and well below levels seen during previous periods of similar strong price performance (**Chart 2,p2**). This suggests that, despite recent price strength, gold has moved in an orderly manner.



Chart 2: Despite the uptick in volatility in 2025, gold's annualised volatility remains well below previous highs
Annualised gold volatility and returns*



*Data from 1 January 1971 to 12 December 2025. Annualised volatility is calculated using weekly returns.
Source: Bloomberg, World Gold Council

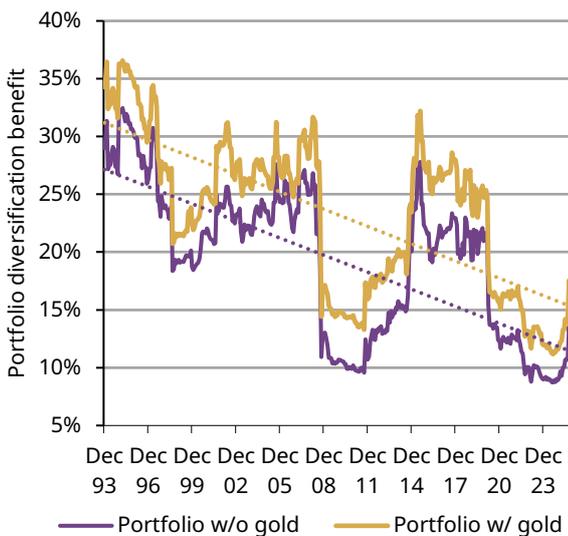
What has this meant for portfolios?

The uptick in volatility across equities coupled with a positive correlation between stocks and bonds, has led to higher portfolio risk – a wake up call for investors to find alternative ways to manage portfolio volatility. This has become especially important now that we live in a world of diminishing diversification benefits (Chart 3).

However, we know that gold has been an efficient source of portfolio diversification with it's low correlation to equities and fixed income assets (Chart 4).

Chart 3: The benefits of diversification have moderated over time, but it's better with gold...

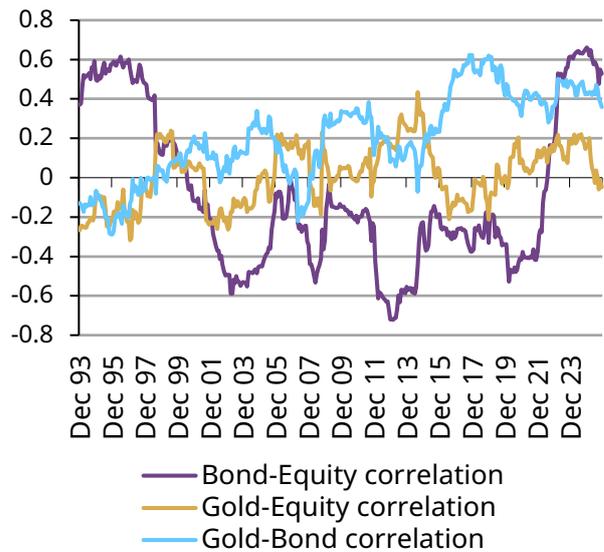
Portfolio diversification benefit, rolling 36m*



*Data from 31 December 1993 to 28 November 2025. Portfolio (without/with gold): US equities (35%/33.3%), EAFE equities (10%/9.5%), EM equities (10%/9.5%), US Aggregate bonds (30%/28.5%), US HY (5%/4.8%), REITS (10%/9.5%), Gold (0%/5%) rebalanced monthly. Diversification is calculated as %reduction in risk between weighted sum of asset volatilities and total portfolio volatility.
Source: Bloomberg, World Gold Council

Chart 4: ...and has pushed investors to explore new uncorrelated assets like gold in their portfolios

Rolling 36m correlation*



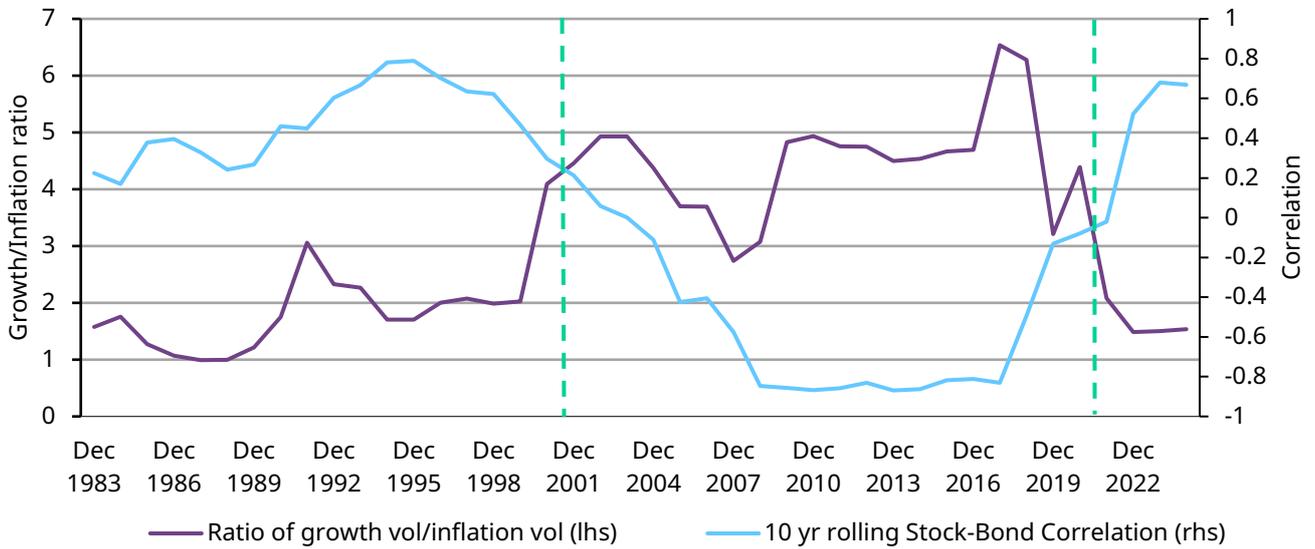
*Data from 31 December 1993 to 28 November 2025. Indices used: Bloomberg US Treasury Index, MSCI US Index and LBMA Gold Price
Source: Bloomberg, World Gold Council



Inflation and economic growth uncertainties affect stock-bond correlations differently: inflation shocks typically lead to positive bond-equity correlations due to its adverse effects on both asset classes; economic growth uncertainty on the other hand drives negative correlations as investors seek safety in bonds while stocks can suffer. We are currently in a low Growth vol/Inflation vol ratio environment, a signal of dominant inflation concerns.

Chart 5: Inflation is the dominant macro variable

Ratio of Growth/Inflation uncertainty and stock-bond correlation*

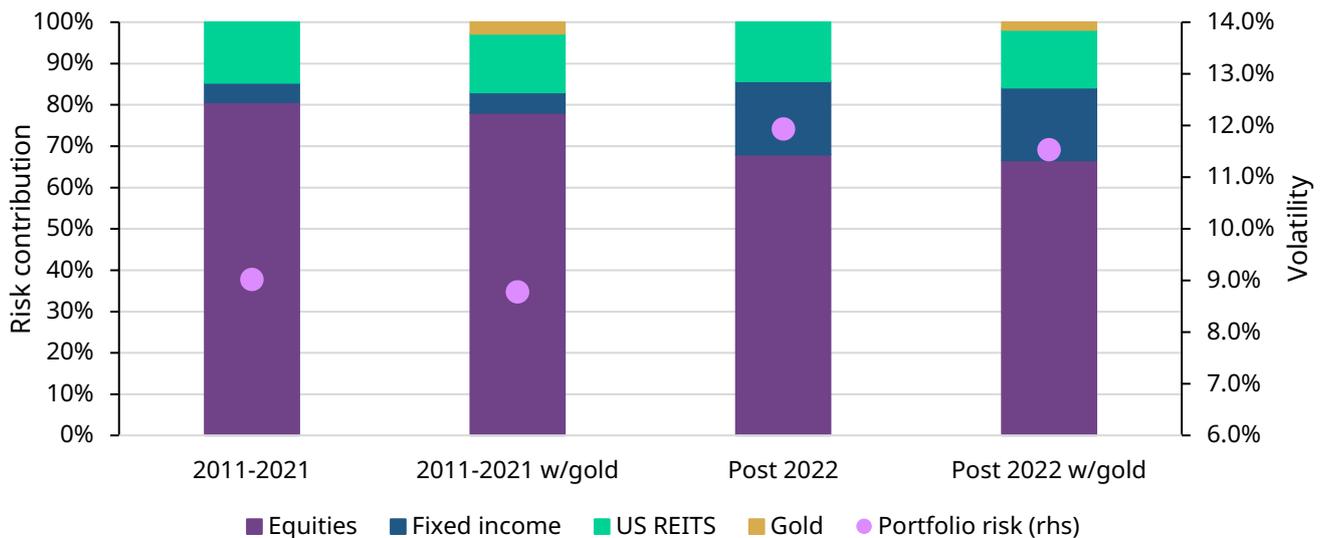


*Data 31 December 1973 to 30 September 2025. Growth/Inflation ratio was calculated using industrial production for growth volatility and US CPI for inflation volatility. Stock-bond correlation was calculated using S&P500 Index and Bloomberg US Treasury Index. Source: Bloomberg, World Gold Council

In this current environment, adding gold to our hypothetical portfolio¹ reduces the overall portfolio risk. In fact, adding 5% of gold reduces the portfolio risk by nearly 5% while its contribution to overall portfolio risk is negligible at 1.9% (Chart 6).

Chart 6: Portfolio risk has risen post 2022, but adding gold can reduce overall risk

Risk contribution and portfolio volatility during different regimes



*Data from 31 December 2010 to 28 November 2025. Portfolio (without/with gold): US equities (35%/33.3%), EAFE equities (10%/9.5%), EM equities (10%/9.5%), US Aggregate bonds (30%/28.5%), US HY (5%/4.8%), REITS (10%/9.5%), Gold (0%/5%) rebalanced monthly. Risk contribution is calculated by multiplying each asset class weight by its weighted covariance with other assets, then dividing by the portfolio variance. Portfolio risk represents the volatility of the entire portfolio over the predefined periods shown on the chart. Source: Bloomberg, World Gold Council

1. The hypothetical portfolio shown in Chart 6 represents just one combination of assets; other combinations may produce different results.



In summary

In a turbulent year marked by heightened macroeconomic and geopolitical risks, gold's volatility has increased alongside that of other assets, including major equity indices. That said, its long-term behaviour has remained broadly consistent, and comparable to that of other growth assets.

While short-term surges in price and trading activity led to brief spikes in volatility, these episodes quickly normalised, underscoring gold's resilience as a strategic asset.

Against a backdrop where traditional diversification benefits are waning, gold continues to play a valuable role in reducing overall portfolio risk, reinforcing its importance for investors seeking stability amid uncertainty.



World Gold Council

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We drive industry progress, shaping policy and setting the standards for a perpetual and sustainable gold market.

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