Gold to keep lifting Australian portfolios in 2025

Summary

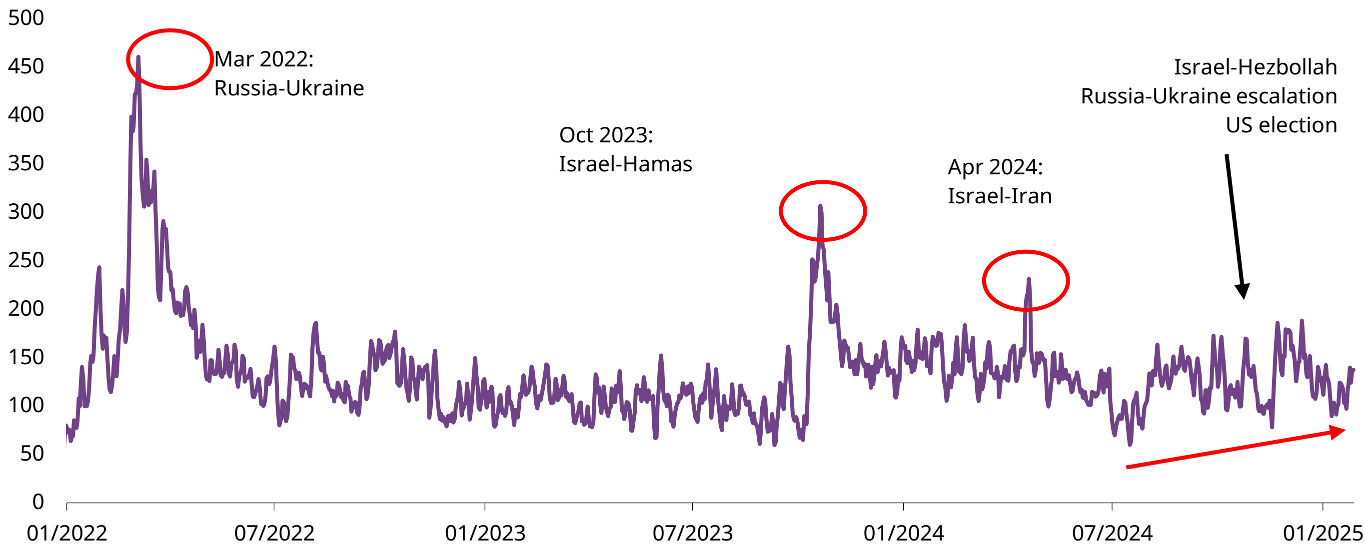
- Gold priced in Australian Dollars (AUD) ended 2024 with a stunning 38% surge and continues to power higher
- We believe the combination of robust investment demand together with risks on various fronts may provide further support for gold
- Should the AUD remain under pressure, gold could shine brighter in Australian investor portfolios.

2024 recap: AUD weak, equities strong, gold stronger

The past year has seen a dynamic tapestry of events, each thread shaping investor sentiment and asset performance. US and Australian elections stirred local markets, while ongoing geopolitical tensions kept global investors cautious (**Chart 1**). The US Federal Reserve initiated an easing cycle with three rate cuts totalling 100 basis points, while the Reserve Bank of Australia (RBA) held rates steady, lagging its peers.

Chart 1: Relentless parade of geopolitical risks cast a shadow over the global landscape

Geopolitical risk index*



*As of 24 January 2025 on a five-day rolling average basis.
Source: GPR, World Gold Council

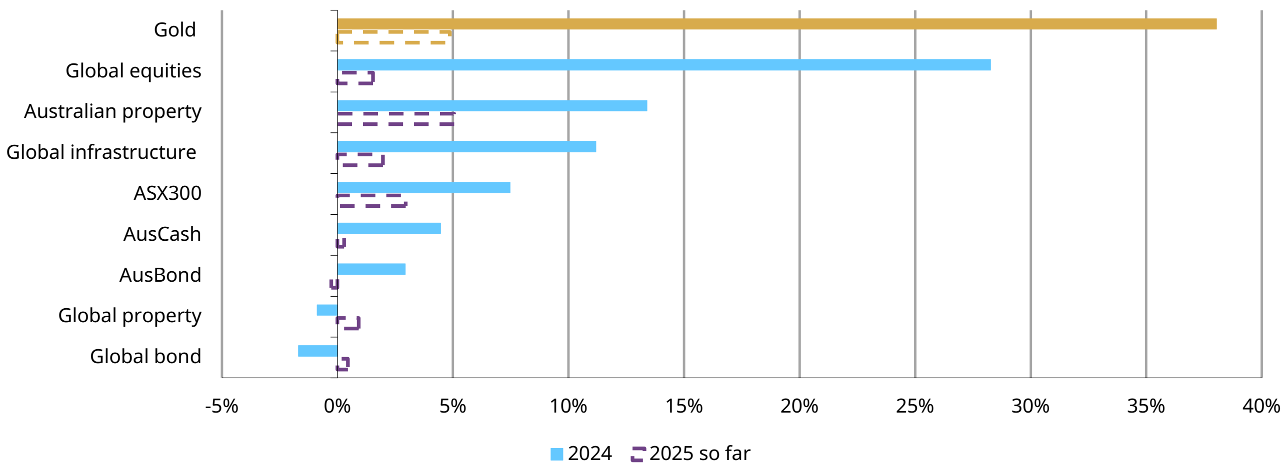
Assets put in a varied performance (**Chart 2, p.2**). The AUD weakened by 10% against the dollar – the widening US-Australia yield spread, particularly in Q4 amid diverging stances from the Fed and the RBA, was a key contributor.[1] Local equities finished the year stronger and Australian properties also powered higher.[2]

1. See: Australia's central bank closer to cutting rates, Feb not ruled out | Reuters and Fed Turns Hawkish, Signals Fewer 2025 Cuts: What This Means for Banks | Nasdaq
2. See: Bull and bear cases for Australian shares in 2025 and How Australia's Property Market Changed in 2024 – in 10 charts

Gold, denominated in AUD, held the lead in 2024 with a stunning 38% surge. Strong investment demand, rising geopolitical risks and a weaker AUD supported gold's rally. And similar drivers are extending gold's strength into 2025, delivering a 4.9% return so far.

Chart 2: Gold held the lead against a mixed performance from assets

Various asset performance in AUD during 2024*



*As of end December 2024 and 24 January 2025. Based on LBMA Gold Price PM, MSCI World Index, ASX REITs Index, Bloomberg AusBond Bank Bill Index, ASX300 Index, FTSE Global Infrastructure Index, Bloomberg AusBond Composite Index, Bloomberg Global Agg Index and FTSE Nareit Developed Index. All calculations in AUD.
Source: Bloomberg, World Gold Council

2025 outlook: a case for gold in AUD to thrive?

This year is likely to be supportive for gold. As our 2025 Gold Outlook noted, while US Treasury yields and the dollar may stay elevated, upside potential for gold could come from continued central bank gold purchases and possible spikes in geopolitical risks. Meanwhile, volatility in equities and bonds, as well as potential weakness in non-US currencies, could provide additional boosts to investment demand for gold. And as uncertainty in the US bond market stay elevated, we believe the impact from yield changes may be less pronounced on gold, as our recent analysis demonstrates.

Furthermore, we believe potential weakness in the Australian dollar may provide an additional boost to gold in local currency terms. Such currency weakness may stem from two main fronts:

1. Changes in monetary policy expectations

Although the RBA left rates unchanged in its December meeting, it was noted that growth momentum had weakened and the upside risk of inflation had diminished.[3] And while labour market prints may muddy the case for a cut in February, more weight in that decision may come from Q4 inflation data which shows cooling momentum. The market is currently pricing in over 80bps cuts for 2025, much higher than the previous expectation (Chart 3, p. 3).[4]

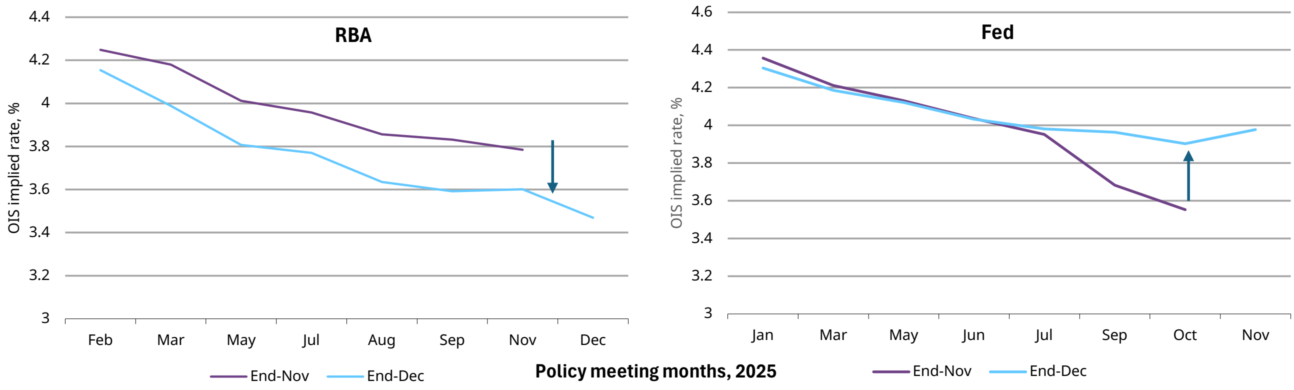
In contrast, reflation concerns in the US and the surprising strength in both growth and labour market data have seen investors push back their expectations of further rate cuts – the market is now only pricing in around 50bps rate reduction in 2025, a pivotal change from around 100bps in December (Chart 3, p. 3).

This could mean that the RBA will deliver more rate cuts than the Fed, further widening the interest rate spread between the two countries, weighing on the AUD.

3. For more, see: 10 December 2024 | Minutes of the Monetary Policy Meeting of the Board | RBA
4. Based on end-2025 rate expectation in the OIS market.

Chart 3: Diverging rate expectations for 2025

Policy rate expectations reflected in OIS futures*



*Expected policy rates after each planned policy meeting in 2025 as of the end of November 2024 (purple) and end of December 2024 (blue).
Source: Bloomberg, World Gold Council

2. Potential growth risk

Restrictive financial conditions, declining real income and cooling momentum in the housing sector all weighed on Australian growth in 2024. Even if markets are right about cuts, the absolute level of rates and their lagged impacts could continue to chip away at the economy's resilience. Additionally, uncertainty surrounding Chinese economic development may also pose challenges – especially if the Trump trade war hits V2.0.[5] As historical data shows, sluggish growth usually leads to a weakening local currency.

Other risks such as geopolitical challenges may also induce volatility in local assets, creating stress for Australian portfolios. This has been a key area of concern among APAC investors. Gold's positive outlook and its ability to cushion geopolitical risks should, we believe, make it a key asset to local portfolios (**Chart 4**).

Chart 4: Gold has performed well during geopolitical risk surges

Performance of various assets during geopolitical risk spikes*

*Based on average weekly performances in AUD of the LBMA Gold Price PM, Bloomberg Commodity Index, Bloomberg Australian Bond Index, Bloomberg Global Bond Aggregate Index, ASX300 Index, and MSCI World Index. We show here the average of the top 10 geopolitical risk surges based on the Geopolitical Risk Index.
Source: matteoiacoviello.com, Bloomberg, World Gold Council

5. For more, see: POTUS 47: What could Trump 2.0 mean for global trade? | UBS United States of America

In conclusion, after an exceptionally strong year, we believe gold has the potential to continue to shine in 2025. Although the macro environment this year may bring some headwinds, the global geopolitical landscape and risks stemming from financial markets are certain to attract attention from official institutions and retail investors. Meanwhile, the potential risk of AUD weakness could make gold more attractive in local investors' portfolios. And over the longer term, we anticipate that gold will deliver a stable return in line with global nominal GDP growth.

World Gold Council

We are a membership organisation that champions the role gold plays as a strategic asset, shaping the future of a responsible and accessible gold supply chain. Our team of experts builds understanding of the use case and possibilities of gold through trusted research, analysis, commentary and insights.

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

Authors

Ray Jia
Research Head
World Gold Council

Marissa Salim
Senior Research Lead, APAC
World Gold Council

Important information and disclaimers

© 2025 World Gold Council. All rights reserved. World Gold Council and the Circle device are trademarks of the World Gold Council or its affiliates.

All references to LBMA Gold Price are used with the permission of ICE Benchmark Administration Limited (ICE) and are for informational purposes only. ICE accepts no liability or responsibility for the accuracy of the prices or the underlying product to which the prices may be referenced.

The use of the statistics is permitted, in line with fair industry practice, subject to: (i) only limited extracts of data or analysis being used; and (ii) use of a citation to the World Gold Council, and, where appropriate, to Metals Focus (a World Gold Council affiliate) or other identified copyright owners as their source.

This information is not a recommendation or offer for the purchase or sale of gold or any gold-related products or services or any securities. Diversification does not guarantee any investment returns and does not eliminate the risk of loss. The World Gold Council does not guarantee or warranty the accuracy or completeness of any information or of any calculations and models used in any hypothetical portfolios or any outcomes resulting from any such use.

This information may contain forward-looking statements which are based on current expectations and are subject to change.