Gold Market Commentary

Positioning revisited

Gold drags itself higher

Gold prices edged up 0.3% to finish July at US$3,299/oz. A stronger US dollar contributed to positive returns in all major currencies. Year-to-date, gold remains up 26% **(Table 1, p2)**.

Our Gold Return Attribution Model (GRAM) suggests a positive contribution from a rise in inflation expectations and tariff tensions via our geopolitical risk metric (both *Risk and Uncertainty* factors). *Momentum* factors also contributed positively, while a stronger US dollar proved a heavy drag on returns in July **(Chart 1)**.

Gold ETF inflows of US$3.2bn (23t) were split almost equally between North America (US$1.4bn, 12t) and Europe (US$1.7bn, 11t), while Asia slightly increased (US$0.1bn,0.8t) and other gold ETFs (-US$0.1bn, -1t) experienced mild outflows. COMEX managed money net longs continued to build positions following the April trough.

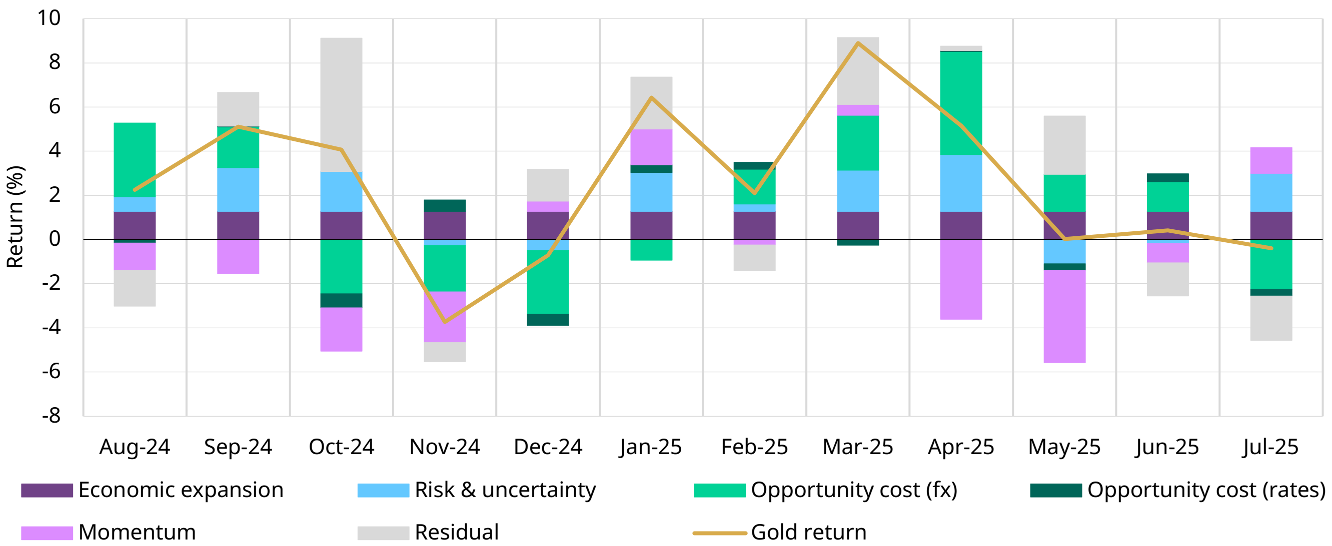
Highlights

July review
Gold edged up in July, aided by higher tariff-led inflation expectations, but a stronger US dollar proved a drag.

Looking forward
A gap between prices and COMEX positioning is likely to be filled by rising net longs, not falling prices, as we view fundamentals to be supportive of the former.

Chart 1: Gold prices rose in July but gains were moderated by a stronger US dollar and momentum factors

Key drivers of gold's return by month.



*Data to 31 July 2025. Our Gold Return Attribution Model (GRAM) is a multiple regression model of monthly gold price returns (using XAU spot), which we group into four key thematic driver categories of gold's performance: economic expansion, risk & uncertainty, opportunity cost, and momentum. These themes capture motives behind gold demand; most importantly, investment demand, which is considered the marginal driver of gold price returns in the short run. The 'residual' represents the percentage change in the gold price that is not explained by factors already included. Results shown here are based on analysis covering a five-year estimation period using monthly data. Alternative estimation periods and data frequencies are available on Goldhub.com.

Source: Bloomberg, World Gold Council

Table 1: Gold edged up in all currencies in July as a stronger US dollar contributed outside the US

Gold price and performance in key currencies*

	USD (oz)	EUR (oz)	JPY (g)	GBP (oz)	CAD (oz)	CHF (oz)	INR (10g)	RMB (g)	TRY (oz)	AUD (oz)
July price*	3,299	2,890	15,989	2,498	4,571	2,680	98,068	767	134,027	5,134
July return*	0.3%	3.6%	5.0%	4.3%	2.2%	2.8%	2.5%	0.5%	2.4%	2.8%
Y-t-d return*	26.4%	14.7%	21.2%	19.8%	21.8%	13.2%	29.2%	24.4%	45.3%	21.8%
Record high price*	3,435	3,006	16,079	2,575	4,743	2,812	100,130	830	138,096	5,393
Record high date*	13-Jun-25	22-Apr-25	23-Jul-25	22-Apr-25	22-Apr-25	22-Apr-25	23-Jul-25	22-Apr-25	23-Jul-25	22-Apr-25

*As of 31 July 2025. Based on the LBMA Gold Price PM in USD, expressed in local currencies, except for India and China where the MCX Gold Price PM and Shanghai Gold Benchmark PM are used, respectively. Source: Bloomberg, World Gold Council

Positioning revisited

- The meaningful gap between COMEX positioning and the gold price, caused largely by tariff fears, is likely to be closed by positioning rising not prices falling, in our view
- This is supported by key fundamentals, including: a weaker US dollar and real rate trajectories, alongside elevated market and geopolitical risks
- Despite a disconnect between real rates and the gold price, COMEX investors have not disconnected and the relationship is likely to strengthen if yields drop.

Jaws wide open

With recent attention focused firmly on central banks, gold ETFs and Chinese investors, we thought it worthwhile to revisit what the so-called 'fast money' positioning on COMEX is telling us. One would think that given where gold prices are, investors would be loaded to the gills. We know this not to be the case as a share of overall portfolios, but it doesn't appear to be the case in absolute terms either.

Chart 2 shows managed money net longs, typically representing hedge funds and larger financial institutions (dark blue line). These positions are above average, but it's still a bit surprising they're not higher – especially considering where gold prices are right now.

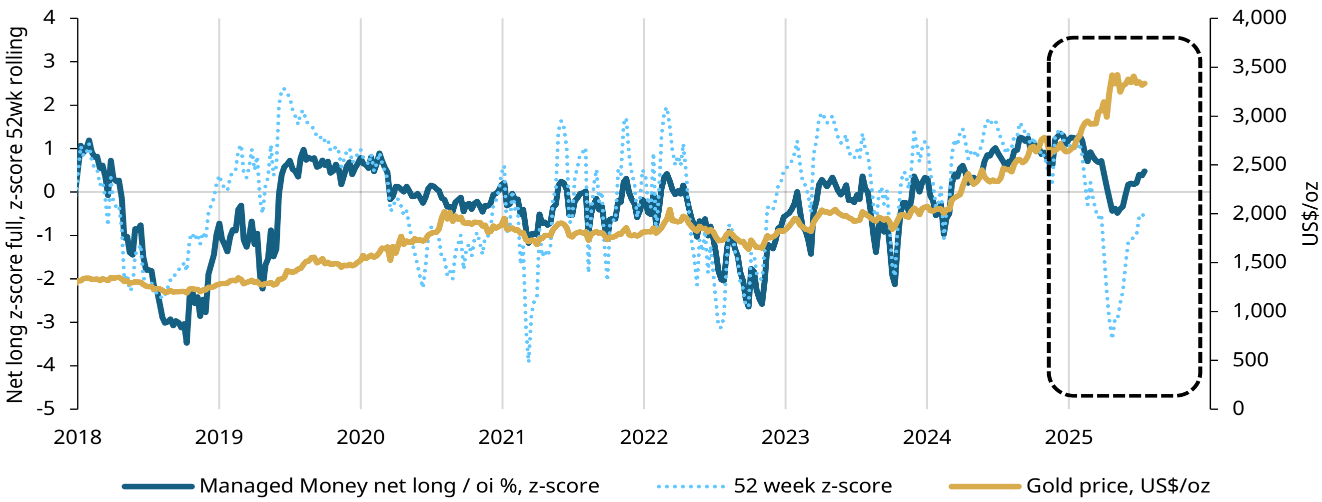
It can probably be pinned on an unwind of the tariff-fear trades in early 2025, and perhaps a bit of profit-taking. The stark sell-off in futures began well before the intraday spot price peaked at the end of April. Looked at through a z-score lens[1] – relative to recent trading ranges – this was a sharp capitulation (light blue dotted line).

Gas left in the tank

COMEX futures investors have recovered some of this lost ground, but this reset leaves us with the view that they have capacity to rebuild positions – a sentiment echoed for ETF investors in our Mid-Year Outlook.

Chart 2: COMEX futures investors have not participated in the 2025 rally. How will the jaws close?

COMEX managed money net longs (z-scored) and the gold price in US$/oz*



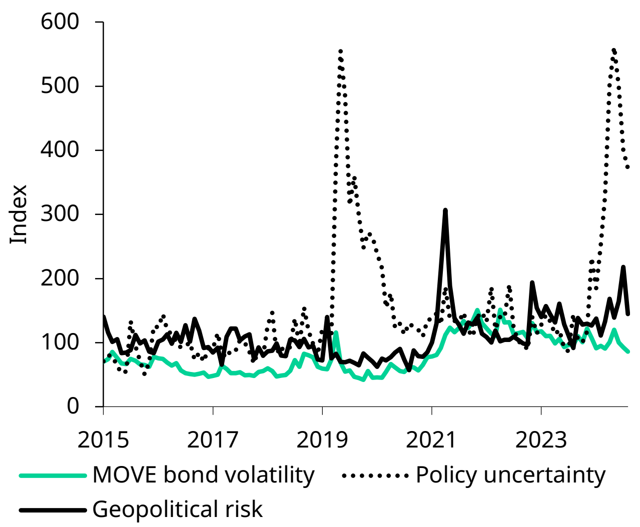
*Data as of 15 July 2025. Blue line z-scored across whole sample to fit y-axis scale. Dotted light blue line reflects rolling 52-week z-score.
Source: Bloomberg, COT, World Gold Council

1. For more information on z-scores please see here: Z-Score: Definition, Formula and Calculation - Statistics How To

One proviso is that fundamentals support that buying, and we think they do:

- A structurally weaker US dollar is one key factor, backed by a strong case and consensus view,[2] notwithstanding a possible near-term short squeeze given how crowded the trade is[3]
- Added to that, risk perception remains elevated. Despite the current lull, the markets could be jolted by implied bond volatility or a resurgence of policy and geopolitical tensions **(Chart 3)**
- Lower policy rates should also be a catalyst. But would that also lead to lower bond yields, particularly real ones – the bit that's empirically more important for gold? After all, if they haven't mattered on the way up, will they really matter on the way down?

Chart 3: In a clearing but not out of the woods
MOVE bond implied volatility, policy and geopolitical risk*



*Data as of 31 July 2025.
Source: Bloomberg, World Gold Council

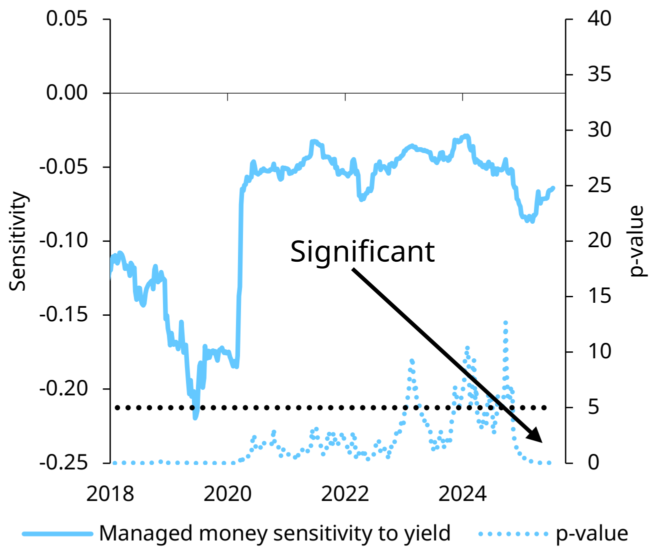
We care a lot

This decoupling of gold prices from inflation-linked bond yields (TIPs) is well documented, with central banks, emerging market investors and a sprinkling of term premia the likely culprits.

But US futures investors have not decoupled from real yields. They still care! Yes, their sensitivity might be a little lower, likely due to term premia, but they are still highly significant **(Chart 4) (Table 2,p4)**.[4]

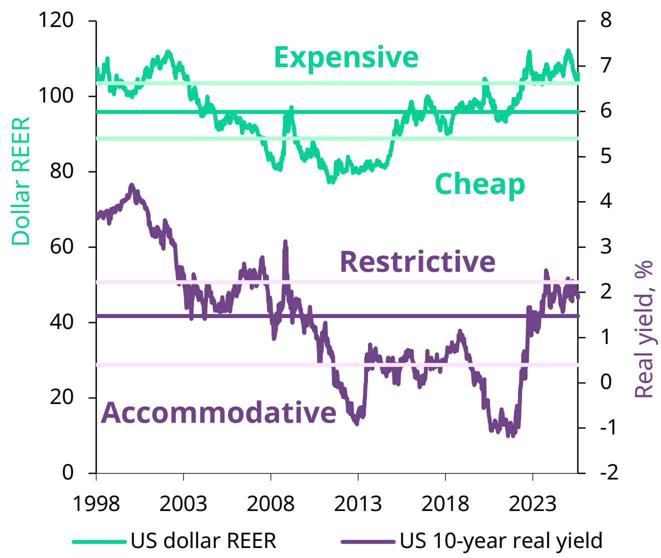
Yields, alongside the US dollar on a REER basis, are sitting at a level whereby the path of least resistance is arguably down, although the caveat of near-term upward pressure remains **(Chart 5)**.

Chart 4: Futures investors still care about yields
Rolling regression coefficient and associated p-value*



*Data as of 28 July 2025. See Table 2 for regression details.
Source: Bloomberg, World Gold Council

Chart 5: The path of least resistance is likely down
US dollar REER** and US 10-year TIP yield*



*Data as of 31 July 2025. **REER reflects CITI Real Effective Exchange Rate broad US dollar index. Horizontal lines reflect 1st, 2nd and 3rd quartiles. Source: Bloomberg, World Gold Council

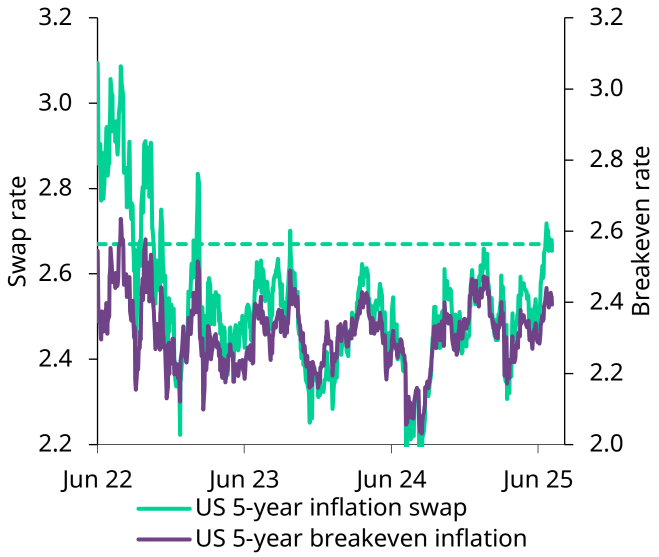
Rates are probably already restrictive, so if the front end eases, the long end might follow suit. The weak labour market data in early August is edging us towards this outcome. This could also happen mechanically if lower policy rates stoke longer-term inflation fears, something that swap rates are currently hinting at **(Chart 6, p4)**.

[2] In July 2025 54 of 74 contributors to Bloomberg Economist forecasts for the EUR and JPY expect the dollar to weaken by Q1'26 with a median fall of 2.8%.

3. Dollar exit could be crowded for some time | Reuters
4. Directional consistency is more important to p-values than matching magnitude.

Chart 6: Real rates can compress if inflation expectations rise

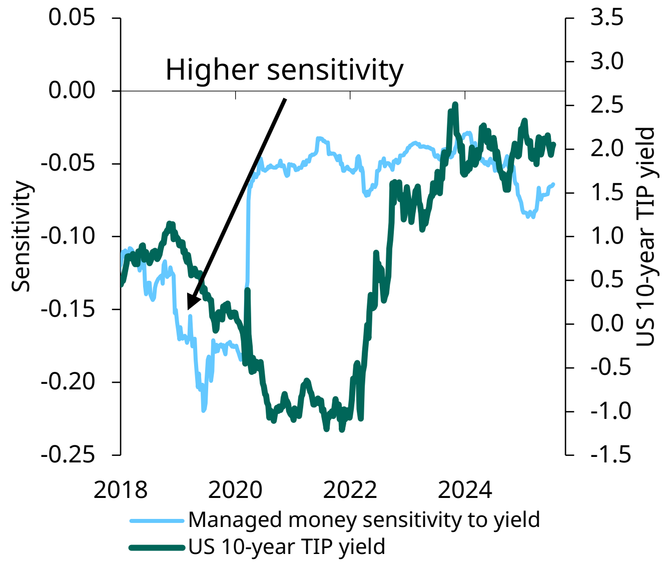
US 5-year inflation swap rate and breakeven inflation rate*



*Data as of 31 July 2025. Breakeven inflation
Source: Bloomberg, World Gold Council

Chart 7: Sensitivity to yields greater when falling

Rolling regression coefficient and US 10-year TIP yield*



*Data as of 28 July 2025. See Table 2 for regression details.
Source: Bloomberg, World Gold Council

Managed money investors will likely become more sensitive to rates when they drop – as was often the case pre-COVID when a 100bps change in yield, holding all else constant, was associated with a c. 20% shift in positioning **(Chart 7)**.

In summary…

Notwithstanding the risks we laid out in our Mid-Year Outlook and in What's a bear case for gold?, if rates ease, risks linger, and the dollar stays soft, we could see managed money step back in with more conviction, particularly following the weak US labour market data in early August. This would support further flows into gold ETFs and could aid gold prices now that central banks have tailed off a bit. It's not a done deal, but the pieces are lining up.

Table 2: Futures investors sensitivity to dollar and yields

Regression of weekly changes in COMEX futures on US dollar changes and US 10-year TIP yield changes, controlling for momentum factors*

Dependent variable:	COMEX Managed Money net long as a share of open interest		
	15-years coefficient	5-years coefficient	Description
Constant	0.00	0.00	Constant insignificantly different from zero
Δ log DXY	-0.73 ***	-0.49 ***	Negative sensitivity to US dollar
Δ US 10-year TIP yield	-0.06 ***	-0.05 ***	Negative sensitivity to US 10-year TIP yield
Δ managed money (T-1)	0.17 ***	0.12 **	Positive short-term momentum – likely CTA effect
Δ managed money (T-2)	-0.06 *	-0.11 *	Negative medium-term mean reversion
Adj. R-squared	0.20	0.21	

Data from 13 June 2006 to 15 July 2025, weekly Tuesday-to-Tuesday, HAC standard errors. Sensitivities reflect the dependent variable in units of % ie 0.1=10% while the yield is in units of % * 100. Thus, a 100bps fall in the TIP yield is associated with a 5-6 percentage point change in positioning currently but this was as high as 22 pre-COVID. Charts 4 and 7 deploy the same regression but on a rolling 2-year (104 week) basis.
Source: Bloomberg, World Gold Council

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.

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Information regarding QaurumSM and the Gold Valuation Framework

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