

Gold Market Commentary

Hiking up a volcano

Nothing to see here

Gold fell 1% in May, finishing the month at US\$4,546/oz, and marginally lower in most major currencies. India and Turkey saw monthly gains on policy changes and local currency weakness (**Table 1**).

According to our Gold Return Attribution Model (GRAM), there were no stand out drivers for gold's performance in May from the explicit variables in the model (**Chart 1**). Positive risk sentiment via equity inflows less bond inflows and a fall in implied volatility proved a minor drag, alongside gold ETF outflows from Asia and the US (US\$2.3bn, 17.3t). US dollar weakness helped gold at the margin as did momentum factors including European gold ETF inflows (US\$0.3bn, 1.2t). Other opaque flows – possibly in the over-the-counter (OTC) market not captured explicitly in our model - may have been a contributor to the negative residual.

COMEX managed money futures positioning continued to linger in neutral territory with a very modest gain of US\$1.4bn (8t) in May.

Highlights

May review

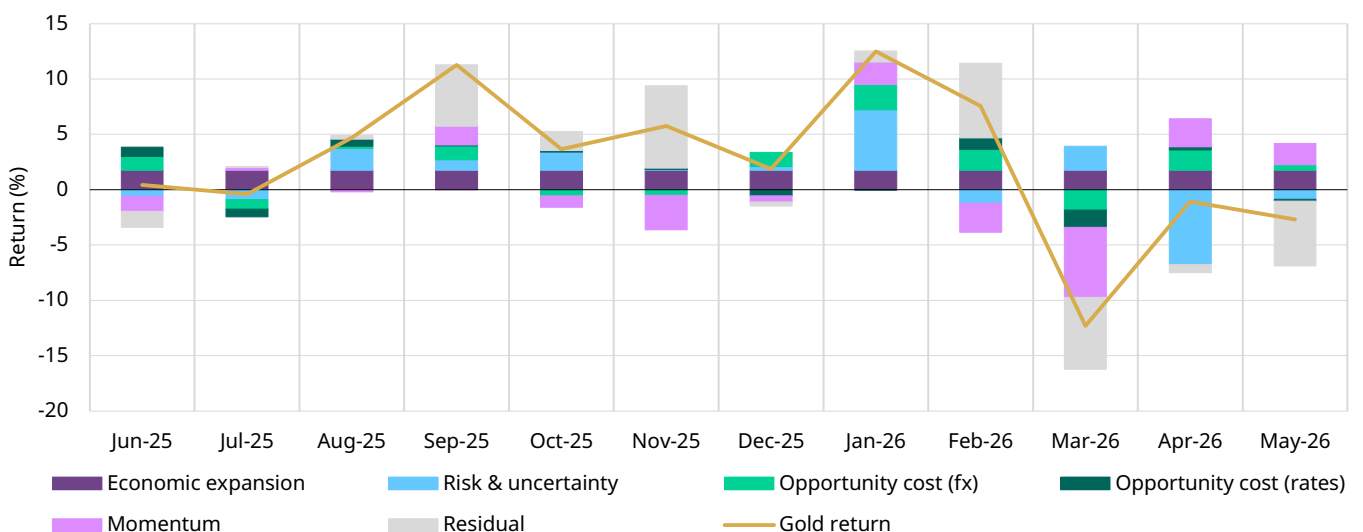
Gold fell 1% in May, on continued positive risk sentiment and modest global gold ETF outflows.

Looking forward

The Fed may need to hike rates as inflation pressures mount. We make the case for why it could – surprisingly – benefit gold.

But gold also faces headwinds, which could be prolonged if the Hormuz standoff drags on.

Chart 1: Improved risk sentiment and ETF outflows were a drag on gold returns in May*



*Data to 29 May 2026. Our Gold Return Attribution Model (GRAM) is a multiple regression model of monthly gold price returns, 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. Source: Bloomberg, World Gold Council



Table 1: Gold fell in most currencies except India where local prices rose*

	USD (oz)	EUR (oz)	JPY (g)	GBP (oz)	CAD (oz)	CHF (oz)	INR (10g)	RMB (g)	TRY (oz)	AUD (oz)
May price*	4,546	3,895	23,268	3,376	6,273	3,552	155,964	986	208,676	6,323
May return*	-1.4%	-1.0%	0.2%	-0.6%	-0.1%	-1.6%	4.1%	-2.7%	0.2%	-1.5%
Y-t-d return*	4.1%	4.8%	6.0%	4.1%	4.9%	2.8%	17.6%	1.3%	11.3%	-3.0%
Record high price*	5,405	4,539	26,884	3,961	7,305	4,143	175,231	1,248	234,639	7,701
Record high date*	29-Jan-26	02-Mar-26	02-Mar-26	02-Mar-26	29-Jan-26	29-Jan-26	29-Jan-26	29-Jan-26	29-Jan-26	29-Jan-26

*Data to 29 May 2026. Source: Bloomberg, World Gold Council

Hiking up a volcano

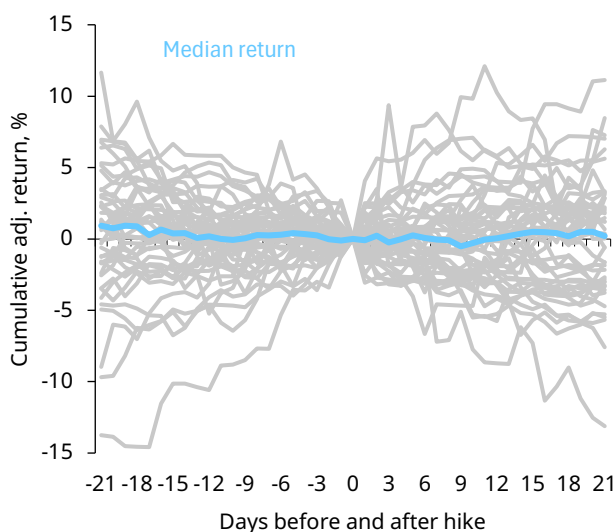
- The Fed may have to hike later this year and that could spell trouble for risk assets and the economy. History is mixed when it comes to hikes and gold’s response
- Notable precedents show similarities to today and on those occasions gold responded positively to a hike
- But gold is also facing near-term headwinds and significant oil shock could prolong the malaise.

Following a somewhat contentious US rate-cutting cycle that began in 2024, the market has pivoted to the strong possibility of rate hikes into year-end and beyond, with a firm economy facing pass-through inflation pressures. This could weigh on risk assets through discount rates, as well as increase borrowing costs for households and businesses.

Convention has it that higher policy rates pressure gold through higher real yields and a stronger US dollar. The evidence is mixed. Historically, rate hikes have not seen a uniform response from yields, the dollar or gold.

Chart 2: Gold’s response mixed after Fed hikes

Cumulative adjusted return before and after hike*



*Data from 25 March 1997 to 26 July 2023. Return adjusted for average ‘expected return’ over all 21-day periods. Covers 44 Fed hikes ranging from 25bps to 75bps since 1997. Source: Bloomberg, World Gold Council

It is our view that a hike may counter intuitively benefit gold when it happens. Here is our case:

- **The data:** Gold has positively surprised on hikes more than 50% of the time. It’s median one-month (21-day) return following hikes – adjusted for the long-run average 21-day return of 0.84% – has been positive.¹
- **Context:** What matters more than the policy rate itself is how markets interpret the implications of tightening for growth, inflation credibility, financial stability and the US dollar
- **This time may be different:** In prior cycles, hikes often signalled policy credibility and economic normalisation. Today, however, hikes may increasingly signal:
 - Persistent inflation pressure as resource nationalism ramps up
 - Fiscal stress both in the US and abroad
 - Policy error risk on more divergent FOMC views, political pressure and the fear of getting it wrong (again).
- **Cue the US dollar:** Historically the US dollar appeared more important to gold’s fortunes than to rates. Medium term growth and yield convergence, and a diversification push away from US assets, has set quite a clear path for a weaker dollar ahead, upon which consensus is agreed.
- **Other things matter:** Demand from China, India and central banks is structurally less sensitive to US rates and could provide support beyond the current lull
- **Risk asset fragility:** Higher rates may prove to be the last straw for equity markets. Aside from the mechanical repricing of discount rates, Vanda Research notes that even relatively modest rises in long-end Treasury yields have repeatedly destabilised short-term equity rallies over the past couple of years.²

1. We use 44 rate hikes since 1997 to allow US 10-year TIP yields to be included.

2. The CIO Risk Report, 23 May 2026, [Vanda Research Ltd.](#)



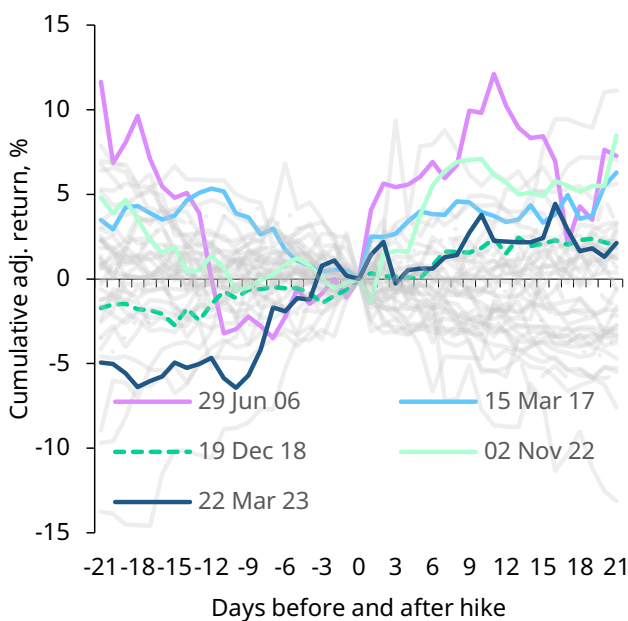
When and why hikes benefited gold

There are notable historical precedents during which gold bucked expectations with a positive hike (Chart 3):

- **29 June 2006:** This was the final hike in a cycle; housing was slowing and growth concerns were mounting. Gold was also in an early innings of rate-insensitive buying from a recently liberated Chinese investment market, the advent of gold ETFs, and a commodity boom. *In other words, the Fed was hiking into fragility and 'other' things mattered – as they do today*
- **15 March 2017:** The post-election reflation trade and long-dollar positioning had become crowded. The hike was interpreted as dovish relative to expectations and long-end yields declined.³ *The case for a resumption of dollar weakness today is strong and widely held even as positioning is neutral.*
- **19 December 2018:** Markets interpreted the hike as a policy error, resulting in a sharp equity sell off⁴ and long-end yields collapsed. *The possibility today of a policy error with a more divided and potentially politicised Fed is non-zero*
- **2 November 2022:** An aggressive hiking cycle collided with growing market fragility. The UK LDI crisis had already destabilised bond markets and the US dollar subsequently peaked.⁵ *Today long bond yields are rising across the G10 on fiscal fears and long-term inflation concerns. And gold has a decent track record of responding to geopolitical spikes*

Chart 3: Gold's positive responses following hikes

Cumulative adjusted return before and after hike*



*Data from 25 March 1997 to 26 July 2023. Return adjusted for average 'expected return' over all 21-day periods. Covers 44 Fed hikes ranging from 25bps to 75bps since 1997. Source: Bloomberg, World Gold Council

3. [Stocks rise but dollar slides after Federal Reserve raises US interest rates - as it happened | Business | The Guardian](#)
 4. [Investors on alert for policy error after cheering slower rate hikes | Reuters](#)

- **22 March 2023:** The Fed tightened into acute banking stress. Long-end yields fell sharply as markets accelerated expectations of a pause and eventual easing.⁶ *There are no clear signs of banking stress today, but concerns have grown over private credit.*

What could go wrong?

Our argument is not that a hike is inherently bullish for gold.

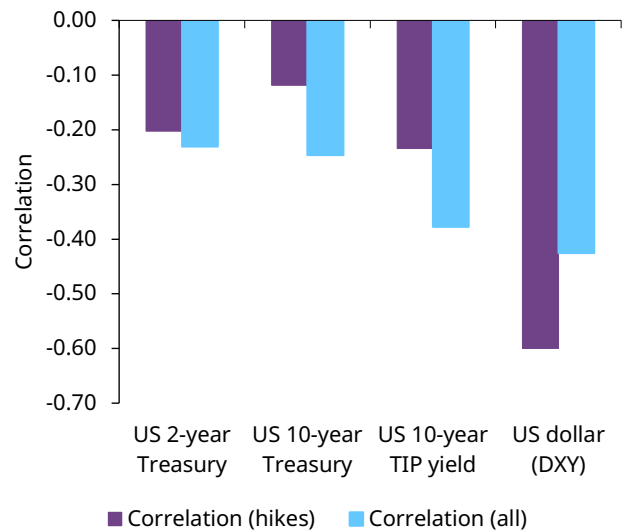
Historically, hikes have tended to be negative for gold if they strengthen the US dollar, lift real yields and boost sentiment (Chart 4). If a hiking cycle materially improves the market's assessment of Fed credibility, gold could face additional pressure.

To boot, several near-term headwinds remain in place.

Some physical markets appear to have softened, with discounts in India, South Korea and anecdotal evidence of some selling in Japan. Global gold ETF flows have been lacklustre in May. The possibility of sporadic official-sector swaps or sales remains as the Hormuz Strait standoff continues. Technically, gold remains vulnerable – perched on its 200-day moving average, in what looks like a declining channel.

Chart 4: The US dollar matters more during hikes

Post-hike correlation of gold vs. rates and US dollar*



*Data from 25 March 1997 to 26 July 2023. Covers 44 Fed hikes ranging from 25bps to 75bps since 1997. Source: Bloomberg, World Gold Council

5. [Lessons from the LDI debacle](#)
 6. [U.S. Fed delivers small rate hike amid global banking turmoil | Reuters](#)



The largest near-term risk may come from energy markets. Oil is dominating headlines and inflation expectations, as well as driving bond yields (**Chart 5**). A sharp rise in energy prices driven by inventory depletion could initially push yields higher, strengthen the dollar and extend gold's current malaise before the longer-term implications become apparent.⁷

Our main models generally associate rate rises with gold price falls, with price rises the exception rather than the rule. The argument here is simply that if hikes ultimately arrive, there is a reasonable case for the exception to occur. Rather than reinforcing confidence, markets may interpret them as evidence of underlying fragility.

Chart 5: Oil is driving the narrative and expectations

Rolling correlation (21-day) of crude oil vs. bond yields*



*Data to 29 May 2026. Rolling correlation of daily log returns of Brent crude vs daily basis point changes in yields.
Source: Bloomberg, World Gold Council

⁷ [Oil Markets Are Running Out of Economic Escape Routes](#)



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.

Lead Author



Johan Palmberg
Senior Quantitative Analyst
World Gold Council

Research

Jeremy De Pessemier, CFA
Asset Allocation Strategist

Johan Palmberg
Senior Quantitative Analyst

Kavita Chacko
Research Head, India

Krishan Gopaul
Senior Analyst, EMEA

Louise Street
Senior Markets Analyst

Marissa Salim
Senior Research Lead, APAC

Ray Jia
Research Head APAC ex-India &
Trade Engagement Deputy Head
China

Taylor Burnette
Research Lead, Americas

Juan Carlos Artigas
Regional CEO, Americas and
Global Head of Research

Market Strategy

John Reade
Senior Market Strategist,
Europe and Asia

Joseph Cavatoni
Senior Market Strategist,
Americas

Further information:

Data sets and methodology visit:
www.gold.org/goldhub

Contact:
research@gold.org



Important information and disclosures

© 2026 World Gold Council. All rights reserved. World Gold Council and the Circle device are trademarks of the World Gold Council or its affiliates.

Reproduction or redistribution of any of this information is expressly prohibited without the prior written consent of World Gold Council or the appropriate copyright owners, except as specifically provided below. Information and statistics are copyright © and/or other intellectual property of the World Gold Council or its affiliates or third-party providers identified herein. All rights of the respective owners are reserved.

The use of the statistics in this information is permitted for the purposes of review and commentary (including media commentary) in line with fair industry practice, subject to the following two pre-conditions: (i) only limited extracts of data or analysis be used; and (ii) any and all use of these statistics is accompanied by a citation to World Gold Council and, where appropriate, to Metals Focus or other identified copyright owners as their source. World Gold Council is affiliated with Metals Focus.

The World Gold Council and its affiliates do not guarantee the accuracy or completeness of any information nor accepts responsibility for any losses or damages arising directly or indirectly from the use of this information.

This information is for educational purposes only and by receiving this information, you agree with its intended purpose. Nothing contained herein is intended to constitute a recommendation, investment advice, or offer for the purchase or sale of gold, any gold-related products or services or any other products, services, securities or financial instruments (collectively, "Services"). This information does not take into account any investment objectives, financial situation or particular needs of any particular person.

Diversification does not guarantee any investment returns and does not eliminate the risk of loss. Past performance is not necessarily indicative of future results. The resulting performance of any investment outcomes that can be generated through allocation to gold are hypothetical in nature, may not reflect actual investment results and are not guarantees of future results. The World Gold Council and its affiliates do not guarantee or warranty any calculations and models used in any hypothetical portfolios or any outcomes resulting from any such use. Investors should discuss their individual circumstances with their appropriate investment professionals before making any decision regarding any Services or investments.

This information may contain forward-looking statements, such as statements which use the words "believes", "expects", "may", or "suggests", or similar terminology, which are based on current expectations and are subject to change. Forward-looking statements involve a number of risks and uncertainties. There can be no assurance that any forward-looking statements will be achieved. World Gold Council and its affiliates assume no responsibility for updating any forward-looking statements.

Information regarding the LBMA Gold Price

The LBMA Gold Price is administered and published by ICE Benchmark Administration Limited (IBA). The LBMA Gold Price is a trademark of Precious Metals Prices Limited and is licensed to IBA as administrator of the LBMA Gold Price. ICE and ICE Benchmark Administration are registered trademarks of IBA and/or its affiliates. The LBMA Gold Price is used by the World Gold Council with permission under license by IBA and is subject to the restrictions set forth [here](http://www.gold.org/terms-and-conditions) (www.gold.org/terms-and-conditions).

Information regarding QaurumSM and the Gold Valuation Framework

Note that the resulting performance of various investment outcomes that can be generated through use of Qaurum, the Gold Valuation Framework and other information are hypothetical in nature, may not reflect actual investment results and are not guarantees of future results. Neither World Gold Council (including its affiliates) nor Oxford Economics provides any warranty or guarantee regarding the functionality of the tool, including without limitation any projections, estimates or calculations.

Information from ICRA Analytics Limited

All information obtained from ICRA Analytics Limited contained in this document is subject to the disclaimer set forth [here](http://www.icraanalytics.com/terms-of-use/disclaimer) (www.icraanalytics.com/terms-of-use/disclaimer).