

Why gold in 2026?

A cross-asset perspective

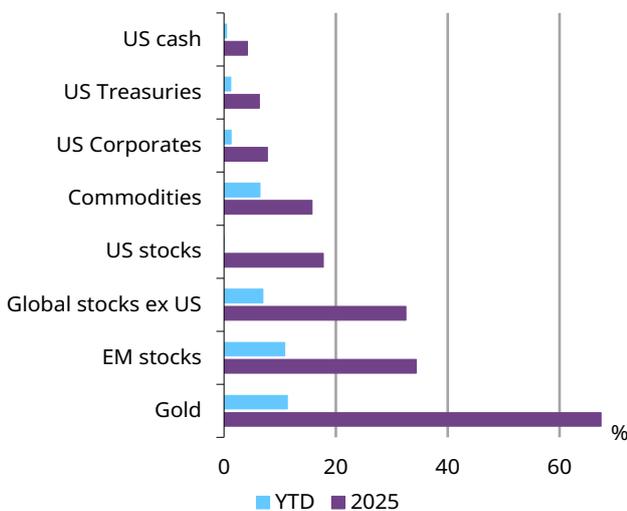
Hedging overconfidence!

Cross-asset returns were surprisingly solid in 2025 and so far this year. Market disruptions caused by US tariffs and other global geopolitical events have proved to be short-lived. And while much of the hype has been on the growing AI theme, returns have been strong across assets and sectors; explained, in part, by a resilient economy (**Chart 1 & Chart 2**).

Looking ahead, risk assets are sitting at uneasy highs against a backdrop of a world in turmoil (**Chart 3 & Chart 4**). Yes, there are a host of tailwinds that should support a revival in growth throughout the year, including easier monetary policy and the global fiscal boost. But the consensus narrative of a global economy that has proved “robust” in the face of tariffs and turmoil underestimates the very real risks that remain.

Chart 1: Markets on a tear...

Returns of key asset classes in 2025 and y-t-d*



*As of 17 February 2026. Computations in US dollars. Indices used: Bloomberg US Treasuries, Bloomberg US Corporate Index, Bloomberg Commodity Index, MSCI USA, Global ex USA and EM Indices, LBMA Gold PM. Source: Bloomberg, ICE Benchmark Administration, World Gold Council

Highlights

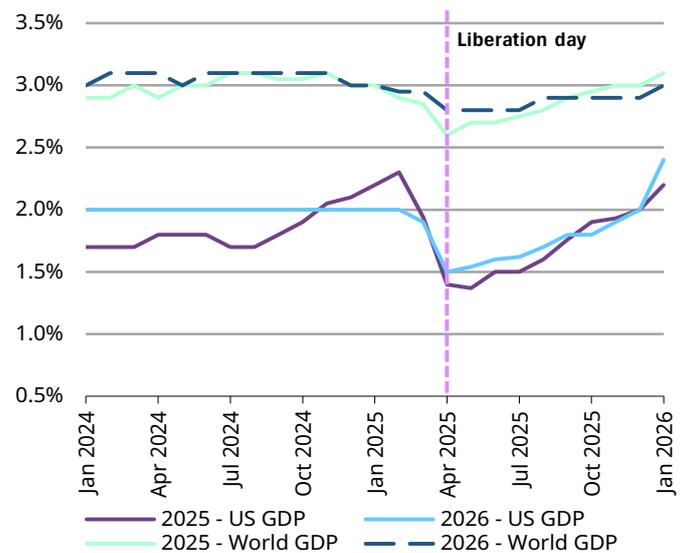
Stretched valuations and persistent macro risks demand caution.

Financial speculation is evident and could lead to greater safe-haven demand, notably gold.

Gold to be supported via stronger inflation-hedging demand and a higher stock-bond correlation.

Chart 2: ...thanks, in part, to a resilient economy

GDP consensus forecasts*

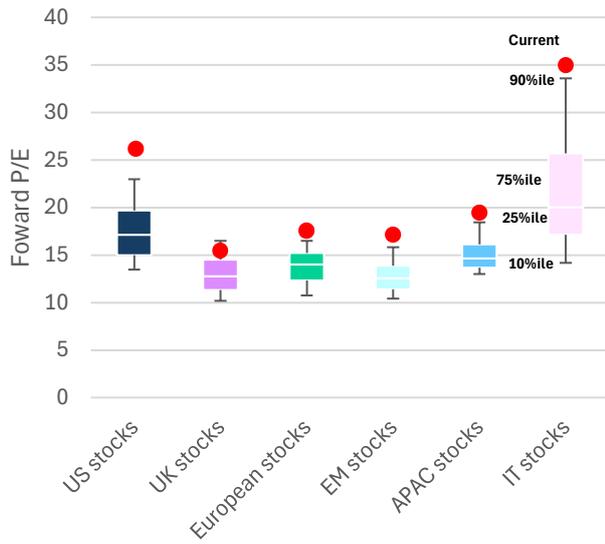


*Data from January 2024 to January 2026. Bloomberg Consensus GDP Forecasts, y/y. Source: Bloomberg, World Gold Council



Chart 3: Equities are expensive...

Forward P/E ratios vs. 20 yr history*

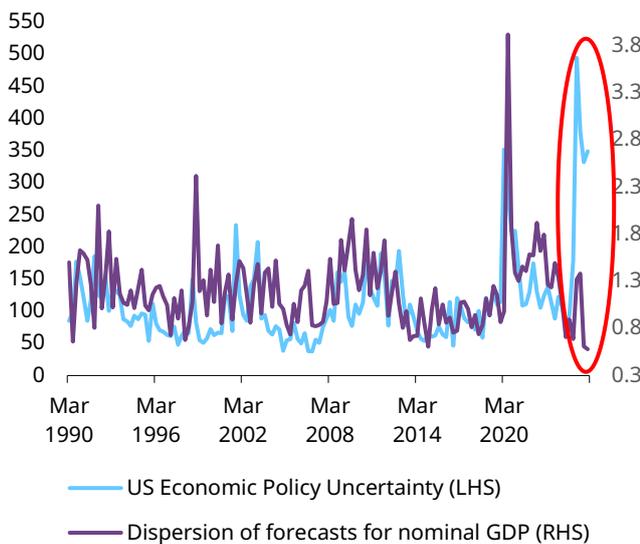


*Data from 31 January 2006 to 31 January 2026. Data ranked from 10th percentile to 90th percentile. Source: Bloomberg, MSCI, World Gold Council

The concerning mismatch between the level of conviction in the outlook vs. the economic policy uncertainty currently on display (**Chart 5**) is one of the key reasons gold had its best year since the 1970s and continues to do well year-to-date. And while there is perhaps a concern that gold looks overbought and might struggle to find marginal investment buyers, it remains strategically under-owned (**Chart 6**).

Chart 5: Remarkable certainty about growth as economic policy uncertainty is at extreme highs

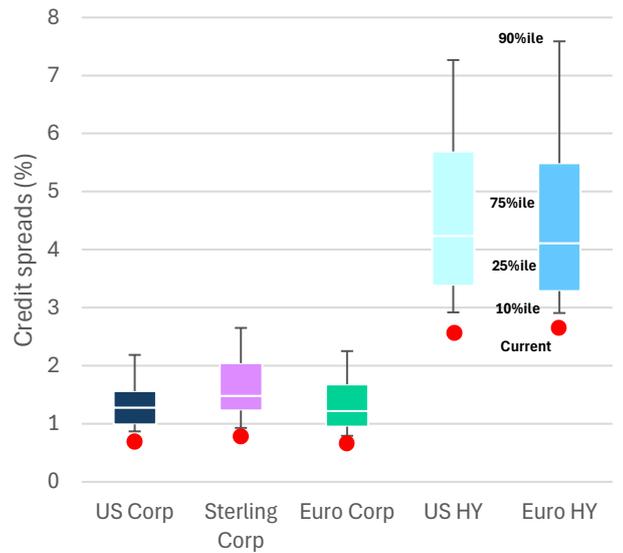
US Economic Policy Uncertainty Index and dispersion of forecasts for nominal GDP*



*Data from 31 March 1990 to 31 December 2025. Source: Bloomberg, Federal Reserve Bank of Philadelphia, World Gold Council

Chart 4: ...and so are credit markets

Credit spread vs. 20 yr history*

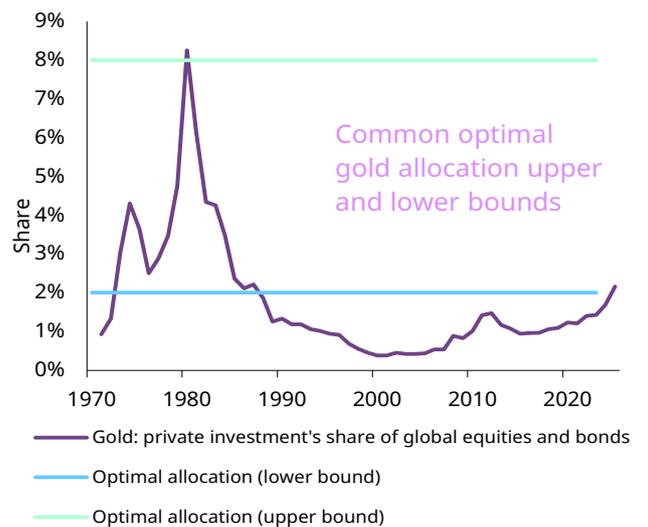


*Data from 31 January 2006 to 31 January 2026. Data ranked from 10th percentile to 90th percentile. Source: Bloomberg, World Gold Council

For now, the central problem for investors is working out how to position their portfolios amid the clear disconnect between the level of conviction in the outlook and the policy uncertainty. Yes, investors can and should recognise the monetary and fundamental forces that have driven markets higher – especially with more easing on the way in 2026. But stretched valuations and persistent macro risks demand caution, emphasising the need for diversified portfolios. As geopolitics and shifting US policies continue to impact asset allocation, we believe there should be a focus on quality assets, such as gold.

Chart 6: Gold remains strategically under-owned

Gold's investment share of global equities and bonds*



*Data to 30 June 2025. Private investment excludes central bank holdings of gold and includes bar and coin, ETFs and estimated OTC positions. Source: Bloomberg, BIS, WFE, World Gold Council

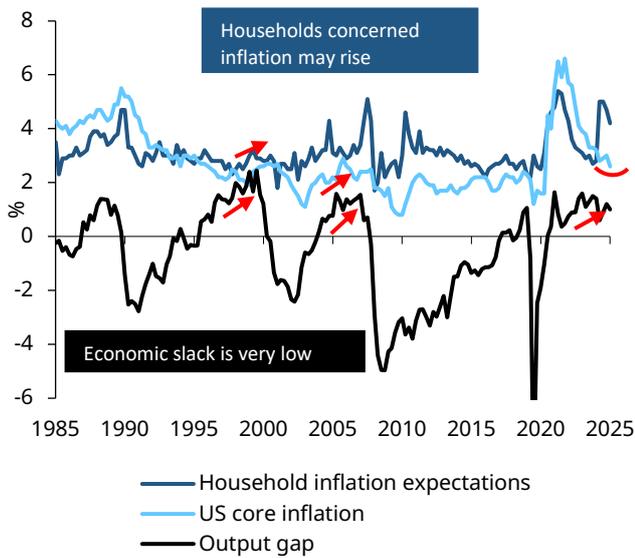


Bonds, a no go?

Much of the optimistic growth outlook for this year rests on the expectation that the US fiscal impulse will turn positive. In such a scenario, inflation is the biggest potential spoiler, particularly as US core PCE inflation is already proving sticky at around 3%. The fact that there is very little slack in the US economy clearly adds to this risk. Indeed, the US economy has been running above its potential growth rate for much of the past four years and the output gap is now near past highs; historically, such scenarios put sustained upward pressure on consumer price inflation (Chart 7).

Chart 7: Inflation worries are justified

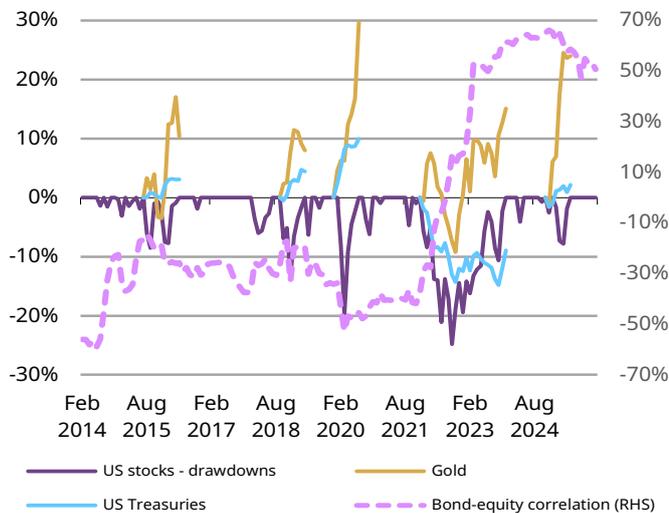
US inflation expectations, US core inflation and output gap*



*Data from 31 December 1985 to 31 December 2025. Household inflation expectations: University of Michigan one-year-ahead inflation expectations. US core inflation: US CPI ex food and energy. Output gap: real US GDP growth relative to potential GDP growth as per the Congressional Budget Office. Source: Bloomberg, World Gold Council

Chart 8: Bonds are not as effective as they used to be

US Treasuries and gold performance during equity drawdowns*



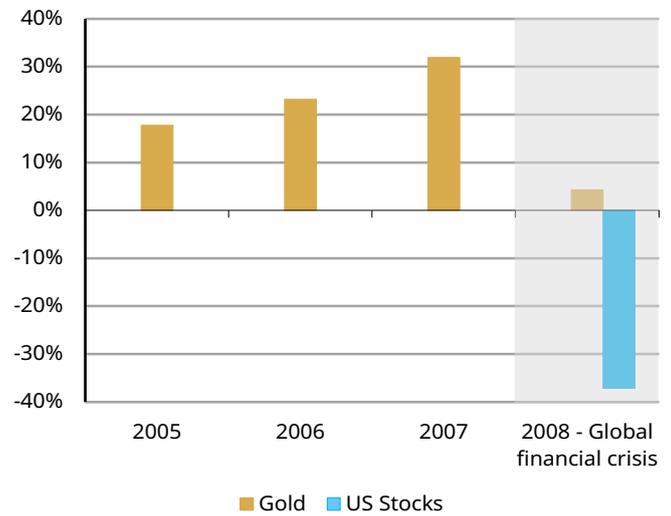
*Data from January 2014 to 31 January 2026. Source: Bloomberg, ICE Benchmark Administration, World Gold Council

If core inflation rises meaningfully the Fed will have to raise short-term rates again. In other words, the bond market is not out of the woods, and another cyclical upleg in developed market yields could be in the offing. And while a clear turn towards policy hawkishness could curb gold demand in the near term due to a higher opportunity cost, gold should be supported in the medium term via stronger inflation-hedging demand and a higher stock-bond correlation (Chart 8).

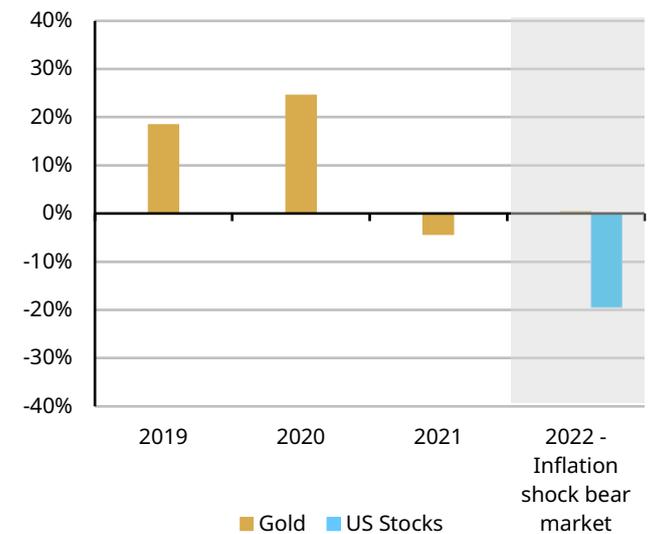
Moreover, gold can still perform its strategic role despite the big rally we have witnessed over the last several years. Historically, meaningful gold returns prior to a market event have not prevented it from behaving like a safe-haven asset during a market stress event (Chart 9).

Chart 9: Gold is always there when called upon... even when returns have been solid in prior years

(a) Annual gold returns prior to and during the GFC*



(b) Annual gold returns prior to and during the 2022 inflation shock bear market*



*Panel (a) based on data from 31 December 2004 to 31 December 2008. Panel (b) based on data from 31 December 2018 to 31 December 2022. Gold returns calculated using LBMA Gold Price PM. US Stocks calculated using S&P500 Total Return Index. Source: Bloomberg, ICE Benchmark Administration, World Gold Council

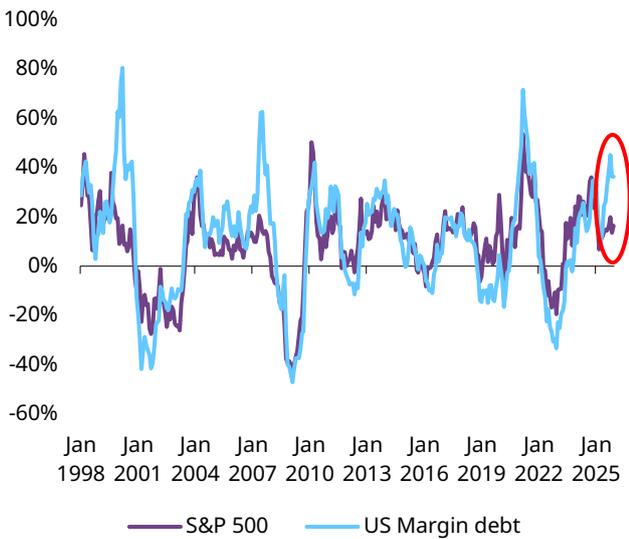


Equities: a bumpy road ahead...

The likelihood of reaching breaking points in equity markets during 2026 is difficult to ascertain with any level of confidence, but for a hint as to the bumpy road ahead look no further than the surging US margin debt – a sign that excesses could be building. Margin debt reflects the amount of funds that investors borrow from their brokers to purchase equities. It typically tracks the performance of the S&P 500, which makes intuitive sense since rising stock prices produce confidence about future equity returns and encourage investors to take on more risk (Chart 10).

Chart 10: Building financial speculation

US margin debt and S&P 500 y/y*

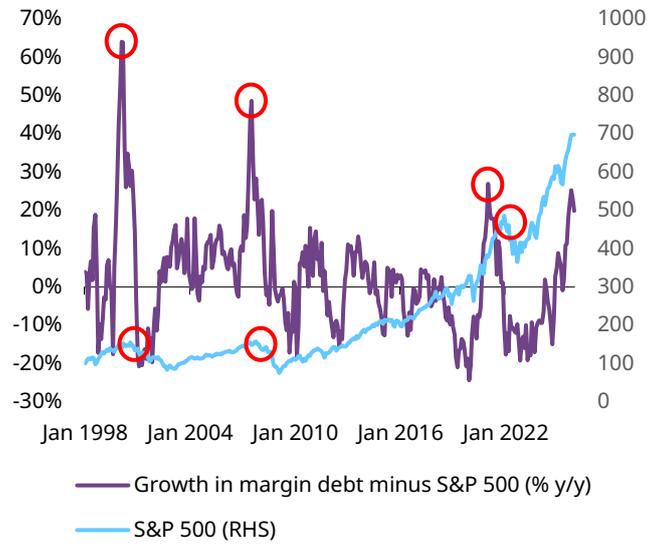


*Data from January 1997 to December 2025. Source: Bloomberg, Financial Industry Regulatory Authority (FINRA), MRB, World Gold Council

And while growth in margin debt does not necessarily signal an impending peak in the stock market, it is an indication of increasing financial speculation and growing risks to market stability. In fact, there have only been three occasions when the y/y growth of margin debt has exceeded the 12-month return of the S&P 500 by a similar or larger magnitude, as it did in December (Chart 11). This recent surge in margin debt reinforces the notion that there is scope for greater equity market volatility in the year ahead.

Chart 11: Excessive increases in margin debt have preceded equity bear markets

US margin debt minus S&P 500 (% y/y) and S&P 500 Index*

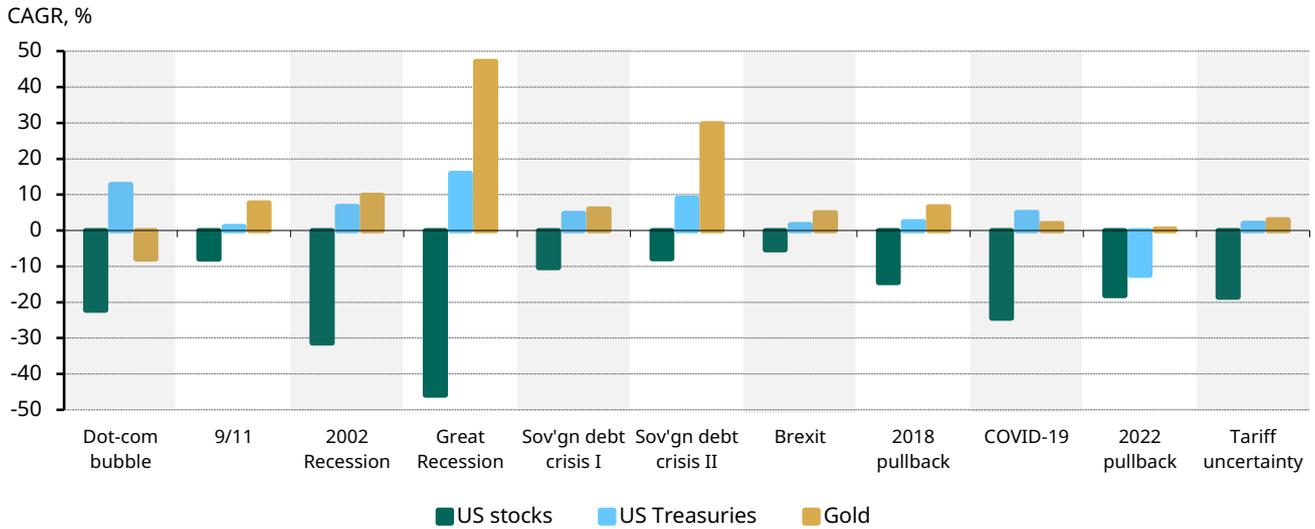


*Data from January 1997 to December 2025. Source: Bloomberg, FINRA, MRB, World Gold Council

And after a long rally, and with valuations approaching dotcom levels, it would only take a couple of missed earnings targets to puncture confidence. This, in turn, could result in an unwinding of investor leverage positions (potentially magnifying the downside risks to stock prices) and lead to greater safe-haven demand, notably gold. In fact, with few exceptions, gold has been especially effective during such periods of systemic risk, generating positive returns and reducing overall portfolio losses (Chart 12).



Chart 12: Gold provides downside protection
Stocks, bonds and gold performance during various crises*



*As of 31 December 2025. Return computations in US dollars for 'Global stocks': FTSE All World Index; 'US Treasuries': Bloomberg Barclays US Treasury Index; 'gold': LBMA Gold Price PM. Dates used: Dot-com: 3/2000 - 3/2001; September 11: 9/2001; 2002 recession: 3/2002 - 7/2002; Global Financial Crisis (GFC): 10/2007 - 2/2009; Sovereign debt crisis I: 1/2010 - 6/2010; Sovereign debt crisis II: 2/2011-10/2011; Brexit: 23/6/2016 - 27/6/2016; 2018 pullback: 10/2018 - 12/2018; 2020 pullback: 31/1/2020 - 31/3/2020; 2022 pullback: 1/2022 - 12/2022, Tariff uncertainty: 18/2/2025 - 8/4/2025.
Source: Bloomberg, ICE Benchmark Administration, World Gold Council

Conclusion

As investors navigate a landscape marked by stretched valuations, persistent macro risks, and rising pockets of financial excess, the need for resilience in portfolios has rarely been more pressing. In this environment gold's strategic role remains as relevant as ever. Its historical ability to provide diversification, mitigate drawdowns during periods of market stress, and perform even after strong run-ups, reinforces its value as a core, long-term portfolio component.



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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