

# Gold keeps shining bright



Image source: iStock/spawns

Gold has been trading near record highs, consolidating for the past few weeks around USD 2900. Ongoing uncertainty over President Trump's tariffs, fuelled by a flurry of sometimes conflicting declarations. As a result, demand for gold is rising as a hedge against global market volatility, inflation risks, and a weaker USD.

Central banks, in their ongoing trend toward de-dollarisation, are continuing to buy physical gold. The World Gold Council expects demand to increase even further this year, with China's People's Bank of China (PBoC) likely to be the top buyer, following its 6-month pause in 2024. Additionally, China recently launched a pilot program allowing insurance companies to allocate up to 1% of their assets in gold to enhance the stability and diversification of their portfolios. Deutsche Bank has analysed the purchasing capacity of Chinese insurance companies and, "using 2023 year-end data, the bank calculated that they could invest USD 2.5bn, equal to 8.5mn oz at a gold price of USD 2927 oz"— a reasonable amount.

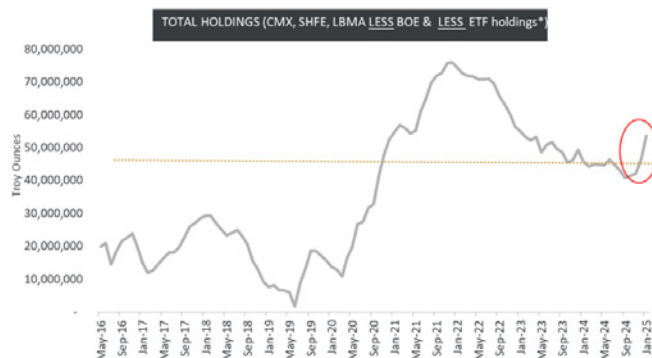
Financial demand for gold has also been rising, with ETF holdings reaching their highest levels since November 2024.

Geopolitical risks have also supported gold demand in recent years. With the Middle East ceasefire holding and the Russia-Ukraine war seemingly nearing an end, attention is now shifting to Europe's security.

Finally, returning to the issue of tariffs—particularly those targeting Canada and Mexico, the main sources of US gold imports—they have led to a logistical arbitrage between the LBMA and COMEX gold inventories. However, this only reflects a shift in gold flows rather than a shortage (as shown in Graph 1). US dealers are now securing new sources of gold imports, particularly from Switzerland, the global hub for gold refining (Graph 2).

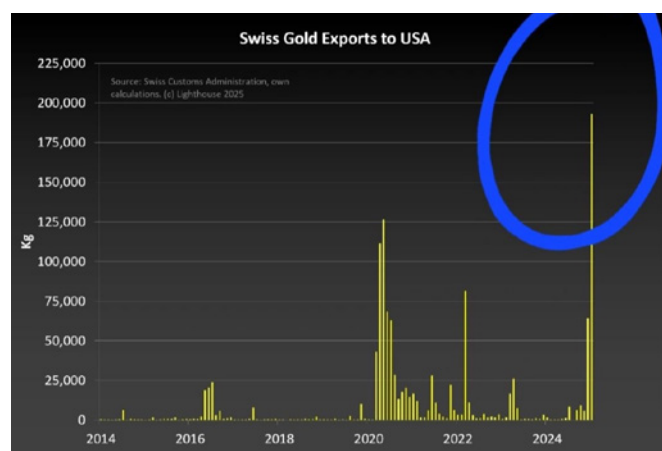
We continue to believe that all these factors, along with the strategic diversification of investment portfolios, continue to create a highly favourable environment for gold in the medium and long-term.

## 1. Global gold inventories at major exchanges are still higher levels than during the COVID pandemic



Source: MKS-PAMP

## 2. Gold Swiss exports to the US



Source: Lighthouse, Federal Office for Customs

### For further information

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