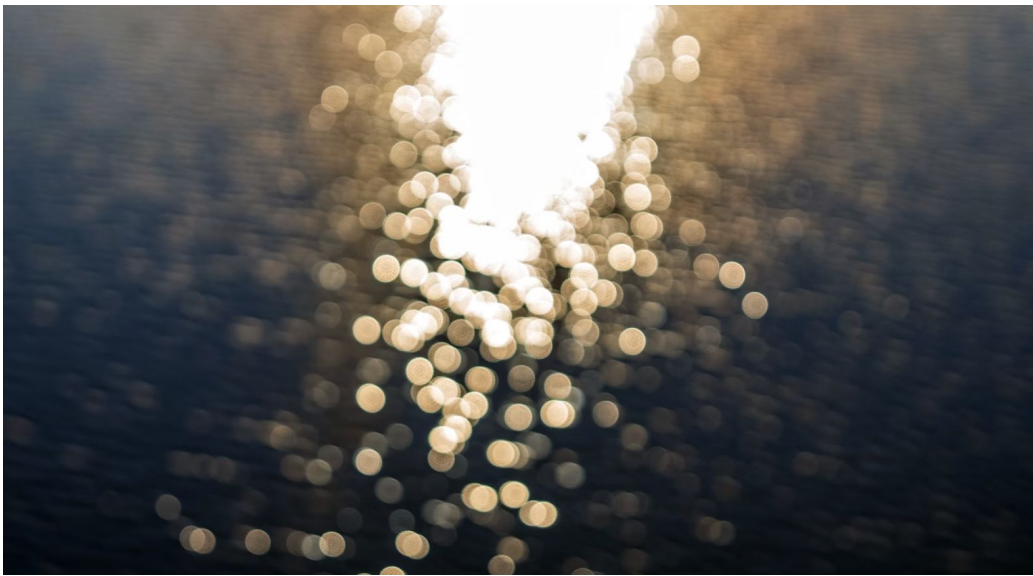
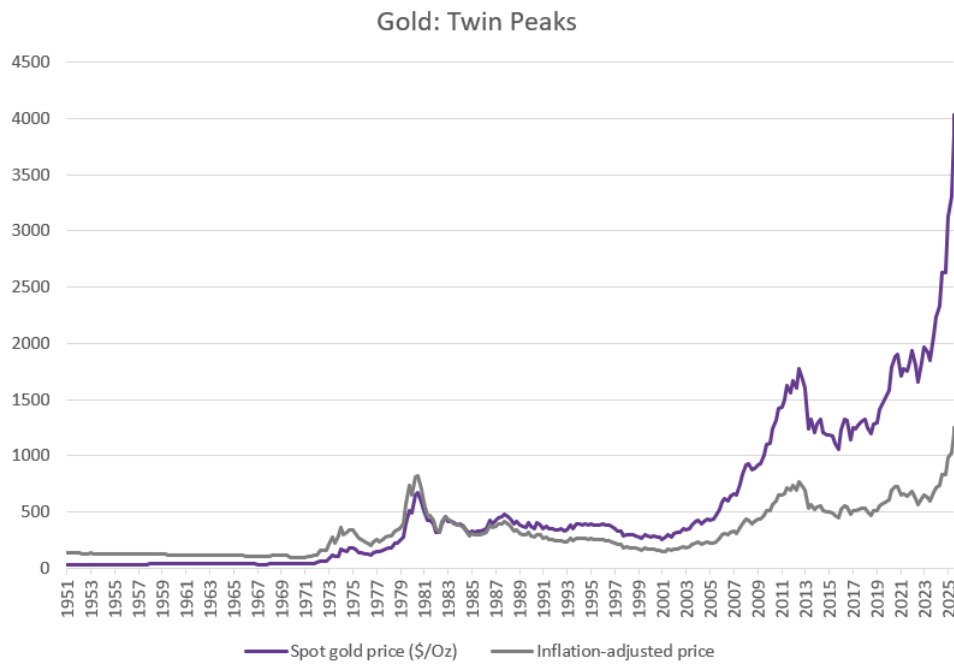


October 14, 2025

After a record-breaking run, can gold continue to glitter?



A filigree of forces, both fleeting and fundamental, has pushed gold to new all-time highs this year, rising **above \$4,000 per troy ounce** last week. And the records don't stop there: for the first time in 45 years, gold has also surpassed its inflation-adjusted peak. Year-to-date, the precious metal has recorded gains of over 50%, trouncing the S&P 500 (up by c. +13%), the NASDAQ (c. +18%), Bitcoin (+20%) and most of the AI superstars to boot. The question now for investors is whether gold can keep shining...

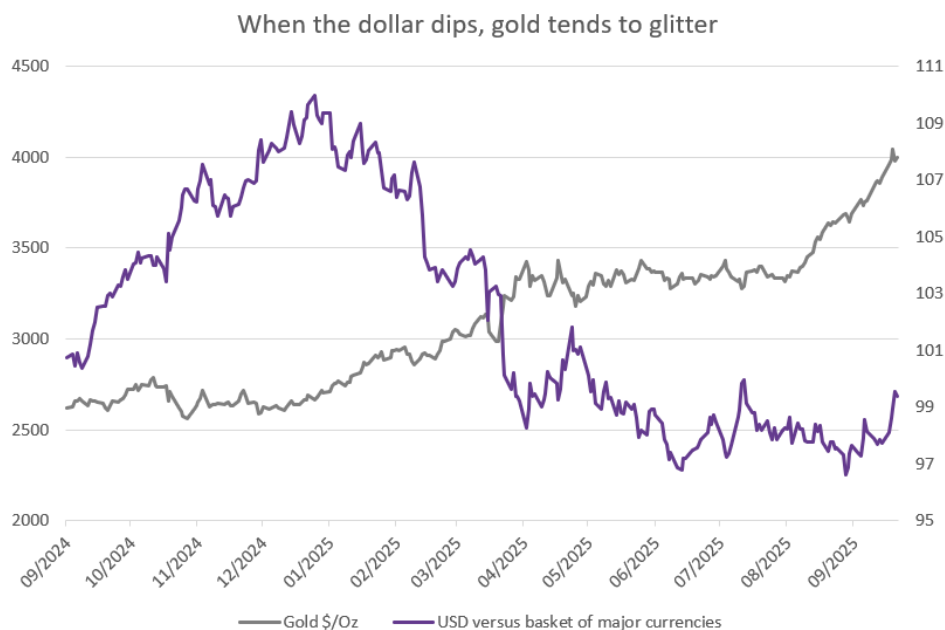


Source: Bloomberg, *BIL*

A CONFLUENCE OF FORCES

Recent moves in the gold price are closely linked to **interest rate expectations**, the **US dollar**, and its **enduring role as a safe haven asset**.

Following the Federal Reserve's 25 basis point rate cut in September, the market is eyeing the weakening US labour market and betting that rates will be about 100 basis points lower by mid-2026. Yet inflation remains stubborn (US CPI recently accelerated to 2.9% and we believe full impact of trade tariffs is yet to be captured in price data), suggesting real rates could drift lower. That backdrop enhances gold's relative appeal versus cash or fixed income.



Source: Bloomberg, BIL. *Past performance is not a reliable guide of future performance*

While that explains some of the most recent price movements, the rally predates the Fed's dovish pivot. Another major factor underpinning gold has been the weakening of the US dollar. **The greenback is down by around 9% this year** - its worst performance since 1973. As the dollar falls, investors naturally gravitate towards alternative stores of value, while a cheaper dollar makes gold more affordable for non-US buyers.

And of course, there has been no shortage of anxiety-inducing headlines for the safe haven to feast on. Whether it be ongoing armed conflicts, a US government shutdown, unpredictable White House policies, or renewed concerns about surging fiscal deficits, it is understandable why investors are looking for a safe harbour.

Momentum has also played its part. As gold breaks new highs, classic FOMO behaviour has kicked in, with more and more non-professional investors jumping in.

Global **gold ETFs** recorded their largest monthly inflow in September, resulting in the strongest quarter on record.

STRUCTURAL DEMAND: CENTRAL BANKS TAKE CENTRE STAGE

Beyond cyclical and speculative forces lies a powerful structural story: central bank demand. Since 2022, **central banks have collectively purchased over 1,000 tonnes of gold annually** –

more than double the annual pace seen in the preceding decade. There are three core motivations behind this:

1. Reserve diversification

Many central banks, particularly in emerging markets, are seeking to reduce reliance on US Treasuries and the dollar. Gold, as a non-sovereign and apolitical reserve asset, offers protection against shifts in foreign exchange regimes, sanctions, and the erosion of confidence in major fiat currencies.

2. To hedge against debt and inflation

With US debt surpassing USD 37 Trillion, and fiscal positions deteriorating globally, gold provides insurance against currency debasement and the erosion of purchasing power. One idea is that gold could play a future role in propping up or restoring trust in debt-fuelled monetary systems.

3. Protection from sanctions and asset freezes

When the US and its allies moved to freeze Russia's foreign reserves in 2022, the pace of central bank gold-buying doubled, as countries reassessed geopolitical and financial risks in an increasingly polarised world. Unlike digital reserves or assets held overseas, gold can be stored and controlled domestically.

Together, these dynamics represent a structural shift in reserve management – one that is relatively insensitive to price and unlikely to reverse soon. This persistent demand acts as a form of “gold put”, buoying the market, even during bouts of volatility.

CAN GOLD CONTINUE TO SHINE?

Unless inflation meaningfully surprises to the upside or US growth reaccelerates sharply, the backdrop – **lower real rates**, **fiscal strain**, and steady **central bank demand** – should continue to support gold.

There are also some important **seasonal factors** that should not be overlooked. The final quarter often brings a lift in physical demand, driven by India's festival and wedding season. Other factors to watch include China's pace of stimulus, which influences jewellery and bar demand, as well as year-end portfolio rebalancing which tends to favour safe-haven assets.

That said, the rally is not without risks. A sudden rebound in inflation could prompt the Fed to reassert its hawkish stance, lifting real yields and strengthening the dollar, both traditionally negative for gold. Since mid-September, the dollar has clawed back nearly 3%, a reminder that sentiment can shift quickly.

Profit-taking and short-term corrections are to be expected as traders respond to data releases and policy announcements. **Silver's** sharp surge suggests that investors are already broadening their search for perceived stores of value – especially as gold trades at record levels.



Source: Bloomberg, *BIL*

CONCLUSION

There's glitter in the air around gold right now, but that reflects more than speculative sparkle; it speaks to deeper currents reshaping the global monetary order. While the path ahead may not be linear, the forces driving this move – debt, diversification and de-dollarisation – are unlikely to fade out soon.

For investors, gold remains what it always has been: an asset that yields nothing in calm waters but proves invaluable when the tides turn; a stabiliser and source of value amid uncertainty. That's why we continue to see merit in maintaining strategic, long-term exposure to the precious metal within a diversified portfolio.

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