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Market performance and macro factors

Gold report

Q1 2025

Introduction

In our quarterly Gold Report, we review the performance of the gold price and touch upon other asset classes, as well as explore significant macro factors, including bond yields, the US Dollar and inflation expectations.

Key facts from Q1 2025

Gold price return in Q1
19.0%

Q1 change in real bond yields
-40 bps

US Dollar Index
-3.9%
in Q1

Data: Bloomberg, as at 31 March 2025.

Market performance
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Gold gained 19% in Q1 2025 for its best quarterly performance since Q3 1986. The yellow metal ended the quarter at an all-time high closing price of US$3,124. Gold was the best-performing major asset class as equities retreated in the second half of the quarter while fixed income assets adjusted to uncertainties around the path of interest rates and inflation.

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Weakening in the US Dollar during the quarter supported the gold price. Concerns around the US economy increased with the prospects of stagflation, as growth is forecast to slow and inflation could potentially remain higher than the Fed's target. Attention will increasingly turn to the Fed's monetary policy if economic conditions do in fact deteriorate.

Quarterly price performance

Gold recorded a 19% gain in Q1 2025 for its best quarterly performance since Q3 1986. After beginning the year at US$2,624, the yellow metal went on an almost unbroken run to end the quarter at an all-time high closing price of US$3,124. Much of the support during the quarter came from the allure of its perceived "safe haven" characteristics, with global demand for physical gold exchange-traded products having turned positive in December 2024 and continuing throughout Q1, adding to ongoing support from central banks and retail investors. A weaker USD also benefited gold, as it makes it cheaper for buyers in other currencies.

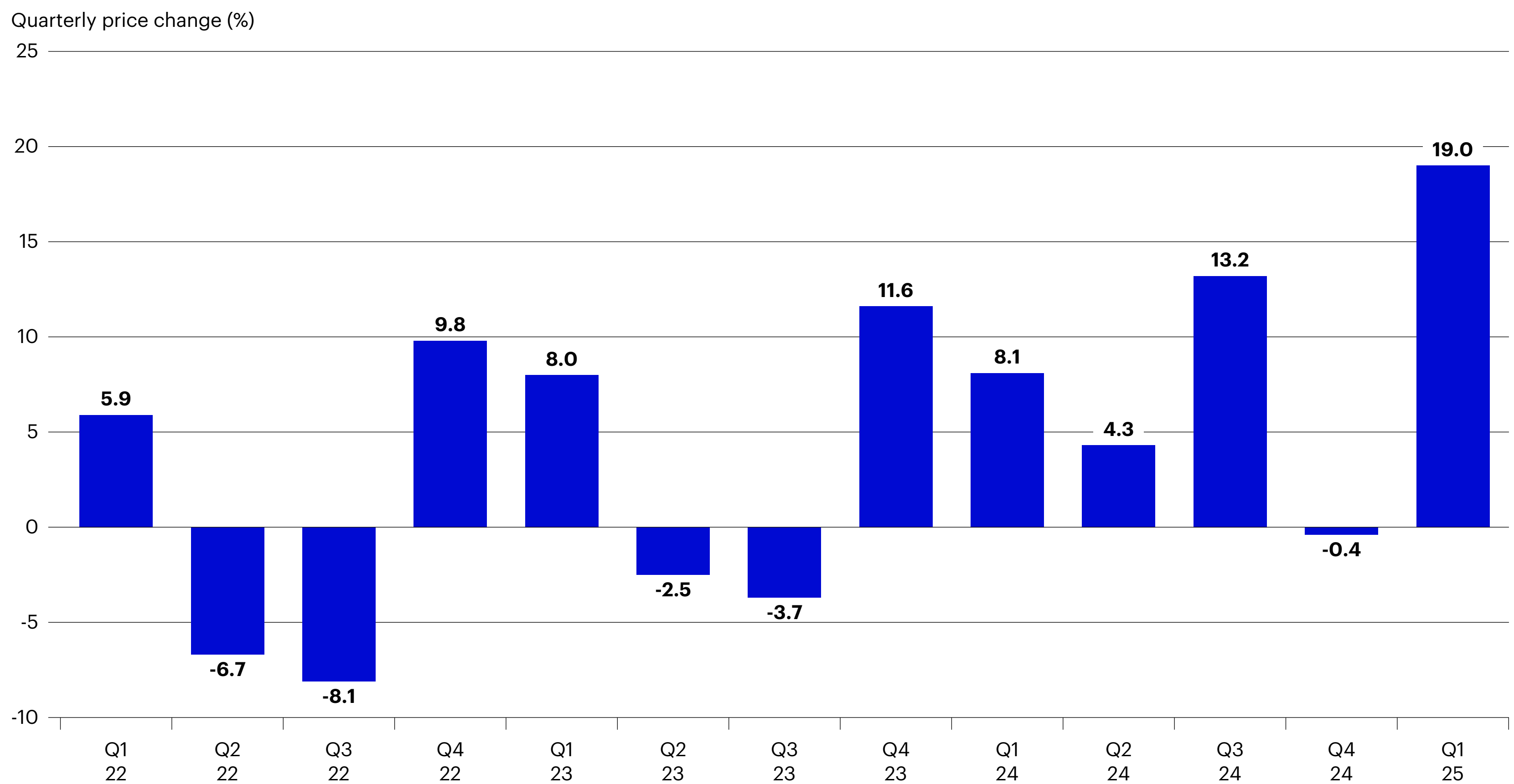
Gold price return in Q1

19.0%

Past performance is not a reliable indicator of future returns. Source: Bloomberg, in USD, from 31 December 2024 to 31 March 2025.

Quarterly price returns

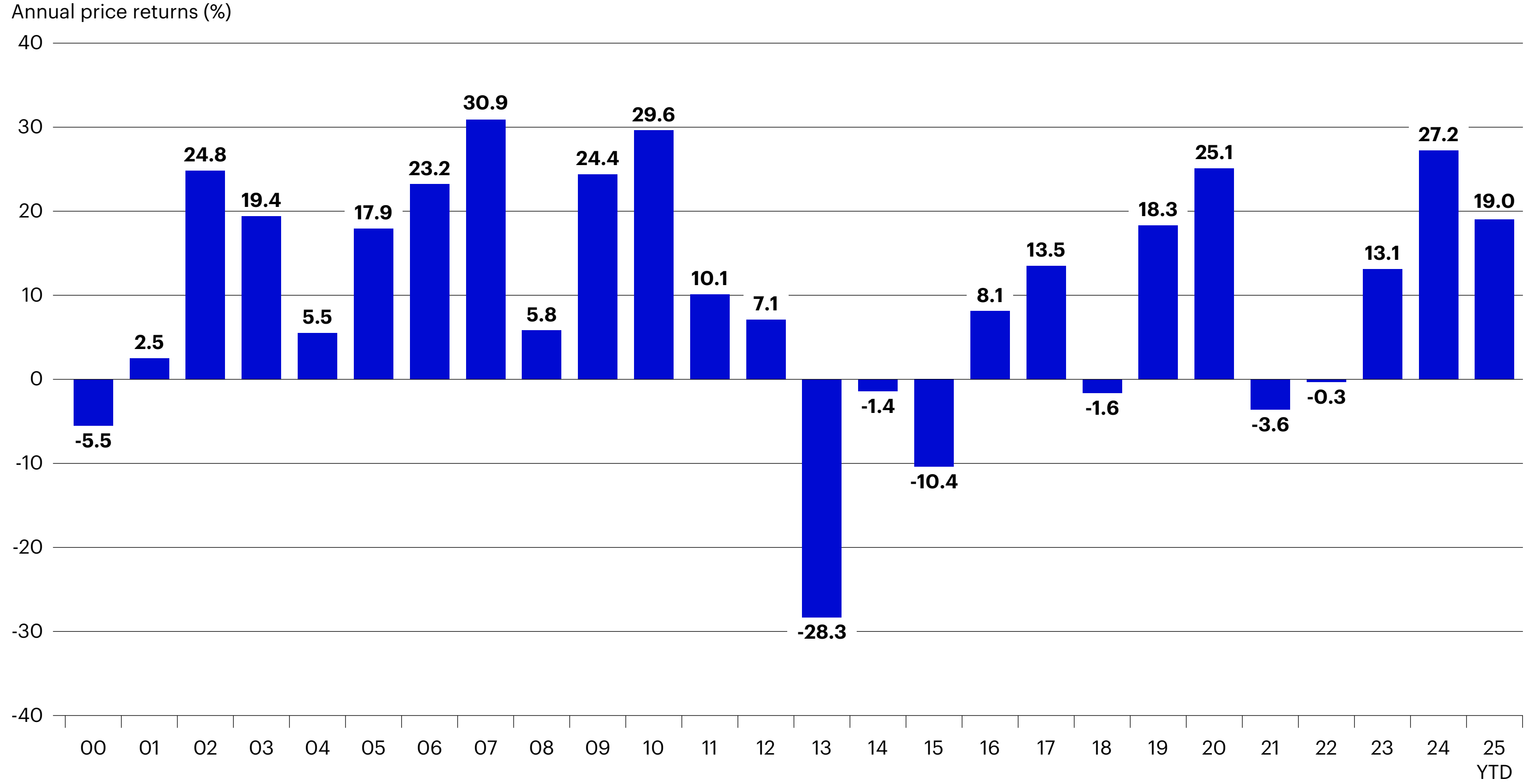
After a small decline at the end of 2024, the gold price resumed its journey higher with a 19% return in Q1 2025. Gold has had a positive return in five of the past six quarters.



Past performance is not a reliable indicator of future returns. Source: Bloomberg, in USD, as at 31 March 2025.

Annual price returns

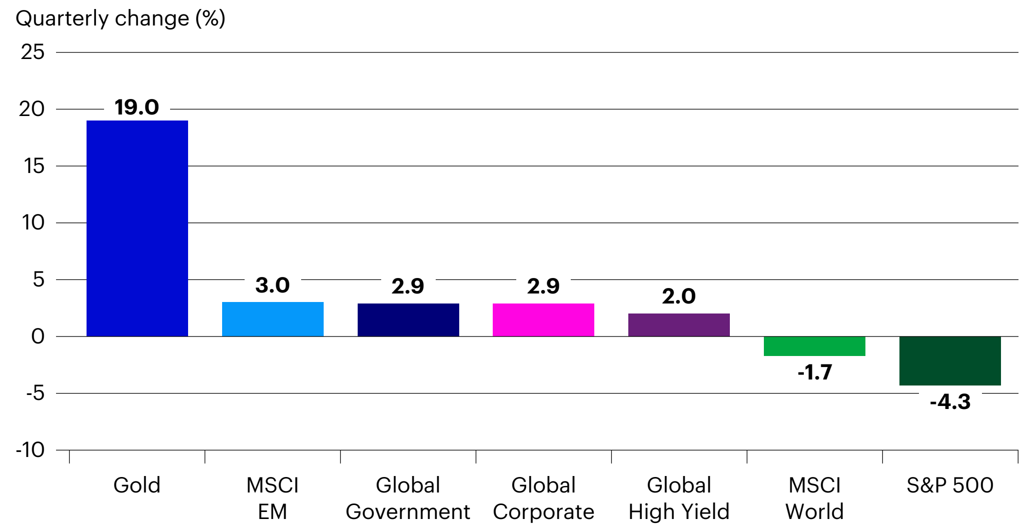
The YTD return of 19.0% is already ahead of the full-year gold returns in eight of the past 10 years. While, historically, gold has tended to perform well in the first quarter of most years, there are some unusual factors driving markets and the economy this year, making any meaningful predictions for the coming quarters rather more difficult.

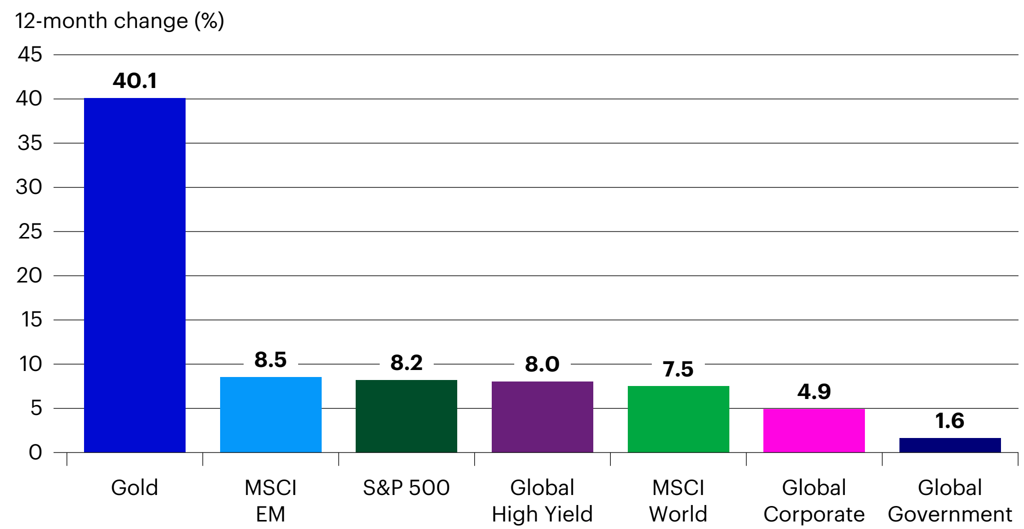


Past performance is not a reliable indicator of future returns. Source: Bloomberg, in USD. "2025 YTD" as at 31 March 2025.

Asset class returns

Gold was easily the best-performing asset in both Q1 and for the past 12 months. The US equity market, which had been such a strong performer for much of 2024, gave back some of its gains in Q1 this year, while a pick-up in China provided a boost for emerging market equities. Global bond markets delivered relatively solid returns in the quarter. For the past 12-month period, global government bonds were the weakest, but all assets in our review delivered positive returns, led – by some distance – by gold.

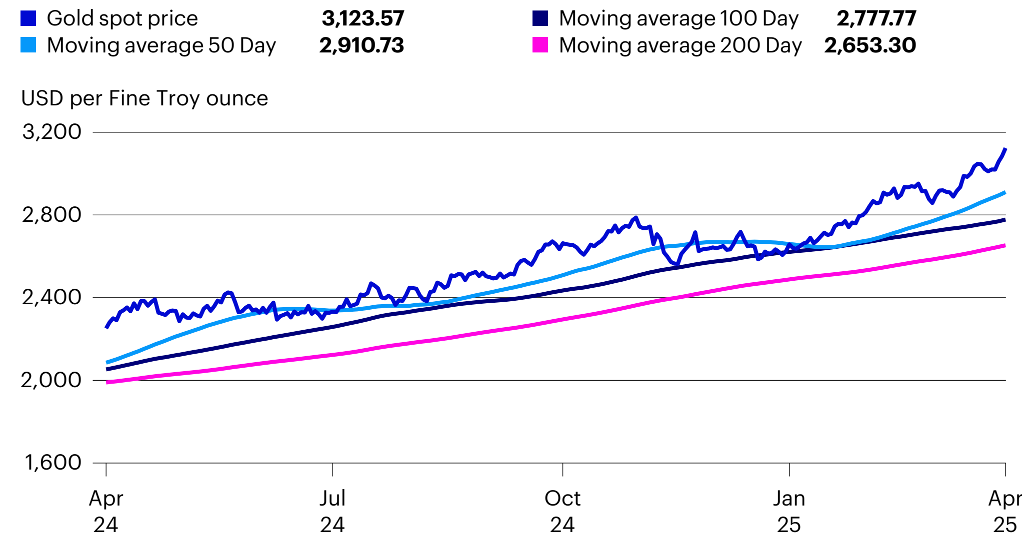


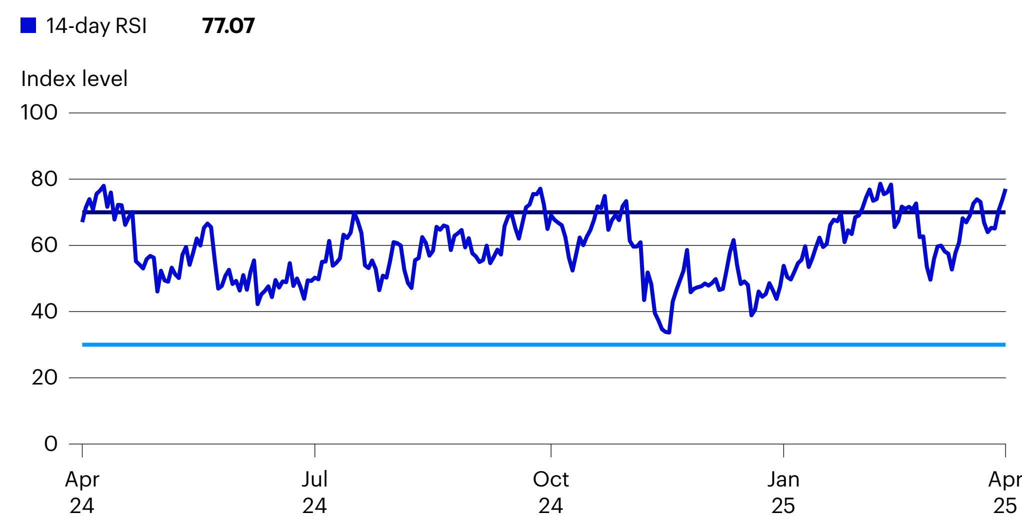


Past performance is not a reliable indicator of future returns. Source: Bloomberg, in USD, as at 31 March 2025.

Relative strength of the gold price

The gold price entered overbought territory four times during Q1, including ending the quarter above 75, according to the 14-day Relative Strength Index. It would not be that surprising to see some short-term selling at these overbought levels, although the overall market seems to be driven by less technical characteristics.





Past performance is not a reliable indicator of future returns. Source: Bloomberg, in USD, to 31 March 2025.

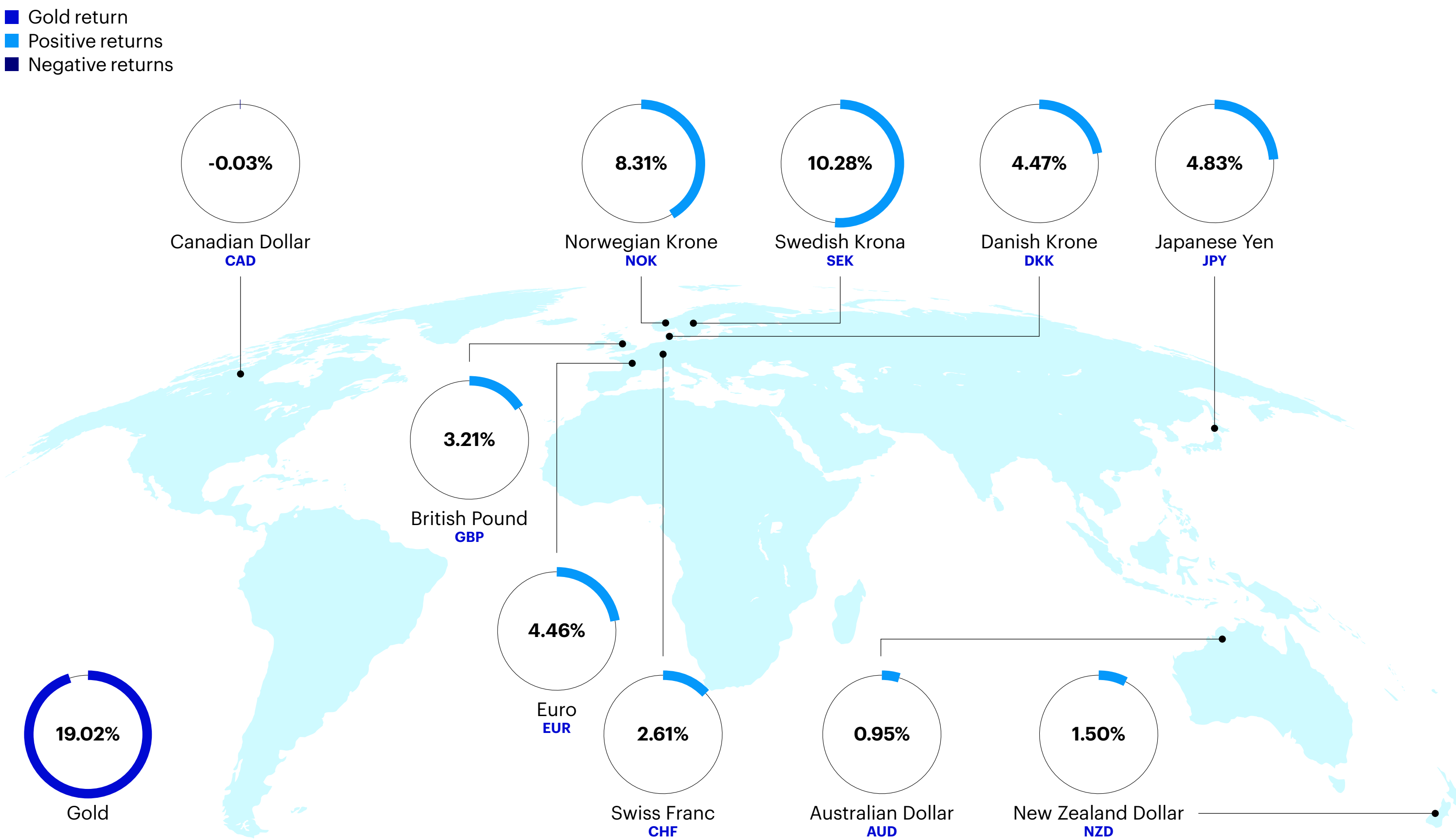
Market performance

Macro factors

G10 currencies

Most major currencies appreciated versus the USD in the quarter, with the greenback weakening on growing concerns over the world's largest economy. The EUR has shown particular strength, lifted by improving sentiment especially towards Germany, while the Yen also benefited from further monetary tightening by the Bank of Japan.

Q1 returns of gold and G10 currencies in USD (%)



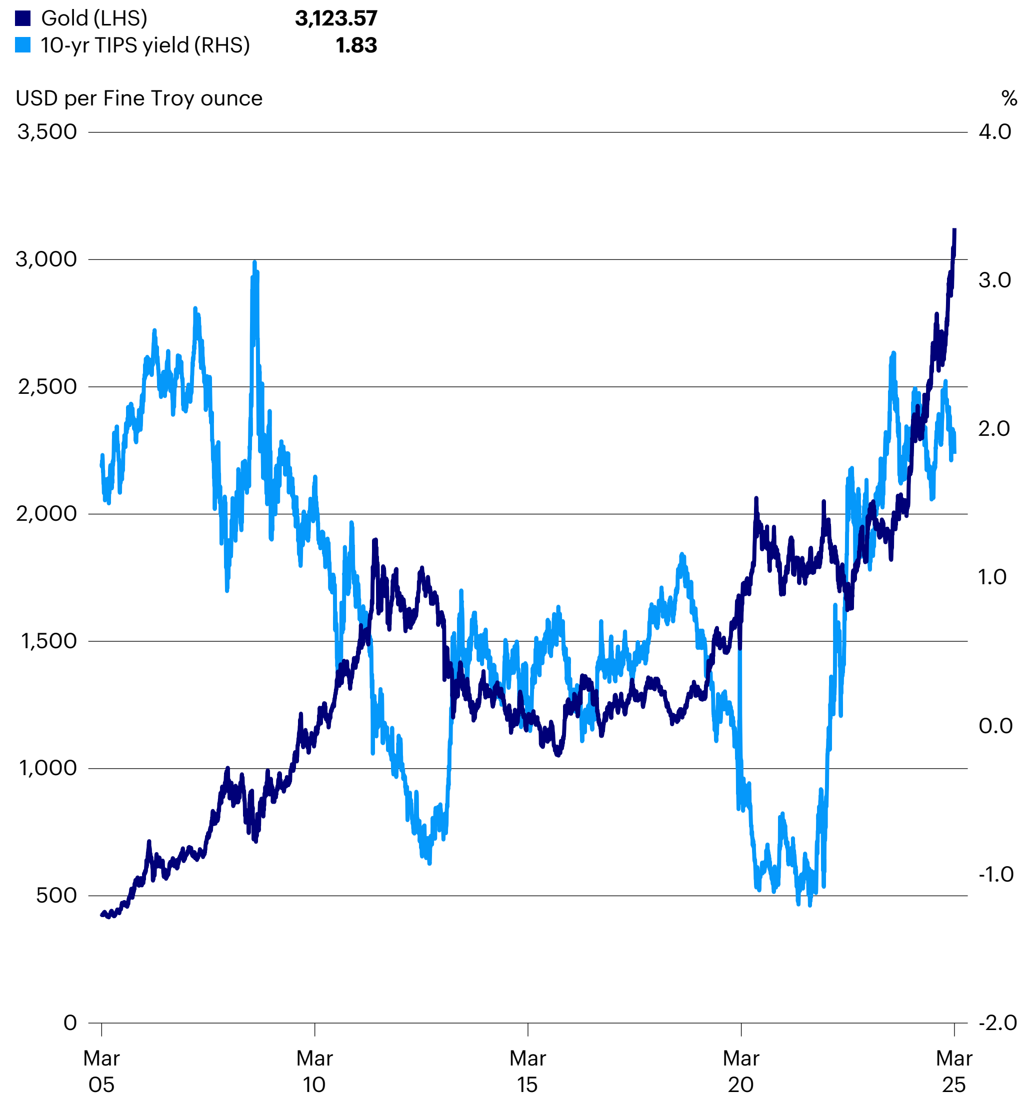
Past performance is not a reliable indicator of future returns. Source: Bloomberg, in USD, to 31 March 2025.

Gold price and real bond yields

The real yield as measured by the US 10-yr TIPS ended Q1 at 1.8%, down from 2.2% at the start of the period. In nominal terms, Treasury yields were lower across the curve, with the short end dipping below 4% and 10 years ending the quarter at 4.2%, down from 4.6% at the end of 2024. Lower bond yields are generally positive for gold, as it reduces the opportunity cost of holding the non-yielding asset.

Q1 change in real bond yields

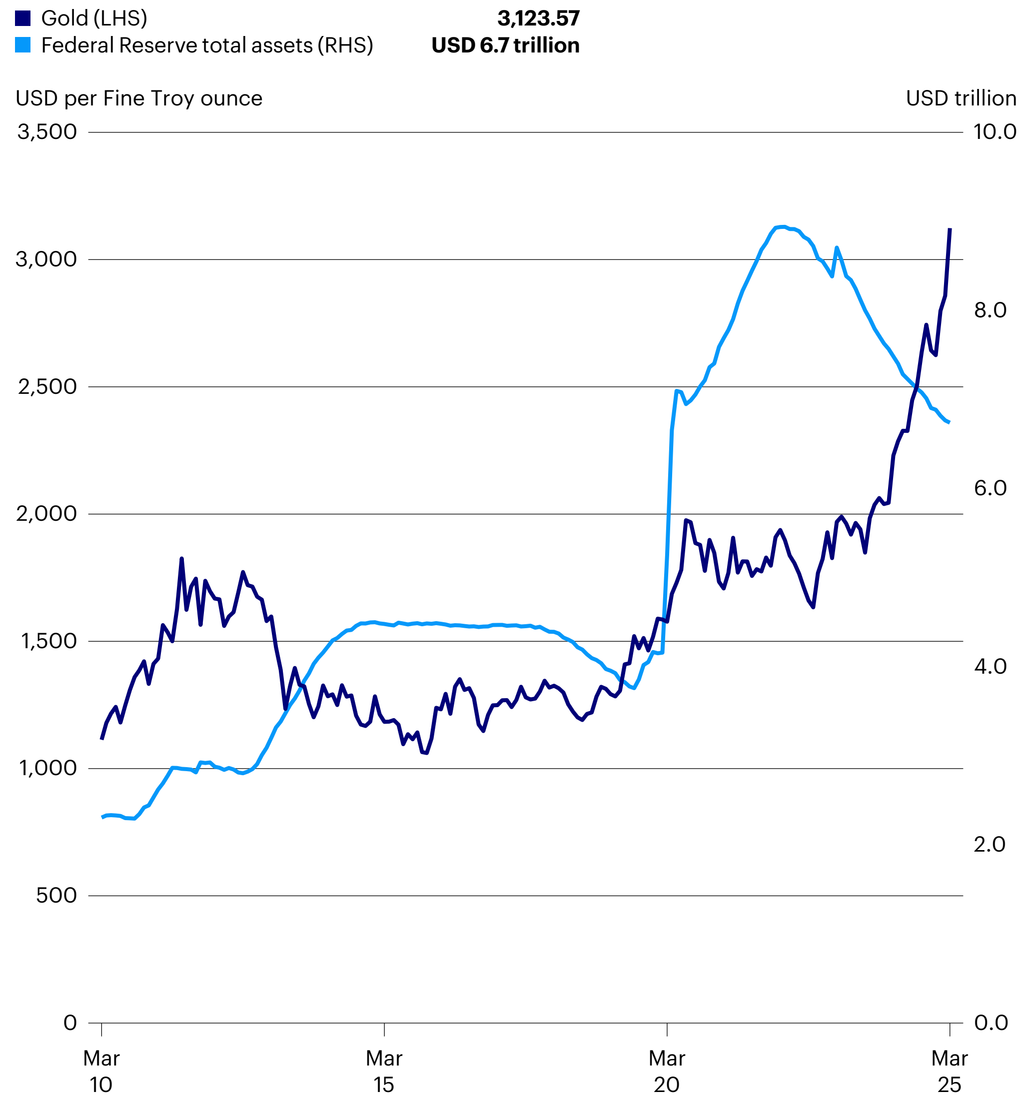
-40 bps



Past performance is not a reliable indicator of future returns. Source: Bloomberg, in USD, to 31 March 2025.

Gold price and Fed balance sheet

The Fed continued to reduce its balance sheet, finishing the quarter at US$6.7 trillion, although in March the central bank said it has lowered the cap on the amount of Treasury securities it will allow to run-off to US$5 billion per month, from US$25 billion per month previously. Slowing the pace will give the Fed time to evaluate the evolving economic conditions.



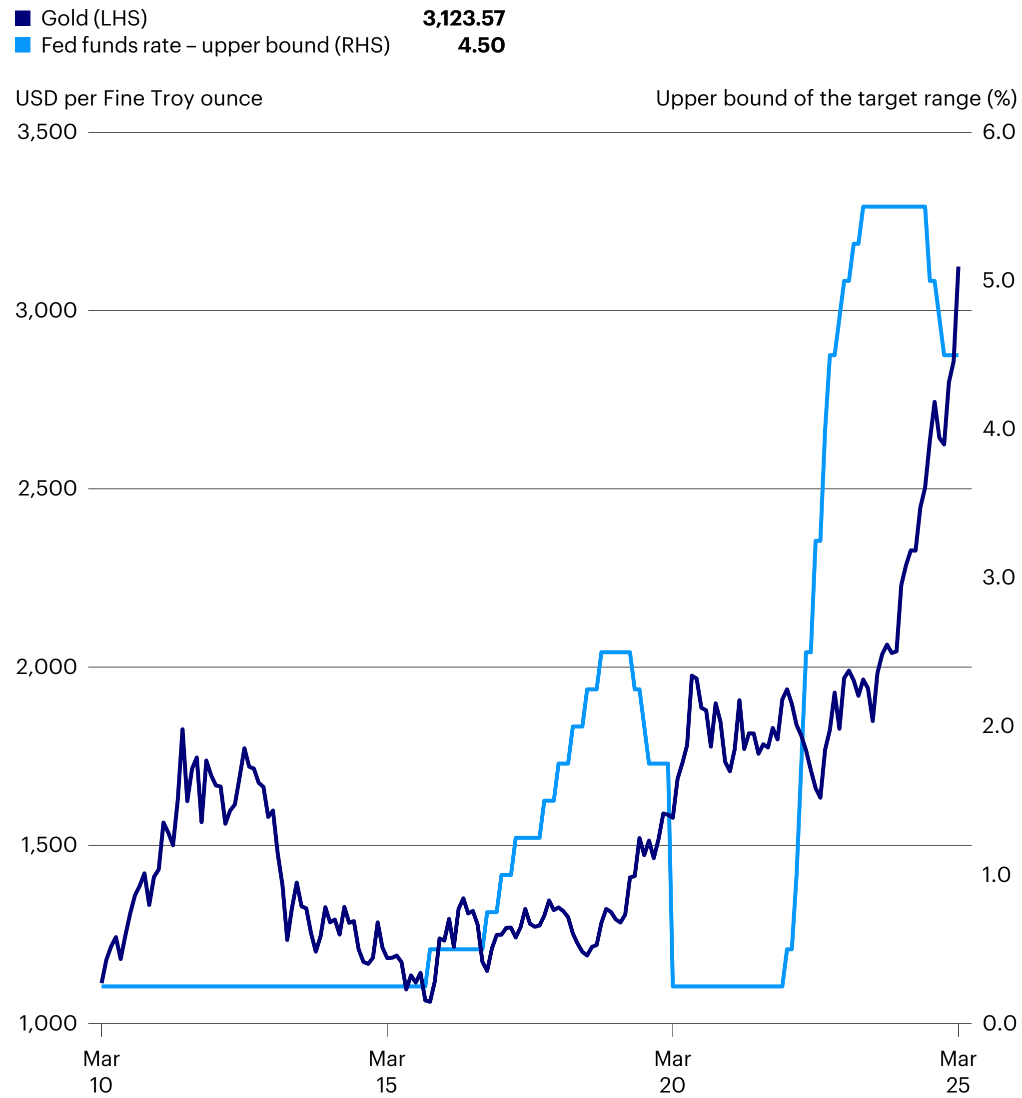
Past performance is not a reliable indicator of future returns. Source: Bloomberg, in USD, to 31 March 2025.

Market performance

Macro factors

Gold price and US interest rates

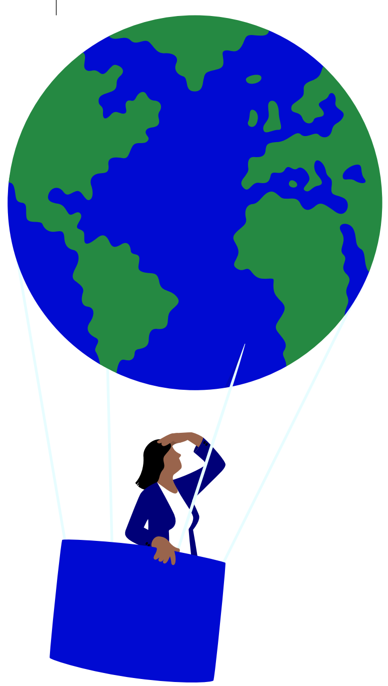
The Federal Open Market Committee voted to leave US interest rates unchanged at both of its meetings in the quarter (January and March), opting to maintain a target range of 4.25 – 4.50%. This pause follows 100 basis points (bps) of easing from September to December 2024. Fed Chair Powell has stated that the US central bank is in no hurry to cut rates and would be looking past the noise and focussing on the evolution of economic conditions. The March 'dot plot' indicates that the majority of committee members still forecast two rate cuts in 2025. The next update to the dot plot will be in June. Labour market and inflation data will have a strong influence on whether the Fed reduces rates at that meeting.

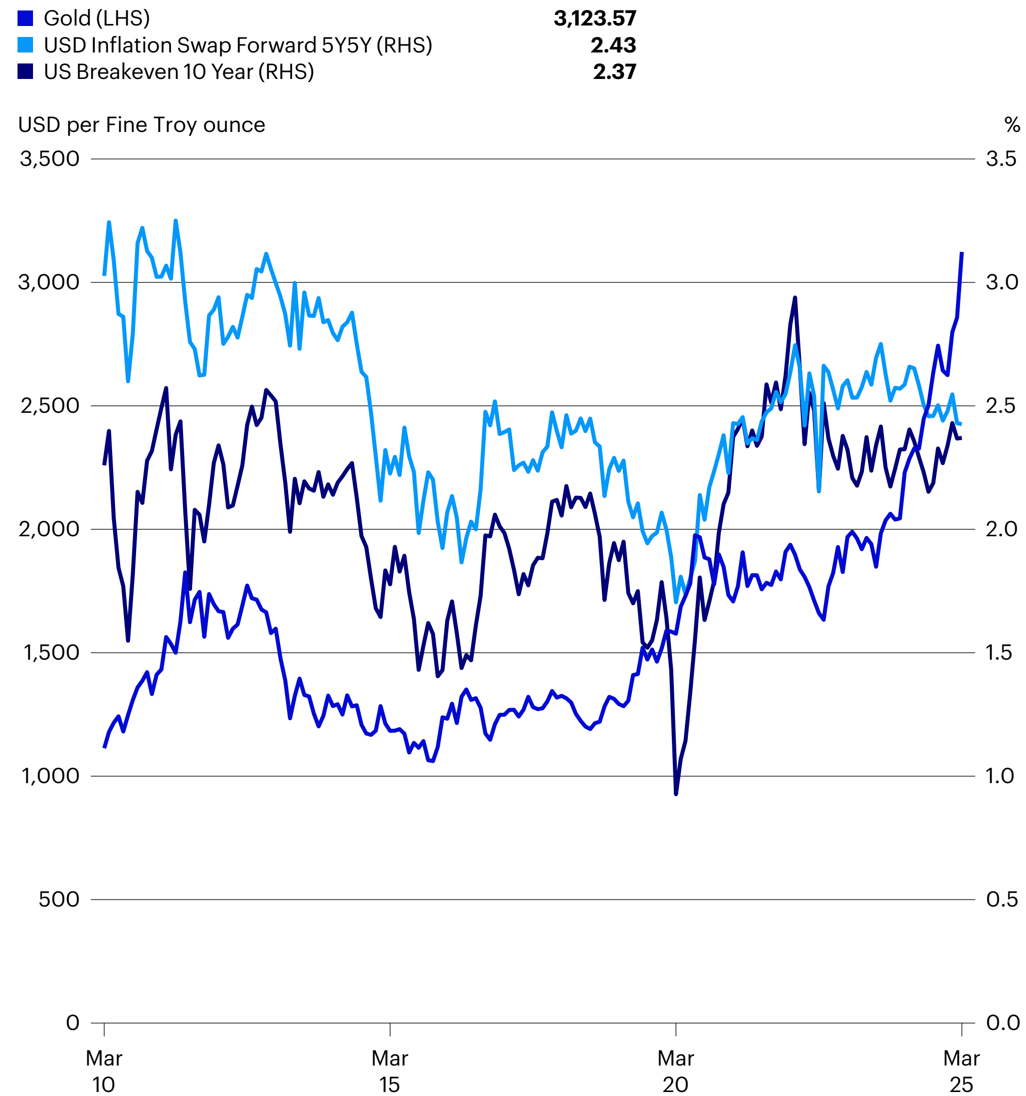


Past performance is not a reliable indicator of future returns. Source: Bloomberg, in USD, to 31 March 2025.

Gold price and inflation expectations

The US Consumer Price Index in March was slightly better than the market expected, but the Fed still highlights concerns over the impact of tariffs. Powell said he believes tariffs would be a one-time increase to inflation but is concerned on their impact on growth. At the Fed's March meeting, the forecast for inflation was increased to 2.7% at the end of the year, up from the 2.5% it had predicted at the end of 2024. The Fed also expects unemployment to rise in 2025, and for growth to slow to 1.7%, down from 2.1% it had expected a quarter earlier.





Past performance is not a reliable indicator of future returns. Source: Bloomberg, in USD, to 31 March 2025.

Gold price and the US Dollar

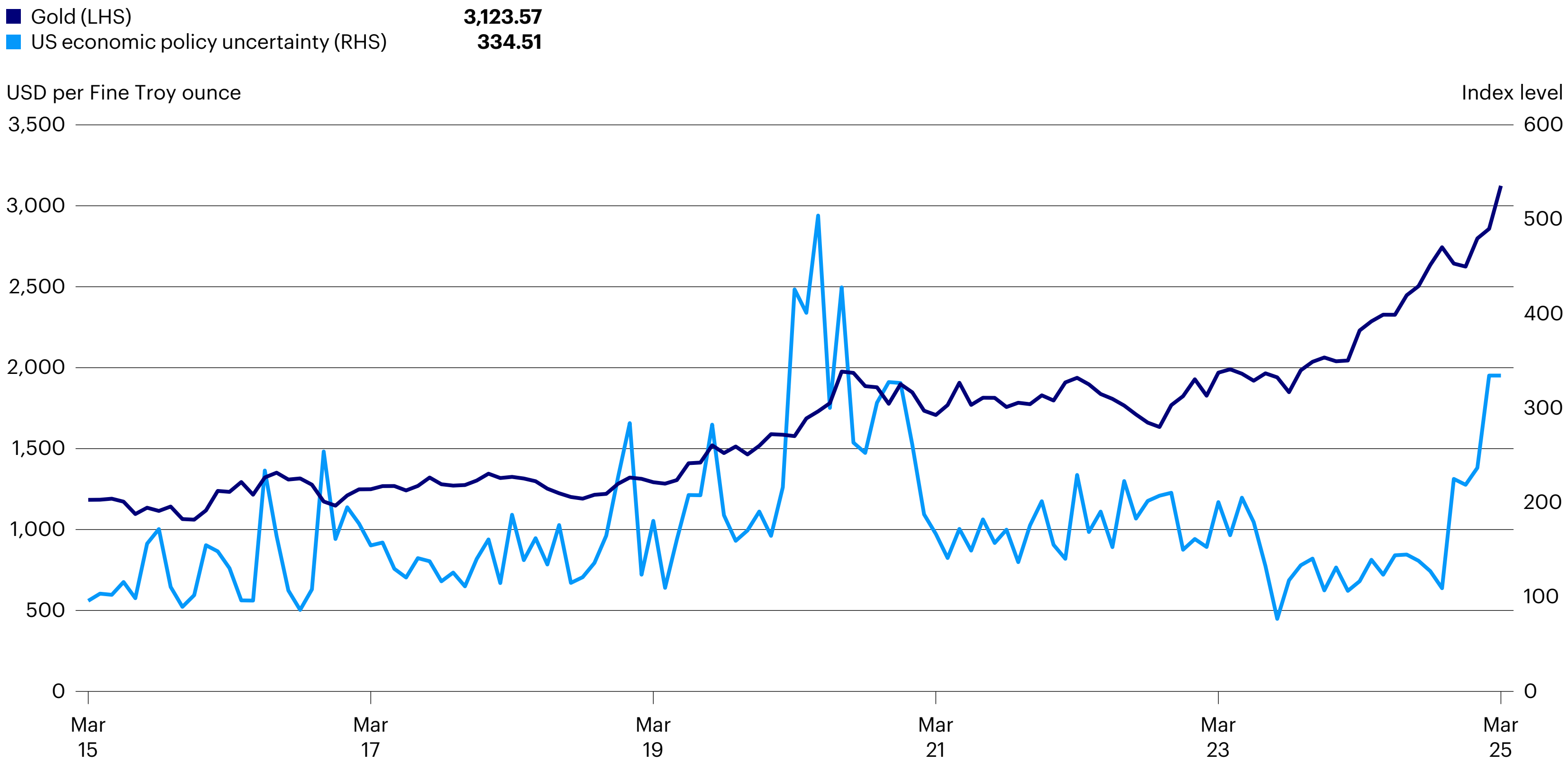
The USD decreased in value versus the currencies of the major US trading partners, with the DXY index falling 3.9% in Q1. The index at the end of 2024 was at 108.5, its highest level since November 2022. The currencies are being driven in large part by the differentials in economic growth outlooks and interest rate forecasts.

US Dollar Index
-3.9%
in Q1

Past performance is not a reliable indicator of future returns. Source: Bloomberg, in USD, to 31 March 2025.

Gold price and economic risks

The US Economic Policy Uncertainty index rose sharply in Q1, following a similar move higher in the final quarter of 2024, as newspapers increased their coverage of the potential impact of tariffs and other policy from the new US Administration. This index is measured by the count of the word 'uncertain' or 'uncertainty' with 'economy' and words related to the federal government. While actual policy decisions can have more definitive outcomes, uncertainty tends to be positive for gold, and so this is a potential support for the gold price in coming months.



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Data as at 1 April 2025, unless otherwise stated.

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