

A Weaker Dollar Fuels Gold Demand as Sovereign Investors Embrace Broader AI Opportunity

- **Central Bank investors step up gold allocations as dollar weakness and geopolitics drive demand for safe-haven assets.**
- **AI investment shifts to a focus on adoption and real world use cases that will help drive productivity across industries.**
- **Portfolios tilt toward resilience with stronger stress testing and diversified risk strategies.**

London, 26 February 2026 – The global shift toward a weaker US dollar and rising geopolitical fragmentation is accelerating a structural rethink by central banks, of reserve management, with **gold emerging as the standout strategic hedge**, according to Invesco.

As a precursor to the 14th edition of the **Invesco Global Sovereign Asset Management Study 2026**, set for release in summer 2026, Invesco conducted a short pulse survey of a select group of sovereign investors with total assets under management of US\$0.8 trillion. The survey gathered insights from central banks and sovereign wealth funds across regions highlighting gold's continued importance – both as a hedge against geopolitical risks and within portfolios.

Gold demand strengthens amid dollar weakness and sanctions risk

Against a backdrop of persistent US dollar depreciation and growing concerns over asset freezes, central banks are reassessing both the level and the structure of their gold holdings. The latest insights from the survey indicate that gold is becoming increasingly important as a strategic diversifier, particularly for institutions whose currency flexibility is constrained and who must manage portfolios through periods of heightened stress.

Many central banks now explicitly link gold to sanctions resilience, noting that physical gold, particularly when held domestically, offers a degree of protection against asset freezes that other reserve assets cannot match. This is an attribute that has taken on added significance amid increasing geopolitical uncertainty.

The strong price performance of gold in 2025 has also sharpened internal debates, with institutions acknowledging a desire not to “miss the rally” again. As one **European central bank commented**, *“We brought gold into our scenario framework for the first time—prompted by the price move.”* With structural and policy-related constraints limiting the ability of institutions to reduce their US dollar exposure in the near term, many describe gold as the practical and immediate lever available within their reserve-management toolkit.

As allocations rise, the discussion is shifting from whether central banks should hold gold to the more operational question of how they should hold it. Central banks indicated that gold ETFs are increasingly viewed as a viable route to scaling exposure efficiently, particularly when speed or flexibility is required.

At the same time, physical gold appears to be the preferred long-term form of ownership, driven by sovereignty considerations and custody arrangements. For some institutions, political sensitivities around repatriation are also a factor, influencing how (and where) holdings are maintained. This intensified examination of implementation options underscores a broader evolution: gold is no longer

treated merely as a symbolic or legacy asset but is instead being actively managed as a strategic holding within reserve portfolios.

“This year’s conversations show a clear pivot: central banks are no longer asking whether to hold gold, but how to scale and store it. That’s a profound shift in institutional mindset.” **Said Rod Ringrow, Head of official institutions at Invesco.**

AI momentum broadens beyond Big Tech as sovereign investors shift focus

The survey interviews show that AI is an increasingly important thematic area in sovereign wealth fund portfolios, but its centre of gravity is shifting from “builders” to “adopters,” with growing interest in real-world use cases. Sovereign investors describe AI as an “enabling layer” now spreading well beyond a narrow group of technology names, widening the opportunity set across sectors and asset classes.

Despite this momentum, sovereign investors remain disciplined. Concerns over elevated valuations and benchmark concentration—especially in US tech—continue to temper enthusiasm, with several respondents expecting a familiar cycle of a strong narrative acceleration followed by a shakeout. As one **APAC sovereign wealth fund cautioned**, *“There may be a bubble phase first, and then the dominant winners emerge.”*

Operationally, AI adoption inside sovereign institutions is expanding, but within strict boundaries. The primary gains so far come from productivity and workflow enhancement—such as research synthesis, drafting support, and coding efficiency—rather than investment decision-making. This is partly due to governance constraints around sensitive data, prompting many organisations to build internal-only AI environments and maintain tight control over model use.

These governance frameworks—focused on security, auditability and operational stability—mean institutions deploy AI cautiously and methodically. AI is helping teams work faster and more efficiently, but for most it is not yet trusted to steer portfolio decisions, reflecting the high bar for risk management across sovereign and central bank mandates.

Resilience Emerges as a Defining Investment Priority for 2026

Sovereign investors are also embedding resilience as a core principle of portfolio construction the survey found. Against a backdrop of shifting macroeconomic regimes and heightened geopolitical uncertainty, institutions are prioritising strategies designed to withstand a wider range of market environments.

Sovereign Investors reported an increase in the use of enhanced stress testing and scenario analysis. This approach reflects a broader move toward building portfolios capable of absorbing shocks while maintaining long-term stability.

A key theme emerging from the interviews is the growing emphasis on diversifying underlying risk drivers. Sovereign investors are reassessing traditional assumptions about correlation and liquidity, ensuring portfolios are better positioned for structural market changes and unexpected disruptions. Within private markets, sovereign wealth funds are looking at secondaries as an increasingly important resilience tool—a way to adjust exposures without abandoning allocations—resulting in a more “maintainable” portfolio, one that can be repaired and rebalanced as conditions evolve.

As Rod Ringrow noted, “Resilience is no longer just a defensive stance—it’s becoming an increasingly important component of portfolio design for sovereign investors.”

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Sourced by NMG Consulting: total assets of those sampled stands at US\$0.8trillion as of February 2026

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