STATE STREET INVESTMENT MANAGEMENT

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Monthly Gold Monitor

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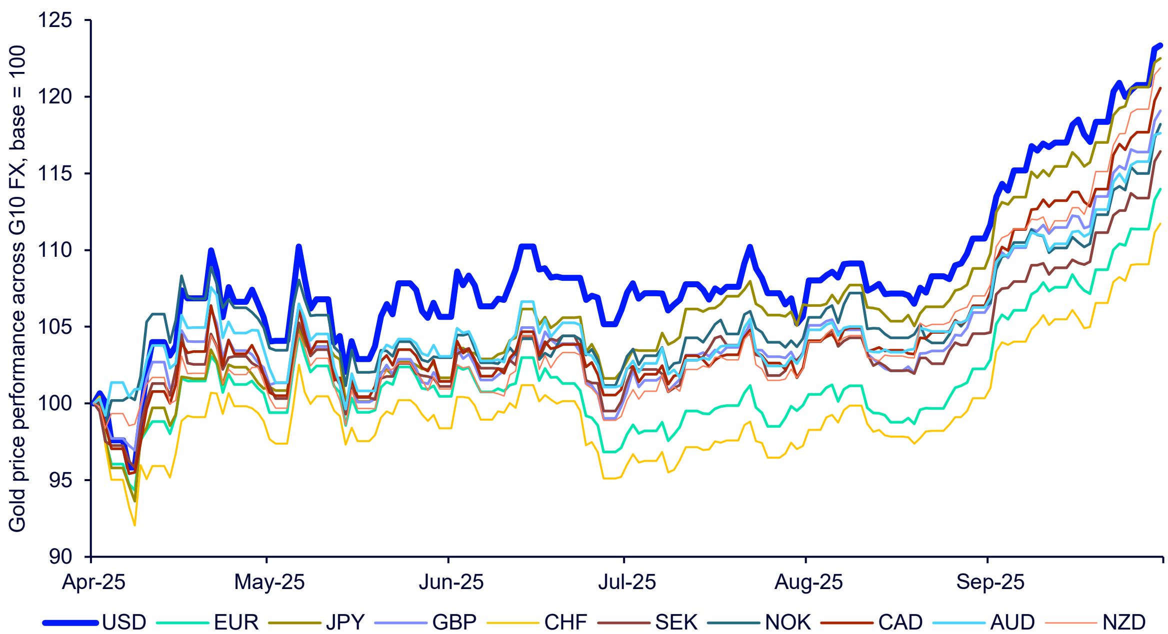
Knocking on the door to US$4,000/oz, as market echoes the 1970s

- Spot gold prices scaling US$4,000/oz+ is likely a question of "when" not "if" in the current FOMO environment. We think there is a 75% probability that bullion markets breach US$4,000+ in 4Q or by early 2026. 2025 is shaping up to be the strongest year for gold returns since 1979.[1]
- $3,500/oz appears to be a new support area. While a 7-8% sell-off seems plausible in 4Q, especially given weak gold ETF historical seasonals in November/December, we think such a dip would ultimately be bought. Key factors that we are monitoring include:
  - **US dollar downtrend:** With the greenback posting its steepest annual decline since the 1970s,[2] gold is benefitting from denomination effects. The resumption of the Fed cutting cycle amid a lingering domestic inflation and fiscal impulse may also prompt further bull steepening of the US Treasury curve (which can support gold prices and weigh on the US$).
  - **ETF inflows:** Global gold ETF inflows in 2025 are the strongest since 2020 in notional and tonnage terms.[3] But total physical holdings have not surpassed the pandemic peak,[4] suggesting scope for further buying. Bullion ETF inflows can materially tighten gold supply/demand balances and are a primary factor driving record prices this year.
  - **Stagflation risk:** Gold has historically outperformed during slow growth/high inflation regimes.[5] Despite a summer rebound in growth, the US labor market is weakening based on private surveys (e.g. ADP) and government (US BLS) metrics.[6] Some price indexes and inflation surveys highlight the risk of inflation reemerging amid tariff policy uncertainty.[7] These concerns have been echoed by the Fed. Although a soft landing remains a plausible baseline, persistent labor market weakness raises the risk of a recession or stagflation, supporting gold allocations.
  - **"Uncorrelated" physical gold consumption:** Though down from the 2022-2024 peaks,[8] central banks continue to accumulate gold at a healthy pace. China retail gold demand has also surprised to the upside. These are important idiosyncratic factors buttressing the bullion rally.
  - **Uncertainty premium:** As the modal probability of economic and foreign policy outcomes widen (especially there was a prolonged US government shutdown), gold should benefit from volatility and risk-off hedging.

Figure 1: Spot gold price performance across G10 currencies

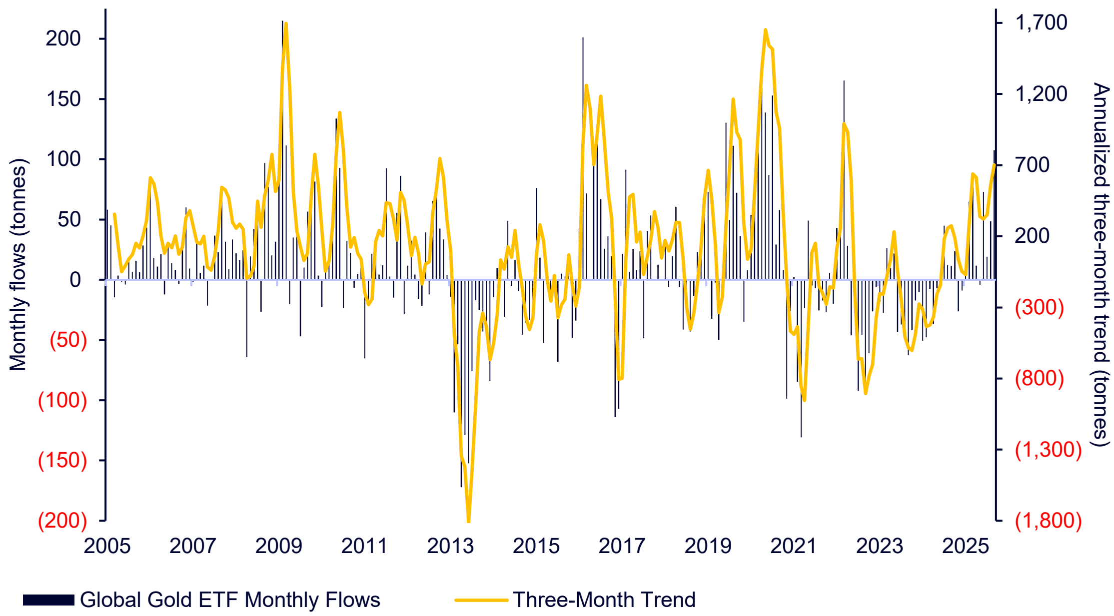


Source: Bloomberg Financial L.P., State Street Investment Management (April 2025-September 2025).

Has Liberation Day "liberated" the gold bulls?

- Gold is up significantly across all major currencies YTD but has outperformed against the US dollar since Liberation Day – especially versus the Swiss Franc (CHF) and Euro (EUR).[9] This suggests active US$ hedging and potential consensus emerging about a weak US$ outlook in the mid-term. Since gold is largely traded and priced in US dollar terms, a depreciating greenback is directly attributable to higher gold prices via denomination effects. US economic retrenchment and an administration that supports a weak US dollar buttresses demand for alternatives such as gold.
- As the Fed resumes its rate cutting cycle, gold could be supported through two key channels: (1) Reduced opportunity cost of holding gold as a non-yielding asset; and (2) Further potential bull steepening in the US Treasury curve which should on balance be a US$ negative phenomenon.
- Rate differentials could favor gold/USD longs versus gold/Euro longs among institutional allocators. To the extent a weak US$ outlook remains consensus, we could anticipate more bullish gold structures from *both* domestic and international investors.

Figure 2: Global gold ETF inflow/outflow trend

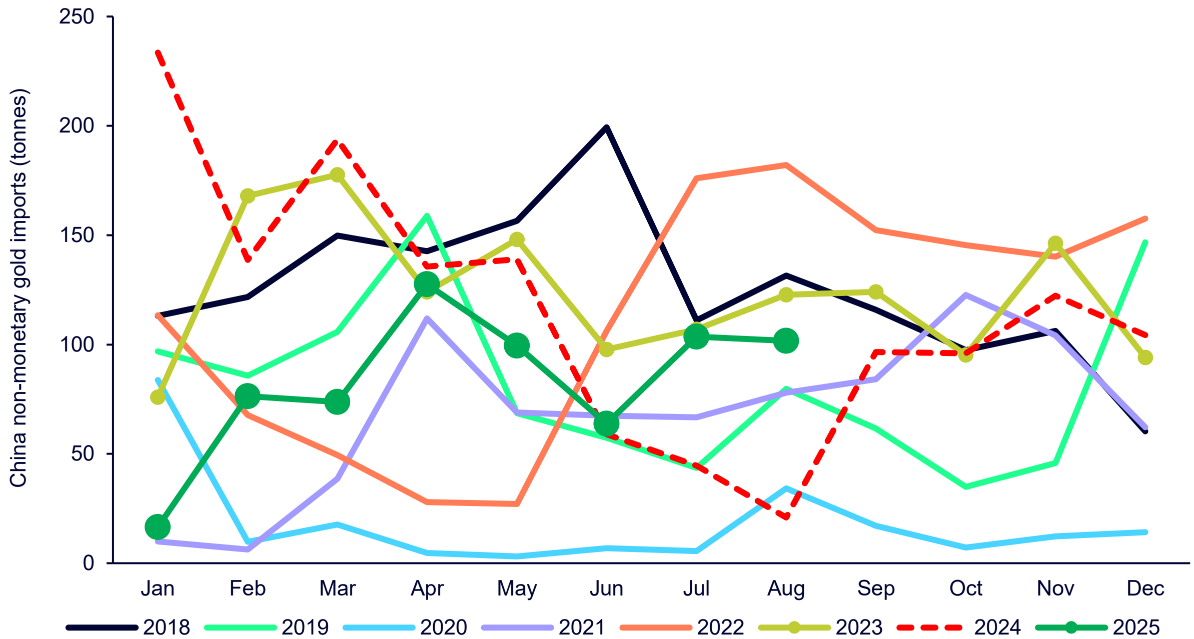


Source: Bloomberg Financial L.P., State Street Investment Management (January 2005-September 2025).

Gold ETF investors come roaring back…and may have room to grow

- Gold ETF inflows in 2025 are the strongest since 2020 – with September 2025 inflows a record monthly haul in US$ notional value.[10] Yet total holdings in tonnage terms are still down from the pandemic peaks! This might imply that the sector is not over-owned, even if it is a consensus trade.
- Most retail gold ETF holdings are in taxable accounts and there could be some portfolio rebalancing in 4Q given the outsized price gains this year. Historical seasonals also tend to be most negative for gold ETF flows in November/December.[11]
- But we are skeptical about excessive profit-taking or redemptions given the embedded cap gains for long-term holders and the lack of potential tax loss offsets on the back of record equity valuations and positive performance even among bonds this year.

Figure 3: China non-monetary gold import volumes



Source: China Customs, State Street Investment Management (January 2018-September 2025).

"Uncorrelated" physical gold demand adds idiosyncratic support

- Emerging market central banks continue to add gold holdings to their reserves. While purchases are trending a bit lower from the 2022-2024 peaks (as we anticipated), volumes look robust historically.[12] CB gold buying tends to be geoeconomic and strategic in nature—and relatively price inelastic compared to other pockets of gold consumption (e.g. jewelry). This lends structural support to a higher gold price floor while dampening downside price volatility.
- China retail gold demand, implied through non-monetary imports, surprised to the upside this summer. July/August trade volumes this year cleared 105 tonnes compared to 66 tonnes during the same period in 2024.[13] Lingering impacts of US-Sino trade tensions, local currency hedging, and a wobbly property market recovery may all be supporting gold consumption. In addition, local policy measures in APAC may further support the regional gold demand trend story.

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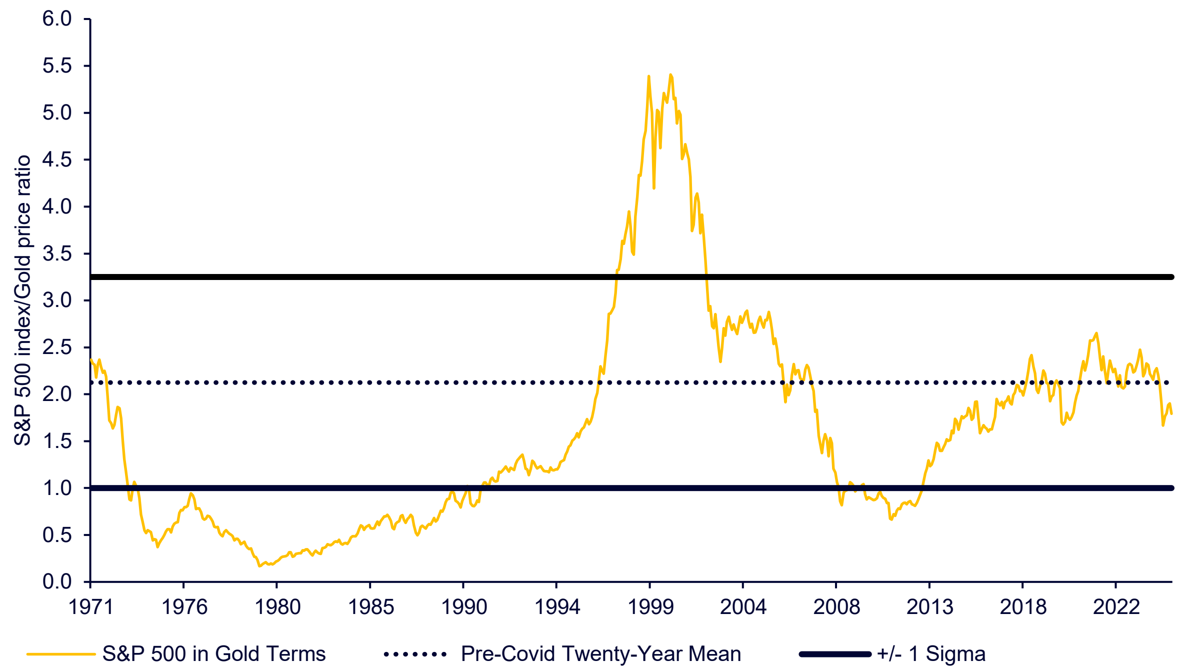
Figure 4: S&P 500 index in gold terms



Source: Bloomberg Financial L.P., State Street Investment Management (1971-2025).

Gold rallies despite record equity valuations, low market volatility

- The S&P 500 in gold terms gradually rose in the summer as tech stocks continued to rebound while the yellow metal was firmly rangebound around $3,250-3,350/oz.[14] But the S&P 500/gold ratio plunged in September and has hovered below its pre-pandemic mean since March.[15] This suggests that there are secular factors supporting gold prices and likely an embedded uncertainty premium (e.g. probably related to US trade, fiscal debt, foreign policy, and inflation uncertainty).
- To be sure, previous market analogs might suggest that the us equity market rebound from correction territory in mid-April to fresh bull market in August/September 2025, amid a collapse in cross-asset volatility, would be accompanied by a gold market correction. However, the yellow metal proved resilient and held its ground over this period and then rallied to fresh records into end-3Q.[16]
- Record gold prices amid record US equity valuations could help enhance the case for gold, all-else equal, during the next risk-off episode or volatility shock.

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Footnotes

1 Source: Bloomberg Financial L.P. and State Street Investment Management, as of 9/30/2025.

2 Source: Bloomberg Financial L.P. and State Street Investment Management, as of 9/30/2025.

3 Source: Bloomberg Financial L.P. and State Street Investment Management, as of 9/30/2025.

4 Source: Bloomberg Financial L.P. and State Street Investment Management, as of 9/30/2025.

5 Source: Bloomberg Financial L.P. and State Street Investment Management, as of 9/30/2025.

6 Source: Automatic Data Processing, Bureau of Labor Statistics, State Street Investment Management, as of 9/30/2025.

7 Source: Bloomberg Financial L.P. and State Street Investment Management, as of 9/30/2025.

8 Source: World Gold Council, State Street Investment Management, as of 9/30/2025.

9 Source: Bloomberg Financial L.P. and State Street Investment Management, as of 9/30/2025.

10 Source: Bloomberg Financial L.P. and State Street Investment Management, as of 9/30/2025.

11 Source: Bloomberg Financial L.P. and State Street Investment Management, as of 9/30/2025.

12 Source: World Gold Council, State Street Investment Management, as of 9/30/2025.

13 Source: Bloomberg Financial L.P. and State Street Investment Management, as of 9/30/2025.

14 Source: Bloomberg Financial L.P. and State Street Investment Management, as of 9/30/2025.

15 Source: Bloomberg Financial L.P. and State Street Investment Management, as of 9/30/2025.

16 Source: Bloomberg Financial L.P. and State Street Investment Management, as of 9/30/2025.

Definitions

Central Bank a financial institution given privileged control over the production and distribution of money and credit for a nation or a group of nations.

COMEX the main futures market for trading metals, including gold, silver, copper, and aluminum.

Gold Spot Price the price in spot markets for gold. In US dollar terms, spot gold is referred to with the symbol “XAU,” which refers to the price of one troy ounce of gold in USD terms.

LBMA Gold Price PM (US$/oz) IBA independently administers the price and provides the auction platform on which the LBMA Gold Price is calculated, while LBMA own the intellectual property rights. The platform is electronic, tradeable, auditable and in line with the IOSCO Principles for Financial Benchmarks.

Real Rates the Interest rate after adjusting for inflation. It reflects the true cost of borrowing an the actual yield on investments by stripping out the effects of rising prices.

FOMC a committee within the U.S. Federal Reserve System responsible for setting monetary policy.

Liberation Day term used to describe the imposition of broad tariffs as a symbolic turning point in U.S. trade policy. It reflects the idea of “liberating” American industry from reliance on foreign manufacturing and addressing perceived trade imbalances.

De-Dollarization process by which countries reduce their reliance on the U.S. dollar in international trade, financial transactions, and foreign exchange reserves- often driven by geopolitical motivations, sanction risk, or efforts to assert monetary sovereignty.

Tariffs taxes imposed by a government on imported goods and services, typically used to raise revenue or protect domestic industries from foreign competition.

State Street Investment Management Worldwide Entities

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