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To the point!

Cross-Asset- and Strategy-Research

Golden times! – and no end in sight

Anyone invested in precious metals has done extraordinarily well

Over the past year, the price of gold per troy ounce has doubled. Even in real terms – that is, adjusted for inflation – gold has never been this expensive (see fig. 1). It is therefore no surprise that I am often asked these days when these golden times will finally come to an end. Can it really go on forever? Well, forever certainly not – and not at the same blistering pace as in 2025. But we still see some upside potential for 2026.

What is driving the price of gold

In January 2026, the price of gold hit a new record of almost 5,600 USD. A sharp correction followed after U.S. president Trump floated Kevin Warsh as the next Fed chair. Clearly, the gold bulls had been betting on a candidate who would stand for a much looser monetary policy. As a non-yielding asset, gold shines especially when interest rates are low.

What Trump apparently does not want or is not able to understand was obvious to markets at first glance: Warsh is not someone inclined to slash rates aggressively. He left the Fed in 2011 because – remarkably – he felt monetary policy was too loose.

More recently, it seemed that markets had moved past the Fed shock and that gold was about to resume its previous upward trend. Then the war in Iran broke out and generated new headwinds for gold. The fighting in the Middle East has pushed energy prices sharply higher, making higher inflation more likely and thereby reducing hopes of rate cuts in the U.S. At the same time, investors have once again fled into the world’s most liquid safe-haven currency, which has driven a marked appreciation of the U.S. dollar. A stronger dollar makes gold more expensive for

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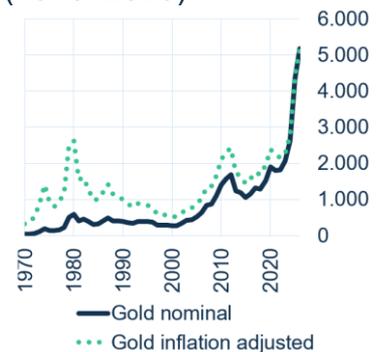
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Prognose Gold (USD/oz)			
Aktuell	Q2/26	Q4/26	Q2/27
5.116	5.400	5.700	6.000

Gold on a tear – what comes next?

Fig. 1: Nominal and in USD of 2025 (1970–2026)



Source: World Gold Council, Federal Reserve of St. Louis, LBBW Research

War in Iran: headwinds for gold

buyers outside the U.S. dollar zone and thus dampens demand for the metal.

Gold supply lags behind demand

Despite high prices, neither mine production nor recycling is rising significantly. While supply remains broadly flat, investors in gold ETCs (exchange-traded commodities that track the price of gold) continue to add to their positions (see fig. 2). Such investments are often driven by geopolitical and economic uncertainty. In addition, demand for coins and bars remains solid; it already shot up by 15% last year.

By contrast, central banks are holding back on gold purchases given the lofty price level. As much as central bankers would like to hedge against the vagaries of U.S. policy and reduce their dependence on the dollar – everything has its price. And that price is currently very high. This is also why jewelry demand has been weakening noticeably for some time now.

Tailwinds from the Fed and, yes, cryptocurrencies

I do not expect energy prices to remain permanently at today's elevated levels. The price of gold should therefore benefit from further rate cuts in the U.S. We expect the Fed to trim its policy rate by a further half percentage point by mid-2027. On top of that, the U.S. dollar is likely to resume its downward trajectory, which would be supportive for gold. LBBW Research forecasts an exchange rate of 1.24 USD/EUR for mid-2027.

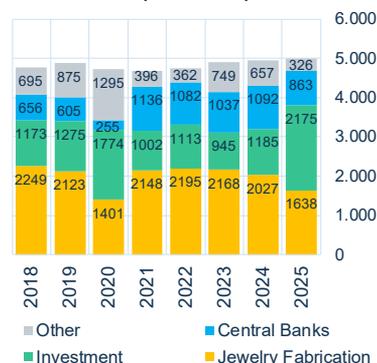
Support is also coming from a somewhat surprising source: cryptocurrencies have become an important driver of demand in the gold market. The term “digital gold” is acquiring a rather literal twist. The stablecoin Tether alone now has a market capitalization of around USD 180 billion and intends to invest its reserves increasingly in gold. It already ranks among the largest private holders of gold in the world.

6,000 USD is in sight – but only by mid-2027

The gold rally is likely to continue over the course of this year, albeit at a somewhat more moderate pace. The main arguments in favor are the ongoing buying by ETC investors and the still-sluggish supply side in the gold market. Additional price support comes from the prospect of lower U.S. policy rates, the foreseeable further depreciation of the U.S. dollar, and steadily rising gold demand from cryptocurrencies.

U.S. politics remains a source of uncertainty, as it will probably continue to throw up the occasional surprise for financial markets – which should keep gold in demand as a safe haven. For mid-2027, we expect prices of 6,000 USD per troy ounce of gold. That may not match the rocket-like gains of the recent past, but almost 20% in 18 months is perfectly respectable. All the same, the spectacular rally we have just witnessed is a reminder to remain cautious – even when it comes to gold.

Fig. 2: Structure of gold demand (in tons)



Source: IIF, LBBW Research

**“Digital gold”:
crypto as a new
source of gold
demand**

For more detail on gold and other commodities, subscribers can refer to yesterday's issue of LBBW Research's Commodities Quarterly (pay-wall).

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