

Gold Report Authors

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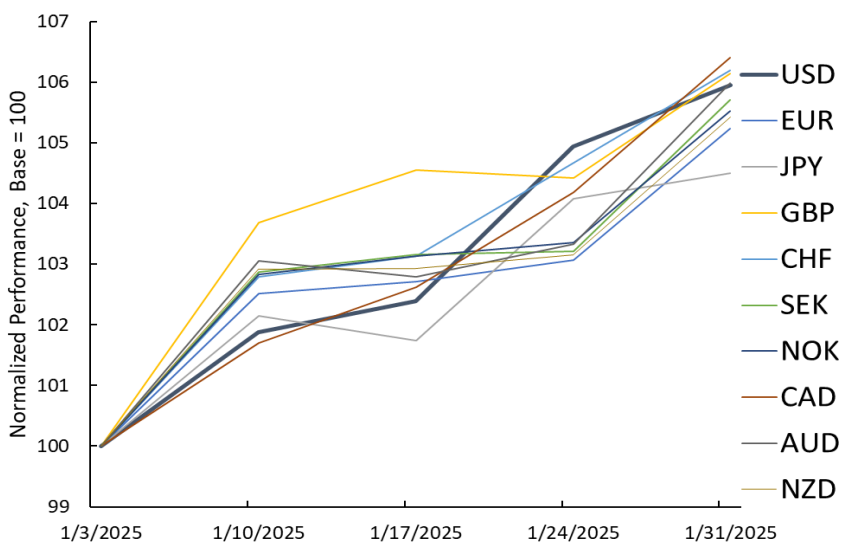
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Monthly Gold Monitor

The Gold Rally Goes Global

Gold's Chart of the Month

Figure 1
Gold Price Returns Across G10 FX since January 3, 2025



Source: Bloomberg, State Street Global Advisors. Data as of January 31, 2025.

Macro

Navigating Policy Dynamics and Economic Trends

We are constructive for gold markets in 2025. Our base case (50% probability) remains \$2,600-2,900/oz and our bull case (30% probability) stays at \$2,900-3,100/oz. Our bear case (20% probability) of \$2,300-2,600/oz suggests a higher "price floor" for the yellow metal in the post-pandemic regime.

After cutting policy rates at every meeting since the easing cycle began in September, for a total of 100 basis points, the FOMC delivered on market expectations at the January 28-29 meeting by holding Fed Funds steady at 4.25% - 4.50%, citing "somewhat elevated" inflation and a strong labor market.¹ During the press conference, Chair Powell emphasized that the Fed views the US economy as "in a good place" and considers interest rates meaningfully above the neutral rate level. As a result, further hikes remain off the table, but additional accommodation is likely to be more gradual. Trade, fiscal, and immigration proposals from the new Trump administration have also given the Fed new risks to consider for 2025, which we expect to see reflected in the January minutes.

Gold had a typical reaction to the Fed's somewhat hawkish stance, initially declining on the day of the decision as investors absorbed the higher-for-longer narrative. However, the negative sentiment was short lived, with gold surging to an all-time high on Thursday January 30th north of \$2,800/oz, likely as a function of a weaker US\$, tail risk hedges, and some equity overlays.²

Macro pt.2

Real rates, measured by 10-year TIPS, continued their upward trajectory that started on the heels of a robust jobs report that was released on December 6, 2024. The momentum did not peak until January 15th inflation reports that showed inflation was still moderating. During this period, real 10s rose from 1.89% to 2.33% while the gold price appreciated 2.4%. This suggests that other forces outweighed the usual inverse relationship- highlighting the current secular rally gold is experiencing.³

The US stock market posted decent gains, with S&P 500 TR Index increasing by 3.3% in January and achieving its first record close of the year on January 23rd.⁴ Global equity markets mirrored this upward trend with MSCI AC World ex US TR Index appreciating 4.3%.⁵ Robust performance was driven by optimism and expectations of economic growth. With gold appreciating 6.6% in January,⁶ market behavior reflects confidence in economic expansion alongside steady demand for a tail hedge asset.⁷

China

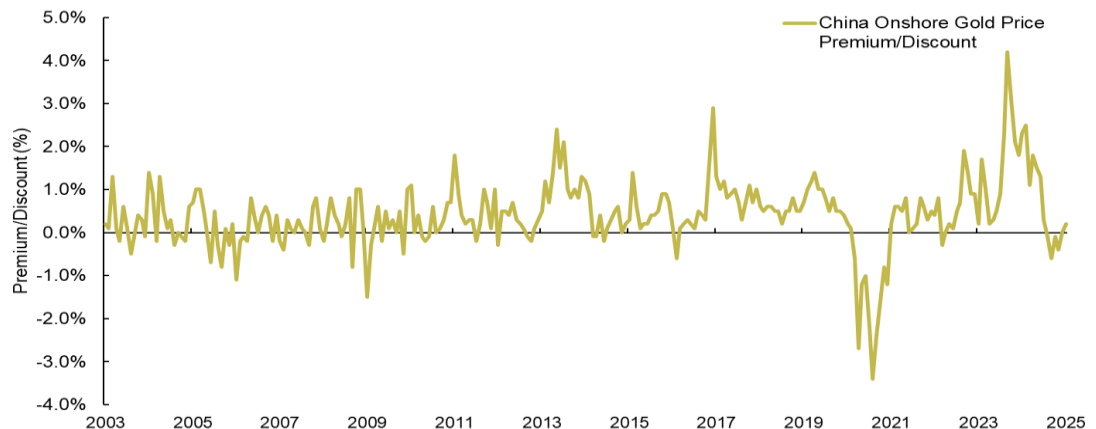
China Demand Recovery Supports a High(er) Gold Price Regime

Robust retail gold consumption growth in China should tighten gold supply/demand fundamentals and support higher world gold prices this year. Recall that in 1H 2024, it was outsized retail gold demand from China – not the US\$, not real yields, not risk-off flows, not geopolitics – that boosted gold trading from \$2,000/oz to \$2,400/oz. In advance of the Lunar New Year, onshore gold price premiums in China drifted into positive territory in January 2025 for the first time in six months.⁸ The rally in domestic spot likely foreshadows an ongoing recovery in China gold trade flows and retail demand, both of which plunged to multi-year seasonal lows in the summer of 2024 (partially driven by PBoC policy).

From a recent trough around a 0.6% discount in September 2024, local gold prices rallied to a 0.2-0.4% premium versus London last month.⁹ This move coincided with a sizable rebound in Chinese non-monetary gold imports into year-end 2024. General Administration data show 4Q'24 gold imports of 323 tonnes doubled q/q with December inflows of 104 tonnes up 11% y/y. Annual non-monetary gold imports in China cleared 1,300 tonnes for the third consecutive year in 2024. Alongside official sector gold demand strength, China retail helped support gold prices against the backdrop of the most hawkish Fed tightening regime in four decades during 2022-2024.¹⁰

Though prone to policy and macro volatility, there are reasons to believe that China's gold demand will stay healthy in 2025. The CNY currency cross has depreciated since the end of 3Q'24, boosting alt-fiat demand. Domestic capital controls place gold front and center as an FX hedge for the Chinese retail and intermediary channels. Gold also trades in small units on the local exchanges, allowing wide and incremental investor participation. Additionally, the local property market remains volatile with new residential sales well-below the pre-pandemic trend, freeing up Chinese investor capital for alternatives such as gold. While we acknowledge that mainland policy is a bit of a wildcard, it does seem the aggregate demand curve for gold in China has shifted outwards since 2022, even as domestic growth has disappointed. This bolsters the case for higher gold prices as various physical players (e.g. central banks, jewelers, ETFs, bar/coin mints, industrial users) have to compete with China demand pull.

Figure 2
China Onshore Gold Price
Premium/Discount (%)



Source: LBMA, SGE. Data as of January, 29 2025

FX

Gold Rallies Across G10 FX to Start 2025

Spot gold prices increased 4-7% across G10 currencies in January, with notable outperformance against GBP and CAD.¹¹ A continuation of this broad-based bullion rally would put less emphasis on Fed policy, in our view, and could underpin a more sustainable move higher. Indeed, a strong US\$ environment was an insufficient headwind for spot bullion markets given the backdrop of strong physical and financial demand globally. The cross currents of post-pandemic fiscal debts, high sovereign bond yields, protectionist trade policy, and underlying geopolitical risks simultaneously impacting several economies is buttressing alt-fiat and hedge demand for gold. For example, stronger gold-GBP seems mostly driven by concerns about UK Gilts yields and budget concerns with the Labour Party. On the other hand, higher gold-CAD appears to be a function of trade tariff risks. A “global” gold market rally seems plausible in 2025 if US trade policy proves to be more disruptive than markets are anticipating. These channels include:

1. Non-US\$ FX hedge demand (e.g. gold outperformance ex-US).
2. Higher uncertainty premium; volatility drifts higher in this environment.
3. Further pushes official sector reserve diversification and de-dollarization theme that benefits gold.

Flows

Gold ETFs: A Turning Point in Investor Positioning?

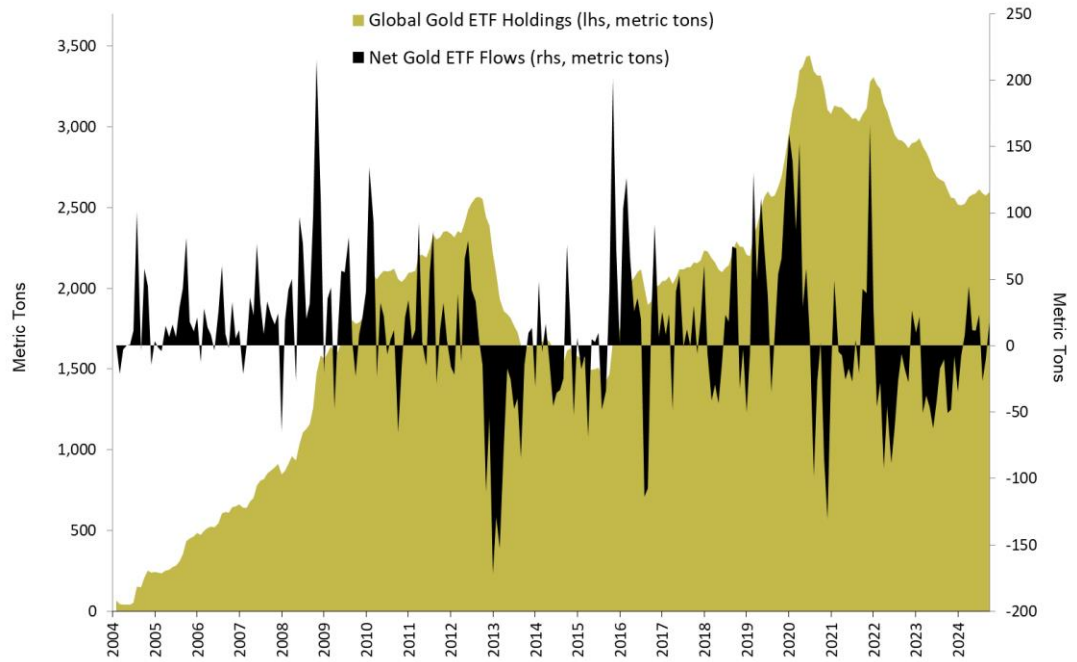
Global gold ETF holdings increased by 0.7% in January or an estimated 18 metric tonnes(t). Money managers net long positioning on Comex gold futures and options ended January at 230,592 contracts, while also exhibiting a healthy rolling six-month average of 218,141, the highest average we’ve seen since May 2020. This sustained positioning, alongside strengthening ETF demand trends, underscores robust investor interest in gold.¹²

Global gold trading volumes jumped in 2024, reaching \$226.3 billion per day, marking a 39% increase from 2023 and the highest on record. Almost all markets saw peak volumes in value terms: OTC activities soared 37%; exchange-traded volumes increase 40% and global gold ETF trading rose 32%. More notably, volumes at the Shanghai Futures Exchange rose the most with a 72.8% increase, reaching a record high of \$24 billion.¹³

A shift in ETF positioning could be a critical catalyst for new all-time highs. Despite a 27% rally in 2024, ETFs were net sellers for most of the year, continuing a multi-year liquidation cycle in which global ETF investors had supplied 180-200 tonnes of gold annually from 2021-2023. That trend finally reversed in mid-2024, with ETF inflows of 63 tonnes from June through December- the longest period of sustained buying since 2020. January 2025 saw a strong seasonal rebound in global gold ETF buying as well, following ETF net outflows after the US elections in early November.¹⁴

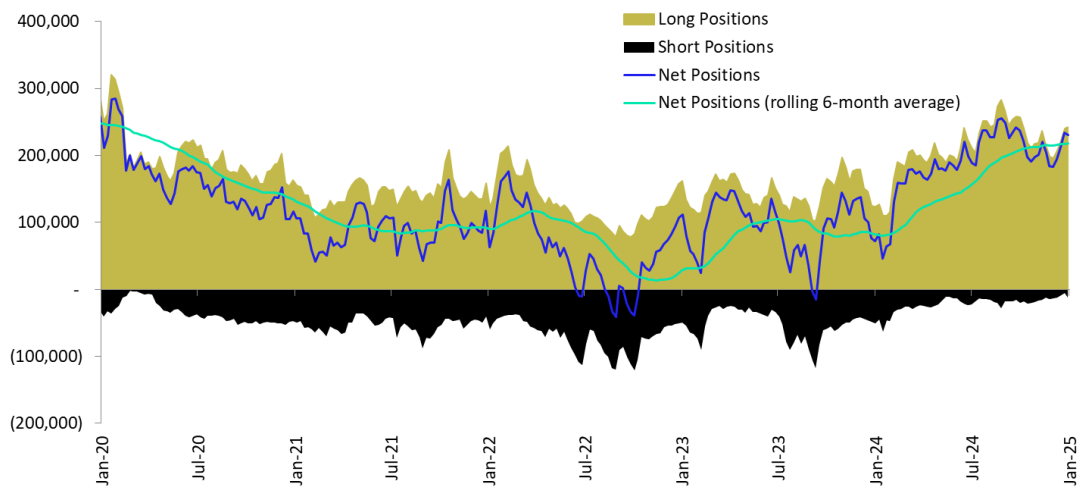
Historically, major gold bull markets (2005-2007, 2009-2012, 2019-2020) coincided with worldwide bullion ETF inflows of 30 tonnes per month on average, yet that level of demand has yet to return. If ETF allocations shift from liquidation to accumulation, gold’s supply-demand dynamic could tighten significantly, forcing competing physical buyers- central banks, bar/coin investors, and industrial users- to adjust to a more constrained market. For further insight into the evolving ETF flow landscape, and its potential implications on gold prices, refer to our Head of Gold Strategy, Aakash Doshi’s latest analysis [here](#), which provides a deeper exploration of the role ETF flows could play in shaping the 2025 gold market.¹⁵

Figure 3
Global Gold ETF Holdings
in Metric Tonnes



Source: Bloomberg Finance, L.P., State Street Global Advisors. Data from May 31, 2004– January 31, 2025. **Past performance is not a reliable indicator of future performance.**

Figure 4
Trailing 5-year COMEX
Gold Futures/Options
Positioning



Source: Bloomberg Finance, L.P., State Street Global Advisors. Data from January 31, 2020– January 31, 2025. **Past performance is not a reliable indicator of future performance.**

Central Banks

Strong Central Bank Gold Buying in 2024 Likely to Remain in 2025, Defying Higher Prices

Central banks remained net buyers in 2024, extending to a 15-year streak of consistent accumulation. As of the most recent data from November 2024, the National Bank of Poland (NBP) emerged as one of the most active purchasers, increasing its gold reserves by 21 tonnes, bringing its total holdings to 448 tonnes. Gold currently accounts for nearly 18% of Poland's total reserves, approaching its previously stated target of 20%.¹⁶

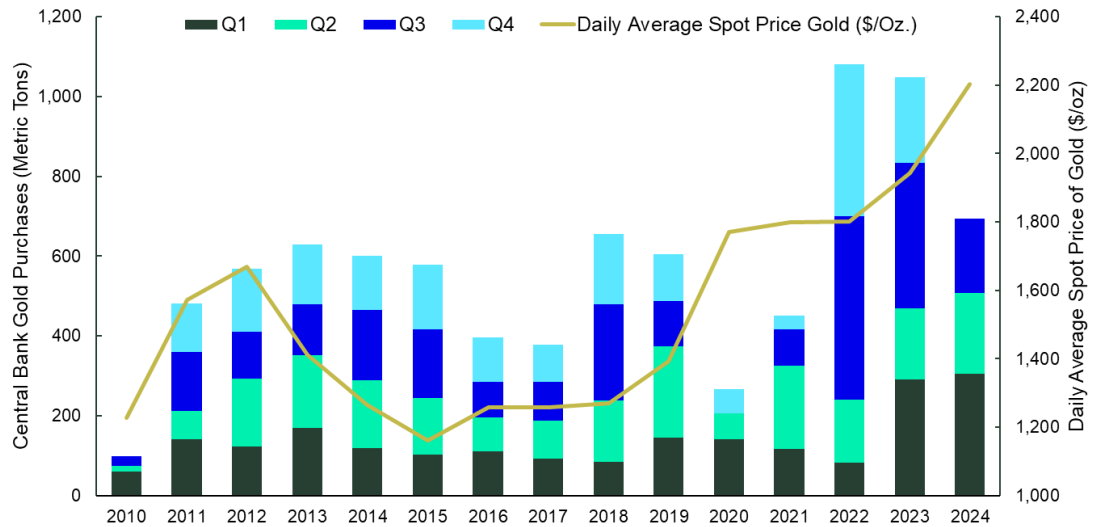
The Reserve Bank of India (RBI) also expanded its gold position, adding 8 tonnes in November, which pushed its year-to-date purchases to 73 tonnes and overall holdings to 876 tonnes- securing its position as the second-largest central bank buyer in 2023 after Poland.¹⁷

The most significant development comes from The People's Bank of China (PBOC) as they announced the addition of 10 tonnes of gold in December- its second consecutive monthly purchase after being on the sidelines the prior seven months. This latest addition raised China's official gold reserves to 2,280 tonnes, now accounting for 5.5% of its total foreign exchange reserves- a record high and 44 tonnes higher than at the end of 2023.¹⁸

The outlook for 2025 is supportive for central banks to remain steady buyers of gold, driven by a combination of macroeconomic and geopolitical factors. The ongoing need for reserve diversification, protection against currency volatility, and a structural shift away from overreliance on the U.S. dollar underpin central bank demand. Following the pandemic, increased attention may also be given to gold as a "bearer asset" with no credit risk in physical form. Investor attention is likely to surround emerging market economies as they continue to prioritize gold accumulation to further enhance their financial stability, while potential shifts in monetary policy, inflation pressures, and geopolitical tensions further incentive gold purchases as a strategic asset.

Figure 5

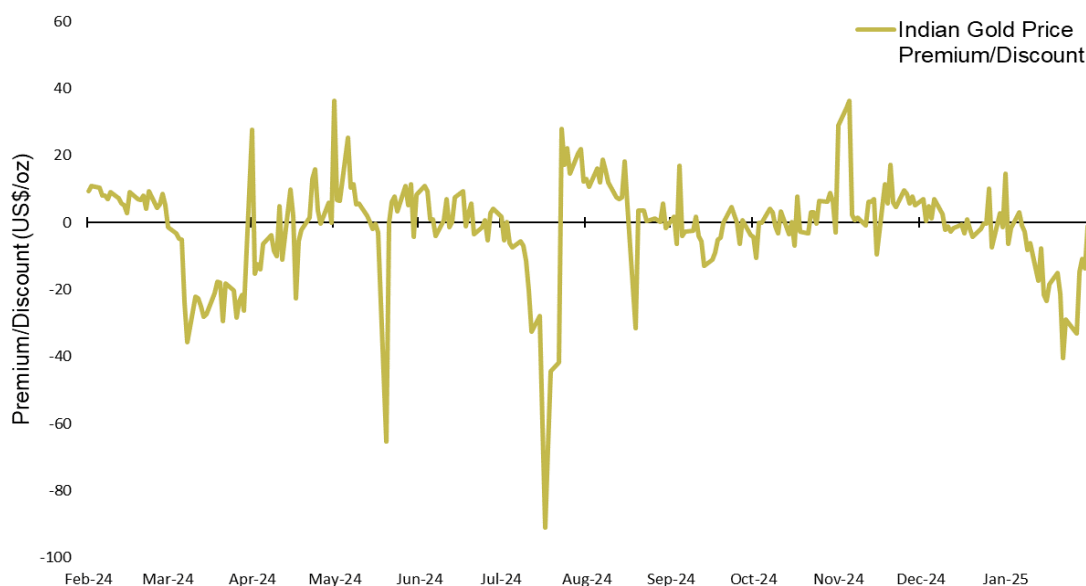
Central Bank Purchases in 2024 Appear Strong Despite Higher Prices (2010-2024 Q1-Q3 Net buying trend)



Source: World Gold Council, IMF IFS, Respective Central Banks, and State Street Global Advisors, data as of September 30, 2024. Gold Price is represented by the spot price in US\$/oz. **Past performance is not a reliable indicator of future performance.**

India's gold prices surged to record highs in January, tracking global gains. Higher prices and potential policy announcements in the February budget led to a slowdown in consumer appetite with India gold dealers offering a discount of up to \$30 per ounce towards the end of January.¹⁹ The Indian government's policies have historically played a pivotal role in shaping gold demand. In July 2024, a reduction from 15% to 6% in gold taxes led to a surge in imports that supported world bullion markets in the second half of 2024. The gold industry anticipates another reduction to 3% in import duties by February. The anticipation of potential duty revisions in the forthcoming federal budget contributed to the caution consumer behavior that was particular evident in pre-wedding purchases where families are reducing the quantity of gold purchased or opting for lower-purity alternatives to manage cost.²⁰

Figure 6
Indian Gold Price
Premium/Discount
(US\$/oz)



Source: MCX; RBI; NCDEX; World Gold Council. Data as of January 31, 2025

Recent economic data and policy signals in Japan are converging to reinforce expectations for further tightening by the Bank of Japan (BOJ) in 2025. Strong wage data exceeding consensus forecasts has bolstered confidence that domestic wage growth is gaining traction. Base compensation for full-time workers has also remained on an upward trajectory. The expected outcome of the upcoming spring wage negotiations (shunto) is expected to yield wage increases in the range of 4.8-5.1%, further supporting the BOJ's case for tightening.²¹

BOJ officials have been actively communicating a more hawkish stance. On January 24, the BOJ raised its interest rate target by 25 bps to 0.50%, a level not seen since 2007-2008. In the BOJ's latest quarterly outlook, the inflation forecast was revised sharply higher. The convergence of robust wage growth, rising food and service inflation, supportive BOJ communications, and a gradual recovery in industrial production all point to a continued cycle of rate hikes in Japan. Despite external uncertainties - especially those related to U.S. economic policies - the BOJ appears determined to normalize its monetary policy.²²

The year 2024 saw a notable increase in investment in gold-backed ETFs in Japan, attracting inflows of \$760 million. This momentum carried over into January 2025, with net inflows of \$62.3 million in January surpassing the monthly average of around \$60 million recorded in Q4 2024. Meanwhile, open interest in the 1kg standard gold futures contract on the Osaka Exchange (OSE) fell by 8.3% to 44,205 contracts from the prior month's total of 48,180 contracts. The decline in open interest, coupled with rising prices, suggests a possible increase in short-covering activity. In addition, the trend for the most actively traded contract month shows an increase in both open interest and price, which may signal a tick-up in gross long positions.²³

Footnotes

- 1 Source: Federal Reserve, as of January 29, 2025.
 - 2 Source: Bloomberg Financial L.P. & State Street Global Advisors, as of 1/31/2025. Note: Gold is represented by Spot Price of Gold (\$US/oz.).
 - 3 Source: Bloomberg Financial L.P. and State Street Global Advisors, as of 1/31/2025. Note: Gold is represented by Spot Price of Gold (\$US/oz.) and Real Rates is presented by 10-year TIPS.
 - 4 Source: Bloomberg Financial L.P. and State Street Global Advisors, as of 1/31/2025.
 - 5 Source: Bloomberg Financial L.P. and State Street Global Advisors, as of 1/31/2025.
 - 6 Source: Bloomberg Financial L.P. & State Street Global Advisors, as of 1/31/2025. Note: Gold is represented by Spot Price of Gold (\$US/oz.).
 - 7 Assets may be considered "safe havens" based on investor perception that an asset's value will hold steady or climb even as the value of other investments drops during times of economic stress. Perceived safe-haven assets are not guaranteed to maintain value at any time.
 - 8 Source: LBMA, SGE & State Street Global Advisors, as of January 2025.
 - 9 Source: LBMA, SGE & State Street Global Advisors, as of January 2025.
 - 10 Source: General Administration Data, as of January 2025.
 - 11 Source: Bloomberg, State Street Global Advisors. Data as of January 2025.
 - 12 Bloomberg Finance, L.P., State Street Global Advisors, as of January 31, 2025.
 - 13 Sources: Bloomberg, COMEX, Dubai Gold & Commodities Exchange, ICE Benchmark Administration, Multi Commodity Exchange of India, Nasdaq, Shanghai Gold Exchange, Shanghai Futures Exchange, Tokyo Commodities Exchange, World Gold Council, as of January 31, 2025.
 - 14 Source: Bloomberg Finance, L.P., Index of total known ETF holdings of gold 2004-2024.
 - 15 Source: Bloomberg Finance, L.P., Index of total known ETF holdings of gold 2004-2024.
 - 16 Source: IMF IFS, respective central banks, World Gold Council, as of November 30, 2024.
 - 17 Source: IMF IFS, respective central banks, World Gold Council, as of November 30, 2024.
 - 18 Source: IMF IFS, respective central banks, World Gold Council, as of December 31, 2024.
 - 19 Source: World Gold Council & State Street Global Advisors, data as of January 31, 2025.
 - 20 Source: World Gold Council & State Street Global Advisors, data as of January 31, 2025.
 - 21 Source: Bloomberg & Bank of Japan, as of January, 2025.
 - 22 Source: Bloomberg & Bank of Japan, as of January, 2025.
 - 23 Source: Bloomberg & Bank of Japan, as of January, 2025.
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Glossary

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 and 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.

S&P 500 TR Index

An index that measures the performance of the 500 largest U.S. companies by market capitalization while including the reinvestment of dividends.

MSCI AC World ex.US TR Index

An index that tracks the performance of global developed and emerging market stocks outside the U.S. Like other total return indexes, it assumes that dividends are reinvested.

Lunar New Year

A festival marking the start of a new year based on lunisolar calendars.

Premium/Discount

Terms used to describe the difference between international US\$ gold price and the local gold price paid.

FX Hedging

A risk management strategy that uses financial instruments, such as forward contracts, options, or swaps, to protect against adverse movements in foreign exchange rates.

G10 Countries

A group of highly industrialized nations whose central banks work together on international monetary matters. Although the composition can vary by context, the term traditionally includes countries such as Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom, and the United States.

GBP

The official currency of the United Kingdom.

CAD

The official currency of Canada.

Shanghai Futures Exchange

A major commodity futures exchange located in Shanghai, China. The SHFE offers trading in a variety of commodities, including metals, energy products and agricultural goods.

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