

# Gold Prices

## How high can it go?

Gold prices have been on a steady rise, currently hovering around USD 2,344.53 per ounce as of May 27, marking a 13.6% increase since the beginning of the year. Compared to other precious metals, gold has performed well, although it lags behind silver, which has seen a 29.5% year-to-date increase. Meanwhile, platinum prices have risen by a modest 5.0%.

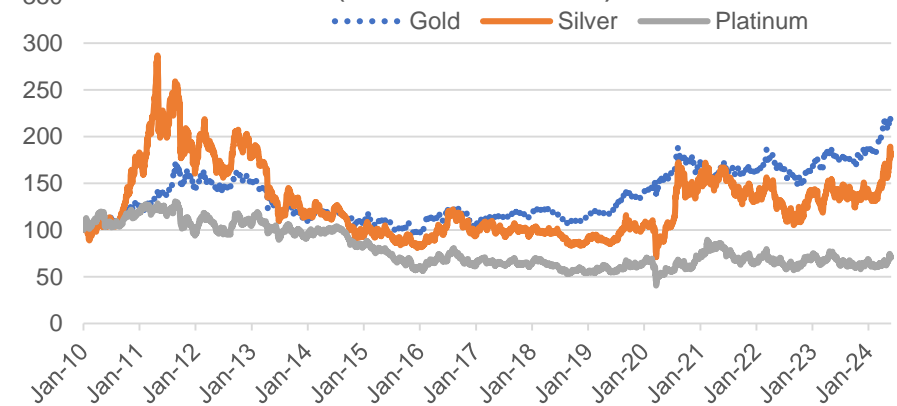
The key question is whether gold prices can climb higher than their current level. Like other financial instruments, gold prices are subject to volatility and are susceptible to corrections if they rise too high. This often occurs when traders decide to cash out and realize their gains, a process known as profit-taking.

Furthermore, gold prices have been on an upward trajectory, suggesting that there is still potential for price increases, particularly with a longer investment horizon. Therefore, we believe that gold's status as a safe haven remains firmly intact.

Gold prices since year 2000  
(USD per ounce)



Precious metal price index  
(Jan 2010 = 100)



Source: Bloomberg

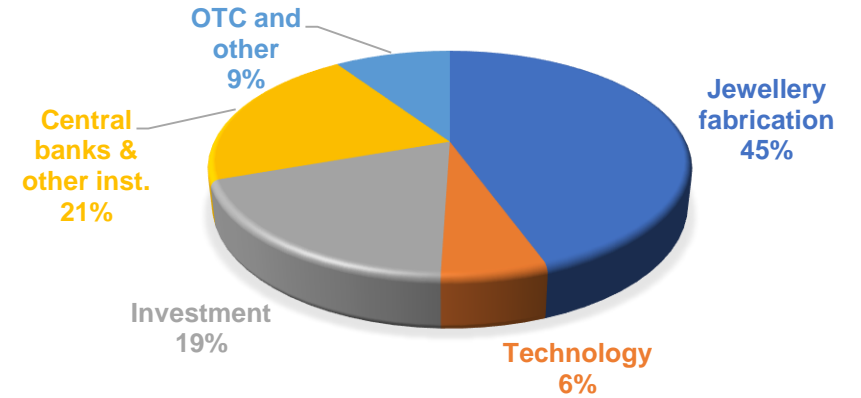
# Gold demand condition

Total gold demand reached 4,930.4 tonnes in 2023, marking a 3.6% increase from the previous year. The majority of this demand was driven by jewelry fabrication, which accounted for 45% of the total in 2023. Notably, the share of demand from central banks and other institutions rose significantly from just 2% in 2010 to 21% in 2023. This segment's demand has grown at a compound annual growth rate (CAGR) of 21.9% per annum from 2010 to 2023, surpassing the overall gold demand growth rate of 1.0% per annum.

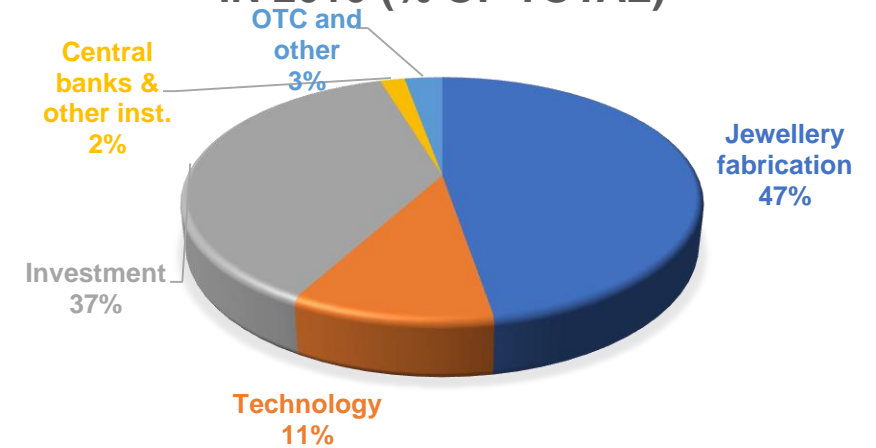
Central banks appear to be diversifying their portfolios, likely moving away from the US dollar due to increased uncertainties surrounding the US economy. As of Q4 2023, the US dollar accounted for 58.4% of the total global portfolio reserves by central banks, a significant decline from over 70% in the 1990s (see chart at page 3). With increased demand from central banks and other industries, gold prices are likely to remain well supported.

Meanwhile, investment demand for gold has been declining over the past three years, from 2021 to 2023. This decline is mainly due to lower investments by Exchange Traded Funds (ETFs), which saw a net sell-off as the Federal Reserve began increasing its benchmark interest rate in 2022 and 2023. Consequently, the share of ETFs in total gold demand decreased from 37% in 2010 to 19% in 2023. However, excluding ETFs, investment demand has remained stable, with total bar and coin investments share at 24.0% in 2023 compared to 27.9% in 2010.

**COMPOSITION OF GOLD DEMAND IN 2023 (% OF TOTAL)**



**COMPOSITION OF GOLD DEMAND IN 2010 (% OF TOTAL)**

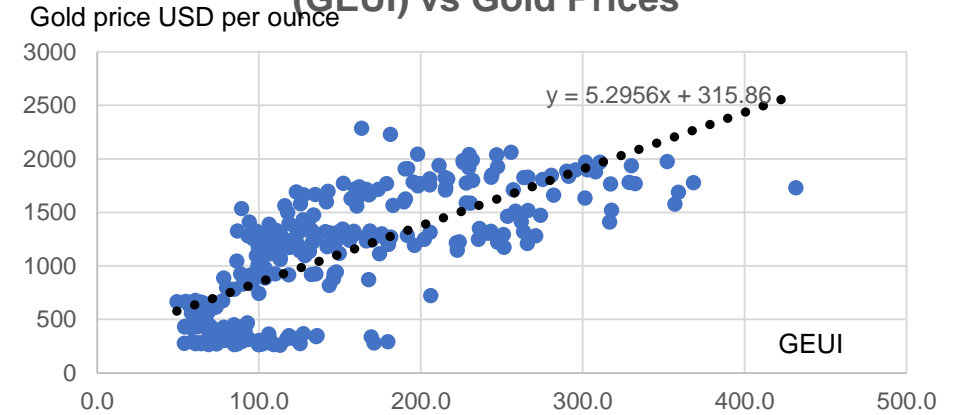


Source: World Gold Council

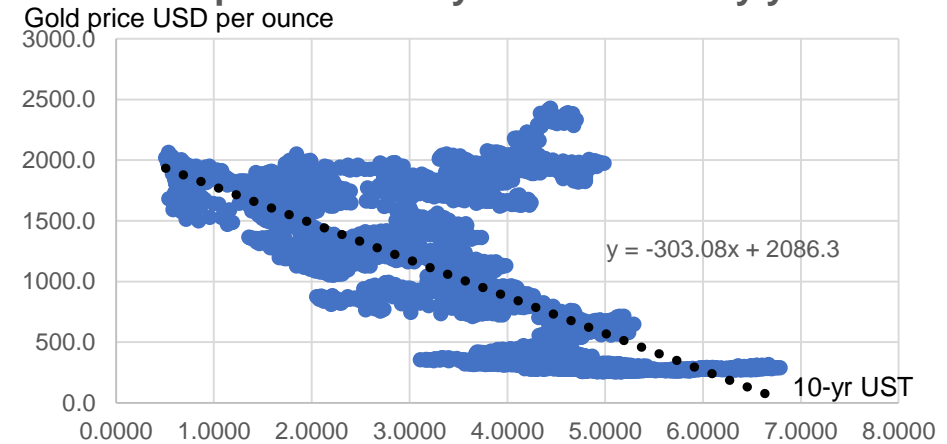
# Catalyst for higher gold prices

Based on past observations, there is a positive relationship between economic uncertainties, as represented by the Global Economic Uncertainty Index, and gold prices. This means that greater economic uncertainties tend to drive gold prices higher. Given the current conditions, including the ongoing military conflict in Ukraine, the humanitarian crisis in Gaza, and the persistent trade war between the US and China, economic uncertainties are likely to increase. This would likely have a positive effect on gold prices, as these uncertainties are unlikely to be resolved in the near term. Additionally, there is an inverse relationship between gold prices and the 10-year US Treasury yield. Currently, there are discussions about the Federal Reserve potentially beginning monetary easing, as signs of economic weakness and lower inflation have started to appear. Overall, gold can be considered a safe haven, as demand typically increases during periods of economic uncertainty and when the Fed begins to cut interest rates.

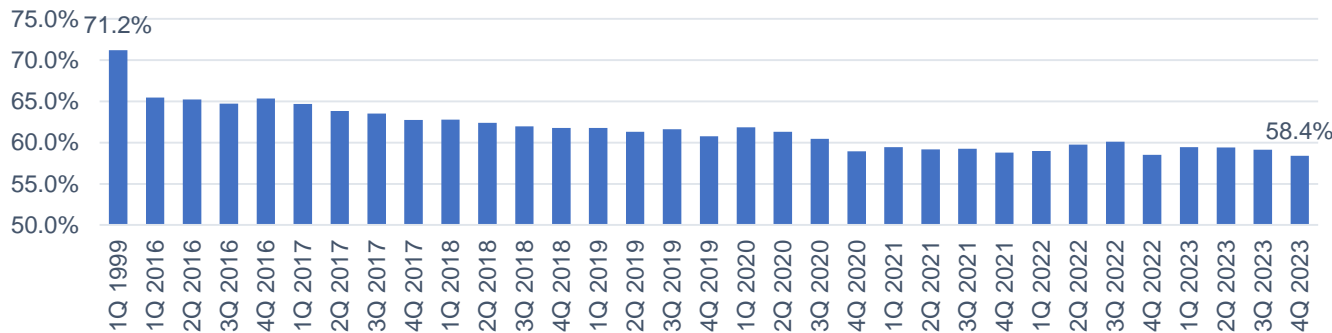
**Global Economic Uncertainty Index (GEUI) vs Gold Prices**



**Gold prices vs. 10-year US Treasury yield**



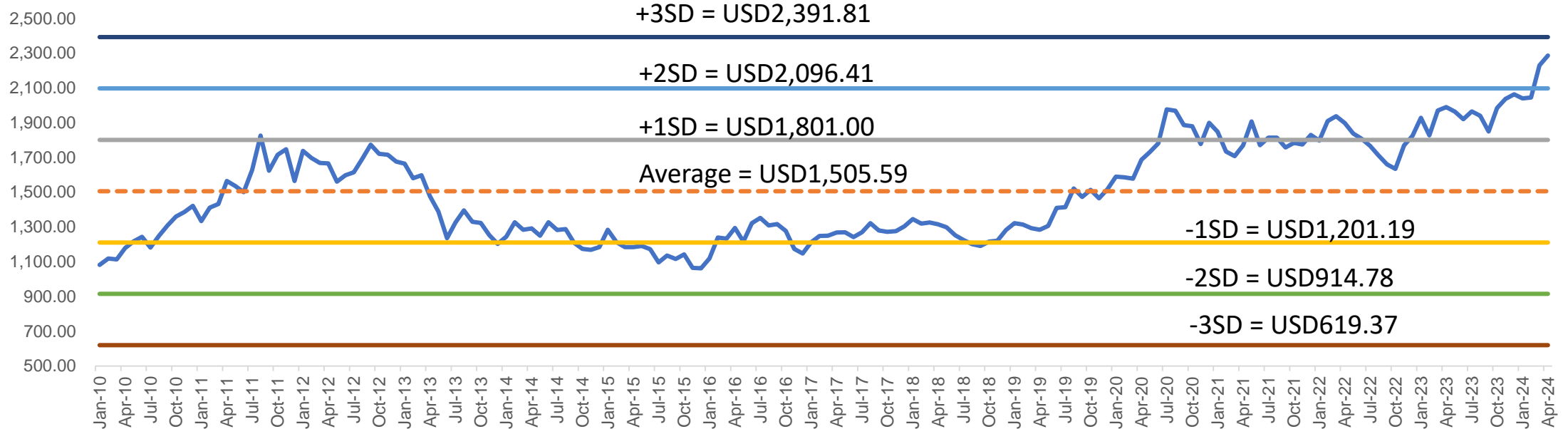
**US Dollar % of Total Allocated Reserve**



Sources: Bloomberg, CEIC, IMF & BMMB's Economic Department

# Gold price outlook – expect near term correction

Gold prices dispersion (USD per ounce)



Source: Bloomberg & BMMB's Economic Department

Currently, gold prices seem to be at a high point, continuing to break records. Consequently, there may be some price correction as market participants may be tempted to cash in their profits. Therefore, gold prices could end the year at USD 2,147.49 per ounce. It is anticipated that the Federal Reserve will cut interest rates this year, but the reductions will be gradual. The ongoing humanitarian crisis in Gaza, the military conflict in Ukraine, and the trade war between the US and China could further polarize the global economy, affecting the global supply chain and leading to higher business costs. As a result, global inflation may remain elevated. While we are cautious about a potential near-term price correction, we believe that gold prices could continue to rise in the mid to long term. We have seen gold prices rise from USD 1,421.40 per ounce in December 2010 to USD 1,898.36 per ounce by the end of December 2020. Looking ahead, it is plausible to expect gold prices to reach between USD 2,500 and USD 3,000 per ounce over the next 5 to 10 years.

"The information provided in this article is for general informational purposes only. While we strive to provide accurate and up-to-date information, we make no representations or warranties of any kind, express or implied, about the completeness, accuracy, reliability, suitability, or availability of the information contained herein. Any reliance you place on such information is therefore strictly at your own risk. In no event will we be liable for any loss or damage arising from the use of this article or the information presented within."

# Appendix – Gold supply and demand statistics (tons)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Year-on-year % change
<b>Supply</b>															
Mine production	2,754.5	2,876.9	2,957.2	3,166.8	3,270.5	3,361.3	3,515.2	3,575.7	3,655.9	3,596.4	3,482.0	3,576.5	3,632.4	3,636.2	▲ 0
Net producer hedging	-108.8	22.5	-45.3	-27.9	104.9	12.9	37.6	-25.5	-11.6	6.2	-39.1	-5.4	-13.1	55.3	-
Recycled gold	1,671.2	1,626.3	1,636.8	1,195.3	1,129.6	1,067.1	1,232.1	1,112.4	1,131.7	1,275.7	1,293.1	1,136.2	1,140.1	1,238.9	▲ 9
<b>Total supply</b>	<b>4,316.8</b>	<b>4,525.7</b>	<b>4,548.6</b>	<b>4,334.1</b>	<b>4,505.0</b>	<b>4,441.3</b>	<b>4,785.0</b>	<b>4,662.6</b>	<b>4,775.9</b>	<b>4,878.2</b>	<b>4,736.0</b>	<b>4,707.3</b>	<b>4,759.5</b>	<b>4,930.4</b>	<b>▲ 4</b>
<b>Demand</b>															
Jewellery fabrication	2,043.8	2,092.1	2,140.9	2,735.3	2,544.4	2,479.2	2,018.8	2,257.5	2,290.0	2,152.1	1,324.0	2,230.3	2,195.9	2,192.2	▼ 0
Jewellery consumption	2,057.0	2,103.8	2,156.1	2,726.0	2,532.1	2,459.1	2,103.6	2,240.5	2,250.2	2,126.7	1,398.2	2,148.4	2,089.6	2,112.3	▲ 1
Jewellery inventory	-13.2	-11.7	-15.3	9.3	12.3	20.1	-84.8	17.0	39.8	25.4	-74.2	82.0	106.4	80.0	▼ -25
Technology	460.7	429.1	382.3	355.8	348.4	331.7	323.0	332.6	334.8	326.0	302.8	330.2	308.8	297.8	▼ -4
Electronics	326.7	316.6	289.1	279.2	277.5	262.1	255.6	265.6	268.4	262.3	249.3	272.1	252.1	241.3	▼ -4
Other industrial	88.3	76.4	64.7	53.7	51.2	51.0	49.8	50.7	51.2	49.8	41.6	46.8	46.5	47.1	▲ 1
Dentistry	45.6	36.2	28.4	22.8	19.6	18.6	17.6	16.3	15.3	13.9	11.9	11.4	10.3	9.5	▼ -8
Investment	1,611.1	1,743.9	1,614.9	800.7	904.8	967.4	1,615.9	1,315.0	1,161.3	1,272.8	1,795.4	992.1	1,112.8	940.7	▼ -15
Total bar and coin	1,204.3	1,502.0	1,322.4	1,730.2	1,067.0	1,091.0	1,073.1	1,044.3	1,090.7	871.1	902.3	1,180.3	1,222.1	1,185.4	▼ -3
Bars	921.2	1,189.5	1,023.2	1,357.7	780.9	790.7	797.6	780.1	775.8	583.6	542.8	810.9	802.2	777.4	▼ -3
Official coins	195.9	228.3	187.5	271.0	205.5	224.3	207.9	188.1	241.9	220.7	290.4	284.4	320.9	293.5	▼ -9
Medals/imitation coins	87.2	84.2	111.7	101.5	80.6	76.0	67.7	76.1	73.0	66.8	69.1	84.9	98.9	114.6	▲ 16
ETFs & similar products	406.8	241.9	292.5	-929.5	-162.2	-123.5	542.7	270.7	70.6	401.7	893.1	-188.2	-109.2	-244.7	-
Central banks & other inst.	79.2	480.8	569.2	629.5	601.1	579.6	394.9	378.6	656.2	605.4	254.9	450.1	1,081.9	1,037.1	▼ -4
<b>Gold demand</b>	<b>4,194.7</b>	<b>4,745.9</b>	<b>4,707.2</b>	<b>4,521.2</b>	<b>4,398.7</b>	<b>4,357.9</b>	<b>4,352.5</b>	<b>4,283.6</b>	<b>4,442.4</b>	<b>4,356.2</b>	<b>3,677.1</b>	<b>4,002.7</b>	<b>4,699.4</b>	<b>4,467.9</b>	<b>▼ -5</b>
OTC and other	122.1	-220.2	-158.6	-187.1	106.3	83.4	432.5	379.0	333.6	522.0	1,058.9	704.6	60.0	462.5	▲ 670
<b>Total demand</b>	<b>4,316.8</b>	<b>4,525.7</b>	<b>4,548.6</b>	<b>4,334.1</b>	<b>4,505.0</b>	<b>4,441.3</b>	<b>4,785.0</b>	<b>4,662.6</b>	<b>4,775.9</b>	<b>4,878.2</b>	<b>4,736.0</b>	<b>4,707.3</b>	<b>4,759.5</b>	<b>4,930.4</b>	<b>▲ 4</b>
LBMA Gold Price (US\$/oz)	1224.52	1571.52	1668.98	1411.23	1266.4	1160.06	1250.8	1257.15	1268.49	1392.6	1769.59	1798.61	1800.09	1940.54	▲ 8

Note: For an explanation of these terms, please see the Notes and definitions download: <https://www.gold.org/goldhub/data/gold-demand-by-country>.

Source: Metals Focus, Refinitiv GFMS, ICE Benchmark Administration, World Gold Council