

# Gold Market Update — Q3 2025

Structural Tailwinds Amid Technical Exhaustion

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*Sources: World Gold Council, CFTC, Bloomberg, Reuters, J.P. Morgan Research, SPDR Gold Shares*

# Executive Summary

Gold extended its exceptional advance through Q3 2025, marking a ninth consecutive week of positive weekly closes — an occurrence seen only twice since the inception of gold ETFs in 2004. The move was underpinned by record ETF inflows, persistent central-bank accumulation, and falling U.S. real yields.

While the fundamental backdrop remains constructive, technical signals now suggest near-term fatigue: the weekly RSI is above 85, stochastic momentum has turned lower, and speculative positioning is elevated. History shows that such prolonged winning streaks often precede consolidation phases rather than sustained drawdowns.

We expect a moderation of momentum in the short term but view the broader regime as structurally bullish, supported by enduring institutional and official-sector demand.

## Q3 2025 Highlights

Metric	Q3 2025 Outcome	Commentary
Spot price	↑ ≈ 65% YTD → ~US\$ 4,300/oz	Record quarterly close
Global ETF holdings	3,838 t (+6% q/q) AUM US\$ 472 bn	Strongest inflows since 2020
Central-bank purchases	≈ 166 t	Broader accumulation; valuation uplift of reserves
CFTC net non-commercial longs	≈ 200k contracts (+40% q/q)	Momentum crowding evident
10-yr U.S. real yield	−55 bps q/q	Reduced opportunity cost of holding gold
USD Index (DXY)	−2.4% q/q	Dollar softness reinforced demand

## Institutional Flow Dynamics

### 1. Exchange-Traded Funds

ETF demand was the dominant marginal driver in Q3. Global gold-backed funds added over 200 t, bringing holdings within 2% of the 2020 peak. Allocations increasingly came from pension and sovereign accounts, signalling a structural shift from tactical to strategic exposure.

### 2. Central-Bank Demand

Official-sector purchases remained robust. Accumulation from Asian and Middle-Eastern banks reflected continued diversification away from the dollar and elevated geopolitical risk. The Reserve Bank of India's gold share of reserves rose to  $\approx 14.7\%$ , primarily through valuation effects.

### **3. Speculative Positioning**

Leveraged-fund participation increased sharply, with CFTC data showing a marked rise in net longs. This positioning supports near-term momentum but introduces vulnerability to profit-taking once volatility spikes.

### **4. Macro Backdrop**

Falling real yields, subdued inflation-adjusted returns on Treasuries, and expectations for Fed easing continued to underpin gold. Market consensus now implies at least one additional policy cut in 2026.

## Technical Context

Our quantitative screen identified only two previous instances of nine consecutive bullish weekly closes (2006 and 2020). Both were followed by short-term retracements averaging  $-2.6\%$  over the next four weeks and a dominance of bearish weeks (3.5 out of 4).

### Current momentum indicators show:

- RSI  $\approx 85$  (overbought)
- Stochastic oscillator – bearish crossover
- Weekly EMAs – positively aligned

We interpret this as an over-extended rally within a still-intact trend. A controlled consolidation between US\$ 4,050 and US\$ 4,250 would likely re-balance sentiment before any renewed advance.

## Insider Insight — Institutional Behaviour

### Strategic Re-Allocation

Multi-asset managers are elevating gold from a hedge to a core portfolio component. Persistent inflows from sovereign wealth and pension funds suggest deeper structural ownership.

### Dealer Positioning

Prime-broker data highlight stretched long exposures among macro and CTA funds. A 3–5% price pullback could trigger mechanical de-risking, increasing short-term volatility.

### Central-Bank Psychology

Recent surveys show two-thirds of central banks expect to raise gold reserves within 12 months. The motivation — diversification and sanction-risk management — implies durable, price-insensitive demand.

### Macro-Desk View

Institutional strategists remain constructive yet alert to a mean-reversion risk. Should real yields rise sharply or Fed easing expectations fade, a 10–15% correction cannot be ruled out.

## Scenario Matrix

Scenario	Probability	Narrative	Implied Range
Base Case	45%	Short-term pullback (5–10%) followed by renewed buying as ETF and CB demand persist.	US\$ 4,000 – 4,500
Bull Case	30%	Real yields remain depressed; ETF inflows continue; Fed eases further.	US\$ 4,800 – 5,200
Bear Case	25%	Real yields rebound > 75 bps; USD strengthens; ETF flows reverse.	US\$ 3,400 – 3,800

## Forward Indicators to Monitor

- **ETF Flows:** Weekly WGC and GLD data for confirmation of institutional bid.
- **CFTC Positioning:** Track net non-commercial exposure for signs of de-leveraging.
- **Real Yields:** Sustained move above +2% on 10-yr TIPS would challenge the thesis.
- **Central-Bank Reports:** Quarterly reserve composition and purchase disclosures.
- **USD Index (DXY):** A break above 110 could cap upside momentum.

## Outlook

We view the current phase as a technical plateau within a structural bull market. Institutional and official-sector buying has redefined the equilibrium price level for gold.

Short-term corrections should be viewed as opportunities for accumulation rather than trend reversals, provided real yields and the U.S. dollar remain contained.

Our medium-term bias remains constructively bullish, though we expect elevated volatility as speculative positioning normalises.

## Conclusion

Gold's 2025 rally represents a structural re-pricing of its role in the global financial system. Overbought conditions argue for consolidation, yet persistent ETF and central-bank flows provide a durable floor.

**Bias:** Neutral / Bullish (Medium Term)

**Risk:** Short-term correction 5–10%

**Investment Horizon:** 6–12 months