Gold Seasonality Patterns

Annual/Monthly Trends: Gold's price exhibits a clear seasonal cycle driven largely by consumer demand and market positioning. In general, gold is relatively flat or weak in the first half of the year and tends to rally in the second half. For example, *Seasonax* (50-year average) finds that **gold gains mainly from early July through the following February**. This "second-half" rally coincides with the Indian wedding season (autumn), Western holiday buying (December) and Asian Lunar New Year restocking. In contrast, the period from spring through early summer often shows little net gain on average.
Over the past 50 years, gold's **average annual gain is only ~5.2%** (USD terms), whereas the July–Feb subperiod has averaged about **+7.0%** (reflecting the seasonal rally).

- **Jewelry-demand drivers:** Roughly half of mined gold goes to jewelry. Indian wedding festivals (Sept–Oct/Nov), Western holidays (Dec) and Chinese New Year (Jan/Feb) drive demand in late-year and winter, lifting prices. By contrast, demand is seasonally weaker in spring/summer, producing a "summer lull." For instance, Seasonax finds *no average gain* for investors *before* July each year, and then a strong rise afterward.

- **Winter vs Summer:** Quantitative studies confirm this split. One analysis of the US-listed GLD gold ETF (2005–2023) shows that **Nov–Apr ("winter" period) returned ≈+8.1%** on average, vs only **+1.2% in May–Oct ("summer")**. In other words, about 85% of GLD's gains occurred in the Nov–Apr window.

Average Returns by Month

Over historical data, certain months stand out as consistently strong or weak. The World Gold Council (WGC) and other analyses report:

- **January (very strong):** Gold has the largest average gain in January. For example, since 1971 the average January return is **+1.79%** (USD) – roughly **three times** the long-term monthly average. Gold has risen in January ~60% of the time (and nearly 70% of the time since 2000). This is often called the "January effect" (mirroring stocks) and may reflect year-end tax-loss selling reversing and reduced US real interest rates in winter. (Notably, the U.S. dollar tends to weaken and real Treasury yields seasonally ease in January, supporting gold.)

- **February–April (mixed):** Early spring has mixed results. Some studies find **April** tends to be relatively strong in recent data, but **March** is often cited as weak historically. For instance, Vaulted and InvestingHaven note **March and June/October** as among the *weakest* months. Seasonal charts show volatility in Mar–Apr; on balance, these months often underperform winter months.

- **May–July (weak):** The traditional **"sell in May**" effect is seen in gold too. Gold often has little or negative return in early summer. For example, *before July 6* the **average** price change is essentially flat. Empirical data (e.g. GLD) typically show weaker returns in June and July. One analysis notes **June** often posts relatively weak performance.

- **August–September (strong/weak split):** Late summer shows a mixed picture. On average, **August** has been one of the stronger months (gold often rebounds after summer lull), while **September** is frequently **one of the *weakest***. Vaulted's 1978–present data list August/September among the top months and March/June/October the bottom ones. However, Seasonax and InvestingHaven highlight September as typically *weak* (more volatility, lower returns), whereas August often has solid gains. (The contrast likely arises because Mid-Sept still benefits from Indian demand, but late-Sept historically softens as Western traders exit before winter.)

- **October (weak):** Following September, **October** tends to underperform or be variable. October has often seen modest or negative returns on average. Many charts show a bottom around Sept/Oct before the year-end rise.
  November–December (very strong): The year's end is historically a strong period. Gold's gains in Nov–Dec and early January are robust (driven by holiday buying and replenishment of seasonal inventories). For instance, GLD returned an average **8.1%** during Nov–Apr vs 1.2% in summer. Specific data: BullionVault reports November average +1.6% (10/20 up) and January +2.9% (14/20 up). Weaker dollar and central bank purchases in Q4 also help. Overall, **Nov–Feb is the strongest four-month stretch** in gold's annual cycle.

A concise way to summarize: *Gold tends to rally from late Q3 into Q1, with January as the peak month and September/October as troughs.* Empirical charts show roughly **11–12 "winning" months** for gold in a year: gains concentrate in Nov–Apr (especially Jan) and diminish or reverse in May–Oct.

Seasonal Anomalies

- **January Effect:** As noted, gold's best month is January. This is often explained by **portfolio rebalancing** and seasonal declines in U.S. real yields after year-end. Years when the dollar rallied sharply (e.g. 2021–2022) can break this pattern, but on average Jan is a sweet spot.

- **Late-Summer Rally (Unseasonal August):** Traditionally analysts expected September to be strong (ahead of demand), but **the seasonal "September rally" has shifted to August** in recent decades. Seasonax notes the move of late-summer gains into August over the past ~20 years.

- **Turn-of-Month Effect:** Short-term traders note that gold often jumps at the turn of the calendar month (especially day 1). The first 1–3 trading days of a month tend to see above-average returns (due to inflows and settlement cycles). This is a minor "anomaly" but has been confirmed by studies (GLD and gold miners show spikes around month-ends)

- **"Sell in May" Impact:** Because gold's gains are concentrated in winter, a passive strategy that exits before May can sometimes add performance. For example, holding gold (GLD) only in Nov–Apr (and remaining in cash May–Oct) would have captured most of its multi-year appreciation (though one must forego summer yield opportunities).

U.S. Elections and Gold

Historical data show **no simple "election-year rally"** in gold. Large-sample analysis by the World Gold Council (WGC) finds that U.S. presidential elections themselves have **no consistent or statistically significant effect** on gold prices. Key findings:

- **No consistent election-year trend:** Over many cycles, gold's average return around election years has been roughly the same as in non-election years. Short-term news-driven moves (e.g. uncertainty spikes during campaigns) have had only modest impacts on gold.

- **Party affiliation:** Gold's performance does not reliably depend on which party wins. WGC notes gold often did *slightly better* in the six months *before* a Republican win and underperformed slightly before a Democratic win, but *none of these patterns were statistically significant*. In other words, policy expectations (inflation, fiscal stimulus, tax policy, etc.) matter more than party labels.

- **Historical Presidencies:** In practice, gold's return over an entire presidential term has varied widely due to macro factors. For example, gold soared ~326% during Carter's term (1977–81) and fell ~26% in Reagan's (1981–89) (largely reflecting 1970s inflation vs 1980s disinflation). Under Clinton (1993–2001) gold was flat (as tech boom diluted its appeal), whereas Obama (2009–17) saw ~+40% gold gains (on post-crisis reflation) and Trump's first term (2017–2021) ~+72% (driven by trade tensions and COVID risk). In short, **gold has done well in both Dem and GOP presidencies**, depending on circumstances.

In summary, gold has not historically behaved in a textbook "stock-market election cycle" manner. Elections often add volatility, but the overall trend **follows broader macro influences (real rates, dollar, inflation) rather than the electoral calendar.**

Economic Cycle Phases

Gold's performance varies sharply across expansions, recessions, and inflationary regimes:

- **Recessions (strong):**
  Gold is well known as a safe-haven during downturns. Empirical studies show *large gains* in recessions. One detailed analysis dividing U.S. recessions into phases found that **gold averaged +20.2% during the official recession periods** (since 1970). In every phase of a recession, gold posted positive returns (in USD) while stocks often fell. The stronger the stock market losses, the greater gold's outperformance. The logic is that recessions bring Fed easing (lower real rates) and safe-haven demand. Indeed, all seven post-1950 US recessions involved Fed rate cuts (avg ~550 bps), which traditionally boost gold's appeal.

- **Stagflation (very strong):** Periods of high inflation *and* weak growth are historically gold's sweet spot. In the stagflationary 1970s, gold soared (from about $35 in 1971 to ~$850 in 1980). Modern analysis confirms this: WGC's Gold Outlook notes that **stagflation "favors gold"**. When inflation is high but growth is slowing, real interest rates stay very low (or negative), minimizing gold's opportunity cost and fueling demand as a hedge. In short, gold rallies strongly when the economy is slowing into an inflationary spiral.

- **"Goldilocks" (weak):** In contrast, periods of steady growth with moderate inflation (a "Goldilocks" economy) tend to be headwinds for gold. In these phases, real interest rates are positive and investors rotate into risk assets. FocusEconomics notes that *moderate growth/stable inflation* (with normalized real rates) is typically **negative for gold**: safe-haven demand is low and opportunity cost is high. For example, the benign 1995–2000 expansion saw gold mostly rangebound as equities dominated.

- **Expansions (mixed):** During ordinary expansions, gold's returns depend on inflation trends and Fed policy. If inflation is accelerating and the Fed lags, gold may rise. But if growth is strong and the Fed is hiking, gold often languishes. Historically, gold's biggest secular trends align more with inflation cycles than with GDP growth per se. (Note: "expansion" itself is broad; the key is inflation/real-rate conditions within it.)

- **Recoveries/Post-crisis:** After a recession, if the Fed cuts sharply or keeps rates low, gold usually rallies. WGC finds that **gold "tends to rally in the intermediate term" after a Fed tightening cycle**. For example, gold was up ~19% in the 12 months after the Fed's last rate hike in 2007. In the 2000–2001 period, gold gained ~3.6% in the year after the Fed paused. These post-hike rebounds occurred even as inflation was easing. They suggest that once rate hikes stop, inflation fears or renewed QE/support can send gold higher.

Key takeaways: Gold historically **outperforms in recessions and stagflation**, and tends to **lag or underperform in stable expansions**. It is often seen as a **crisis hedge**: the gold price spiked in the 1970s crises and again during the 2008–2011 crisis. In short, gold does best when growth is faltering or inflation is high; it struggles when economies are healthy and real rates are positive.

Macro Drivers and Correlations

Gold's seasonality and cycle effects are underpinned by macro relationships:

- **Real Interest Rates (opportunity cost):** Gold has a **strong inverse correlation with real (inflation-adjusted) Treasury yields**. When real rates fall, gold's opportunity cost (foregone yield on bonds) drops, making gold more attractive. FocusEconomics emphasizes: *"real interest rates have the most significant inverse correlation with gold prices"*. For example, if inflation is 5% and nominal yields are 2% (real = –3%), gold tends to perform well. Conversely, rising real rates (Fed hiking aggressively) tend to pressure gold.

- **U.S. Dollar:** Because gold is dollar-denominated, dollar moves matter. A **strong USD** makes gold more expensive in other currencies and usually pushes gold down; a weaker dollar boosts gold demand globally. In practice, Fed tightening tends to lift the dollar and pressure gold; Fed easing (or a global flight from the dollar) can send gold higher. The interplay of interest-rate expectations and the dollar often dominates gold's short-term moves.

- **Fed Policy Cycle:** Gold is sensitive to the Fed's interest rate cycle. Expectations of future rate hikes tend to *pre-emptively* drive gold lower (higher opportunity cost), while expectations of rate cuts provide support. Historically, gold often climbs after rate hikes stop. For instance, in the two most recent Fed tightening cycles (late 1990s, mid-2000s), gold rose 18–19% in the year after the Fed paused. WGC concludes that while gold may not surge immediately at a pause, **"gold eventually reacts positively as the pause cycle extends or the Fed eases"**. In 2023–24, markets expect the Fed to hold or cut, removing a headwind for gold.

- **Inflation:** Gold is often seen as an inflation hedge. In practice, gold historically ran up strongly during high-inflation episodes (e.g. 1970s: double-digit inflation drove gold ~35% annual gains). However, if inflation triggers an aggressive Fed response (raising real rates), gold can suffer even in inflationary times. The **ideal scenario for gold** is "high inflation *without* Fed normalization" (i.e. stagnant growth and easy policy). Conversely, in disinflationary periods or when inflation falls under control, gold typically lacks one of its key supports.

- **Geopolitical/Market Risk:** Episodes of crisis or uncertainty tend to boost gold's safe-haven demand. WGC notes that on average a *100-point rise* in its global geopolitical risk index coincided with **~+2.5%** gold returns. In crises (2008–11, COVID, war fears), gold spiked as investors fled equities and bonds. Political

uncertainty around elections or conflict can cause short-term volatility, but it is sustained or exogenous shocks that drive real gold rallies.

- **Other Correlations:** Gold often moves with commodity inflation and opposite to bond yields/credit spreads. It is effectively *uncorrelated* with stock returns over long cycles – in fact, gold shines when stock and bond markets are weak. Its correlation with inflation is nonlinear (strong in extremes).

Summary: Gold's price is influenced by a complex mix of macro factors, but chief among them are the **real Federal Reserve rate cycle** and the **US dollar**. Seasonally, real yields tend to dip in winter (supporting gold) and rise in spring (pressuring it). Similarly, gold's winter rally often begins after markets see high funding flows, while summer's weakness comes as Fed rate paths steepen. In all cases, gold's seasonality must be seen through the lens of rates, inflation expectations, and risk appetite.

Sources: Historical analyses from the World Gold Council, bullion research outlets and academic studies are cited above. Key sources include WGC commentary on gold market patterns, BullionVault seasonal infographics, Seasonax seasonal charts, and academic/industry analysis of recessions and Fed cycles. These sources provide statistical evidence and context for the seasonality and macro behavior of gold.