World Gold Council data affirms our views

CIO View: Gold

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- In April 2025, gold prices have experienced significant fluctuations, reaching an all-time high of USD 3,500/oz in mid-April before declining to around USD 3,300/oz by month's end—a 5% pullback from the peak.
- World Gold Council's first-quarter demand trends report signals ongoing strong investment and central bank buying, with overall demand reaching 1,206 metric tons, its strongest first quarter since 2016.
- Accordingly, we see gold well supported by "safe-haven" and diversification demand, and like to use the elevated volatility to sell price downside in XAUUSD at a strike of USD 3,150/oz or below. Meanwhile, we remain long in our global asset allocation.

Gold (USD/oz)

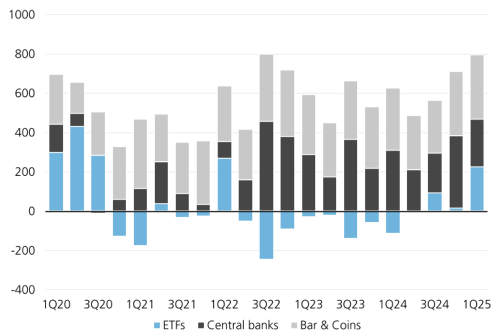
	Forecasts	Spot
30 Apr 25		3,312
Jun 25	3,500	
Sep 25	3,500	
Dec 25	3,500	
Mar 26	3,500	

Bloomberg, UBS; Note: Forecasts refer to end of period.

Gold has experienced significant price fluctuations, reaching an all-time high of USD 3,500/oz in mid-April before declining to around USD 3,300/oz by month's end—a 5% pullback from the peak. The elevated volatility has been caused by several backtracks by the Trump administration ranging from the President's claim he doesn't want to fire Fed Chair Jerome Powell to less aggressive posturing between he and China. The much-anticipated World Gold Council (WGC) first-quarter demand trends report signals ongoing strong investment interest and central bank buying, with overall demand reaching 1,206 metric tons (its strongest first quarter since 2016). Investment demand was the primary driver, underpinned by a breakdown in traditional stock-bond correlations, inflation fears, and extreme US policy uncertainty. ETF buying surged, reversing prior outflows and boosting total inflows to a three-year high. With buying at 226 metric tons for the quarter, it affirms our decision to upgrade our full-year estimate to 450 metric tons mid-month (from 300 metric tons). This is the strongest annual demand since 2020, with US-listed funds driving inflows alongside material contributions from Europe and Asia.

Investment demand surges in the first quarter

In metric tons



Source: WGC, UBS

Importantly, central bank buying also remained strong at 244 metric tons, which was close to our 1Q target and upholds our full-year forecast of around 1,000 metric tons for 2025. Again, unreported buying remains a key factor, with IMF report volumes only capturing a part of the picture. Bar and coin buying was also up 3% y/y, with China contributing 124 metric tons—the second-highest on record—to a total of 325 metric tons. Jewelry demand, as expected, was pressured by the velocity and magnitude of the recent rally. Both China and India contributed to the weakness. Supply did rise marginally (+1%) due to record mine output, though recycling declined unexpectedly. So, overall, we believe first-quarter demand not only confirms that gold is again favored in times of global dislocation, but also increasingly we observe more longer-term investors emerging as dedollarization trends grow. In this context, our analysis suggests that a 5% allocation to gold within a USD diversified portfolio is optimal.

Appendix

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