

October 3, 2025

Commodity Insight

Central bank buying to push prices towards 125,000

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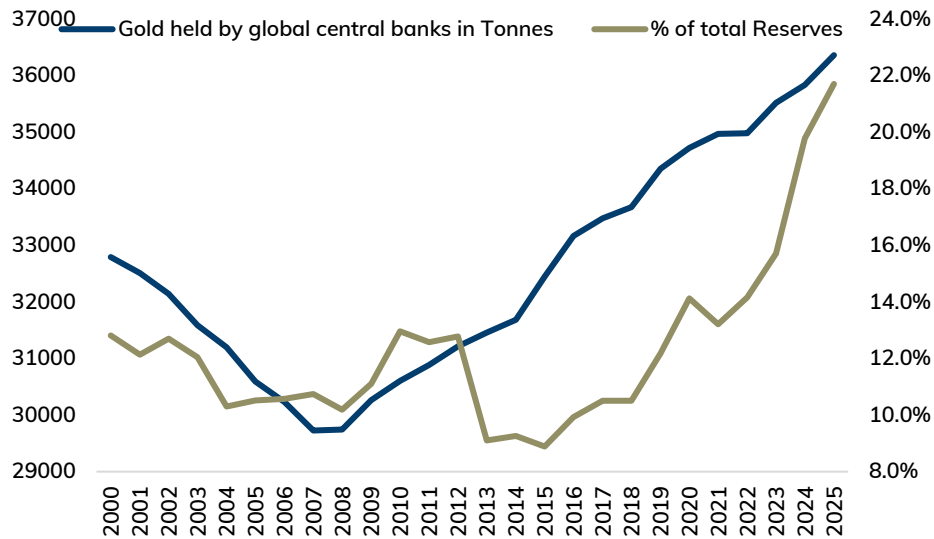
Safe haven demand and central bank buying to push prices higher



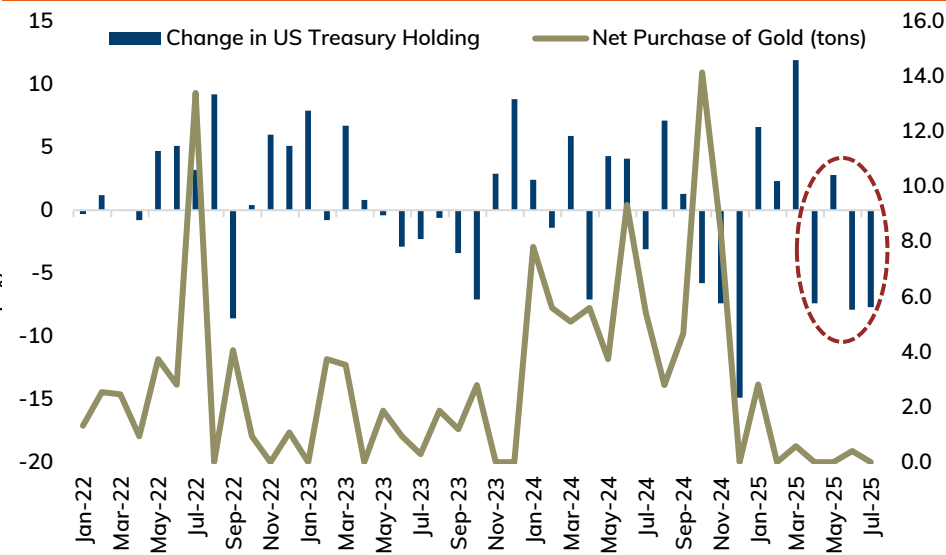
Outlook

- Gold prices are likely to continue with its upward trend supported by safe haven demand amid heightened geopolitical tensions, concerns over Fed independence as U.S President Donald Trump is trying to push for more governors who are agreeable to his view on policy and fear over potential trade war hurting economic growth.
- Additionally, central banks are likely to continue with their buying spree, diversifying their reserves
- Weakness in dollar and softening of U.S treasury yields across curve would be supportive for the prices
- Moreover, investment demand may surge amid expectation of more rate cuts from U.S Fed, political uncertainty, escalating geopolitical tensions in Middle East and Eastern Europe and fiscal concerns
- As per CME Fedwatch tool traders are pricing in an almost 98% chance of 25bps rate cut at next meeting. Additionally, tame inflation reading strength the case for interest rate cut
- Spot Gold is likely to rise further towards \$4100-\$4200 in coming months

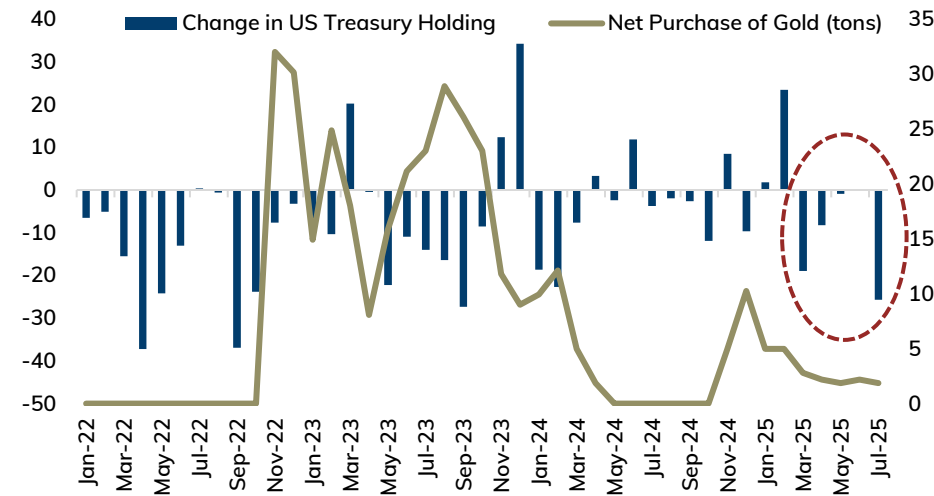
Gold becomes second largest reserve asset



US treasury bills losing favor with RBI

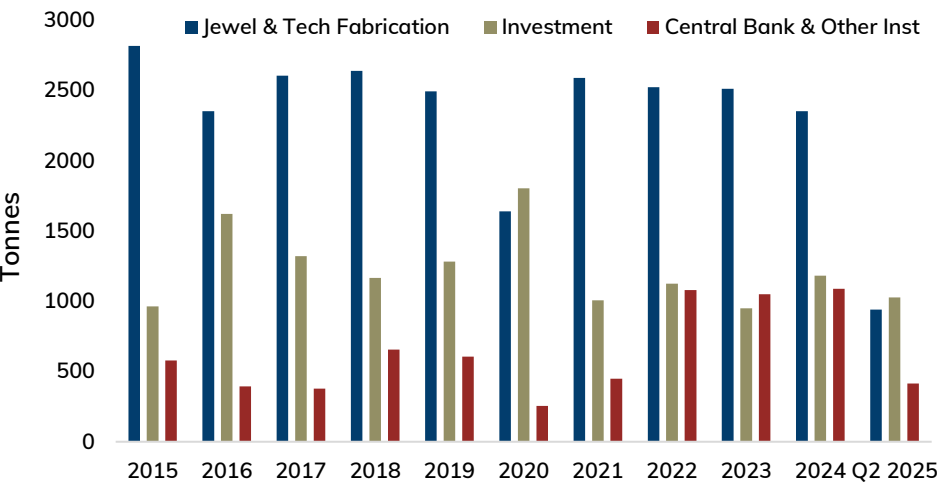


China's central bank continues to diversify reserve

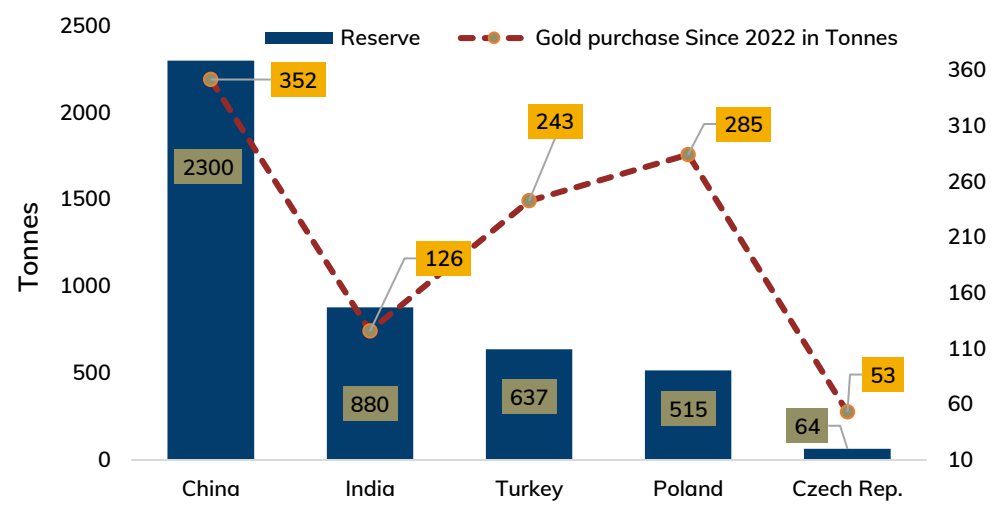


- Gold holding in reserves is expected to rise as central banks will continue to accumulate it to diversify its reserves. Further, gold is perceived as hedge against global fiscal concerns, inflationary and geopolitical risk. Ongoing concerns over dollar's safe haven status will boost demand for gold. US dollar position as global reserve currency is facing challenge. Rising risk of De-dollarization will drive gold prices further
- China and India continues to cut its U.S treasury holdings and may be pivoting to safe haven assets like gold. China's central bank extended its gold buying streak for 10th straight month in August, adding more than 21t of gold taking reserves to 2300 tonnes. Looking at the current scenario PBOC is likely to continue to add gold to its reserves as it has low amount relative to other FX assets

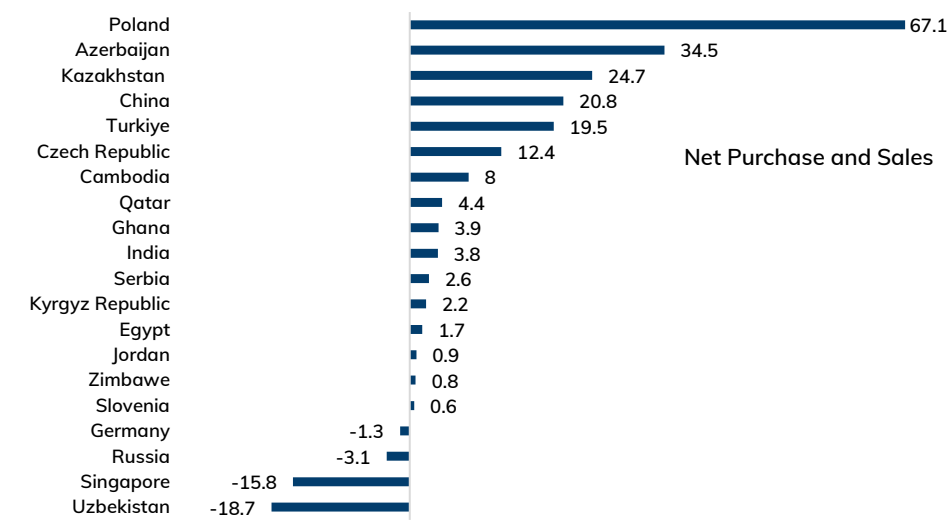
Demand from central banks on move



Top central banks gold purchase since 2022

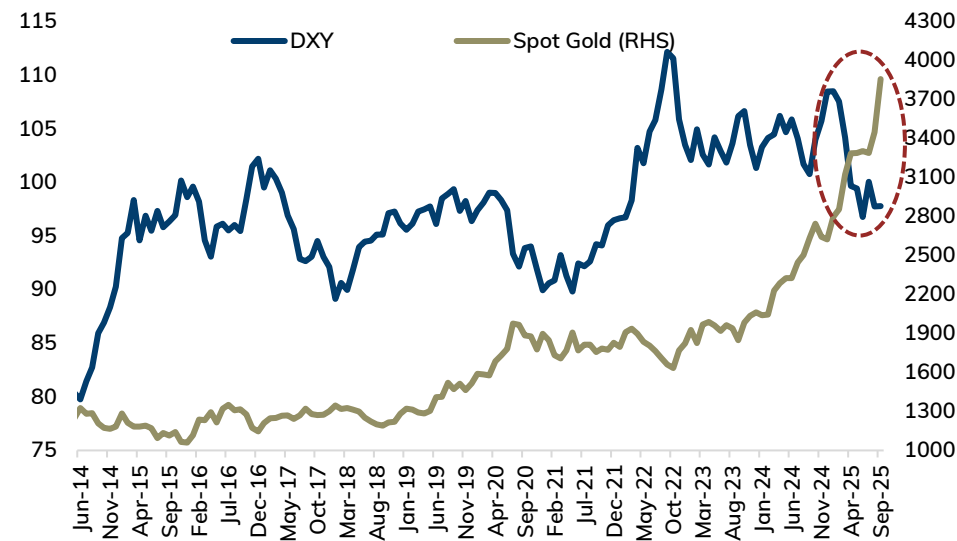


Net Purchases and Sales by Central bank in 2025

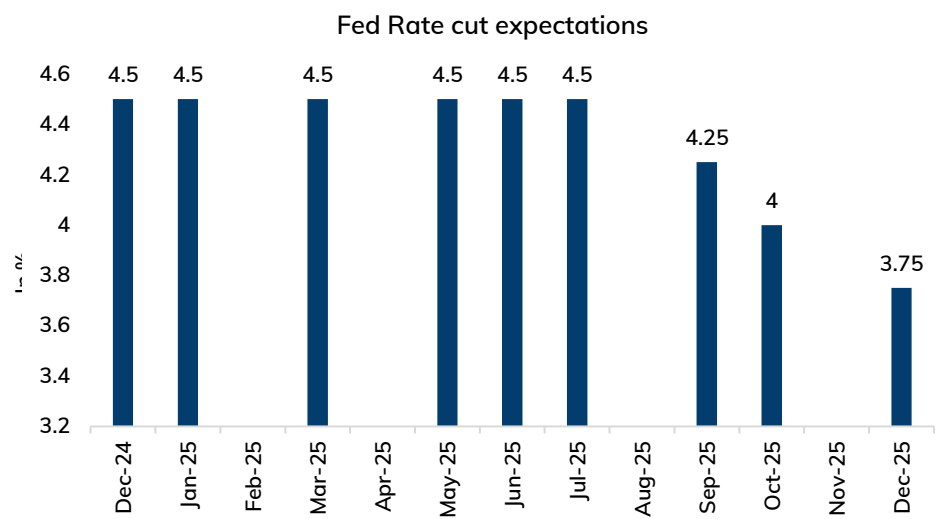


- Global central banks purchased ~166tonnes of gold in Q2CY25 which is lesser then compared to same quarter last year, but still looked healthy. Moreover, central banks have purchased more than 415 tonnes of gold this year so despite of higher prices. We believe that central banks will continue to add gold to diversify their reserves for financial and strategic reasons.
- Apart from PBOC, appetite of some major central banks continued. National bank of Kazakhstan added 25t of gold so far becoming 3rd largest net purchaser. Turkey has been a net purchaser for 26 consecutive months while the Czech National Bank has bought gold for 29 consecutive months. National Bank of Poland remained the largest net purchaser of gold in 2025 with 67t so far

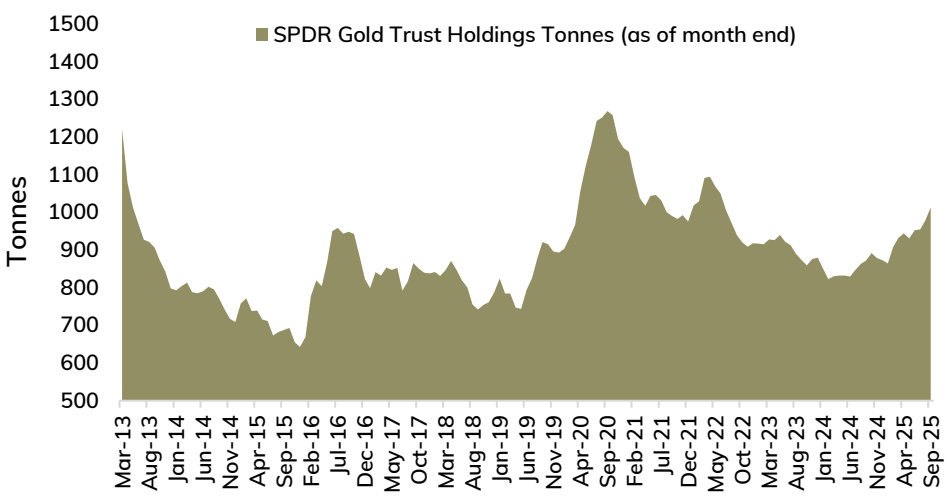
Dollar Index losing steam



2-more rate cuts on table



Inflows likely to continue in Gold ETFs



- In 2025, we saw inflows in ETF for 4 consecutive month till September turning holdings positive as investors flocked to safe haven assets amid trade war concerns, geopolitical tensions and market uncertainties. We believe investment demand to continue as investors will buy gold as store value amid trade uncertainties, escalating geopolitical tensions, concerns around Fed's independence and fiscal worries.
- Dollar Index is likely to weaken further as US central bank resumed its easing cycle and signaled 2 more rate cut this year. Moreover, concerns over the Fed's independence and fears about capital flight would weigh on dollar.
- US Federal Reserve may again cut rate by 25bps in the October as well as in December meeting if the labor market continues to show weakness. US Fed will monitor the upcoming economic data before taking any further decisions as it faces risks of both higher inflation and weaker employment



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