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# Commodity Insight

Gold to shine in an era of uncertainty

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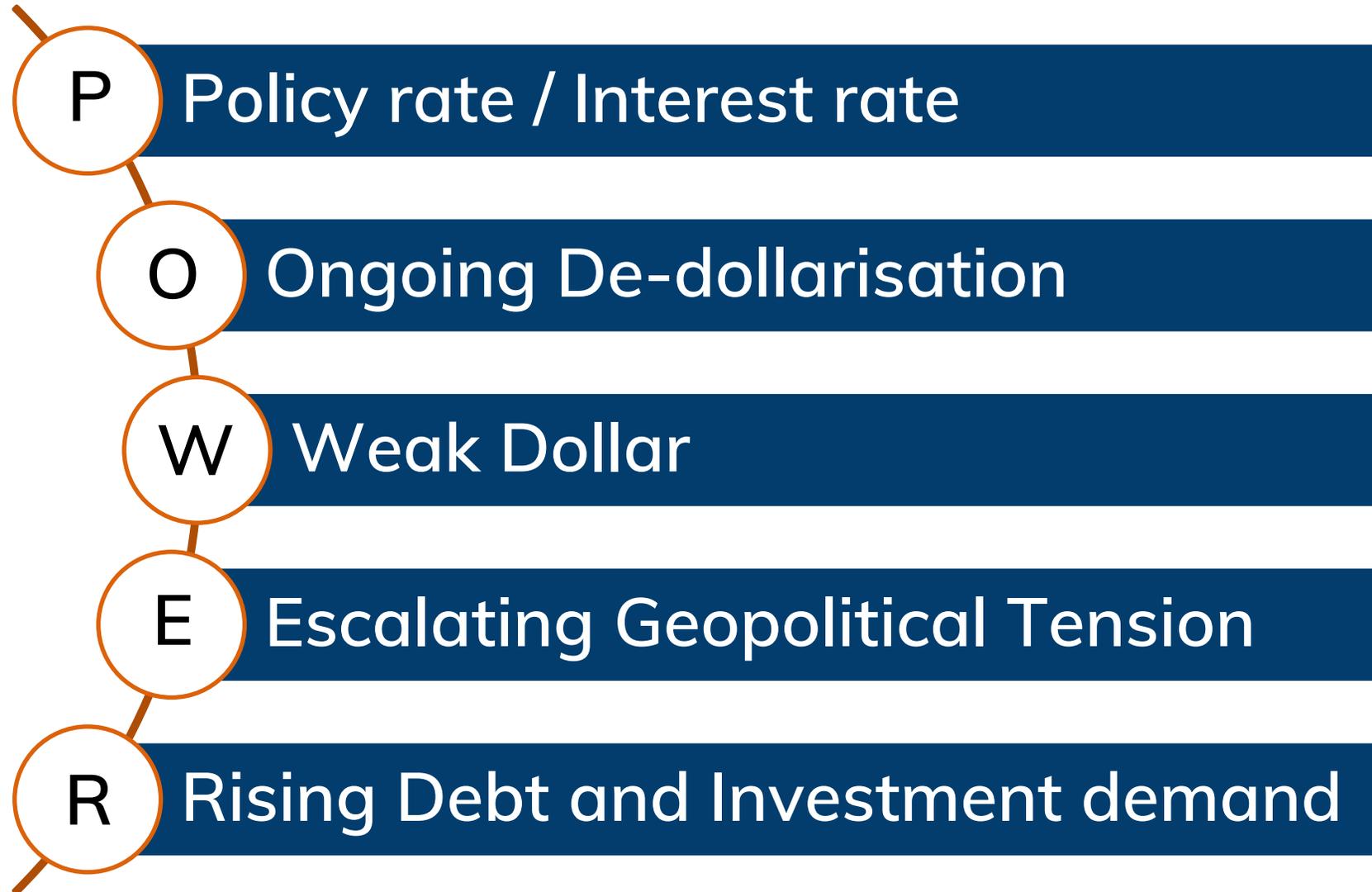
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## POWER: Behind Gold Move

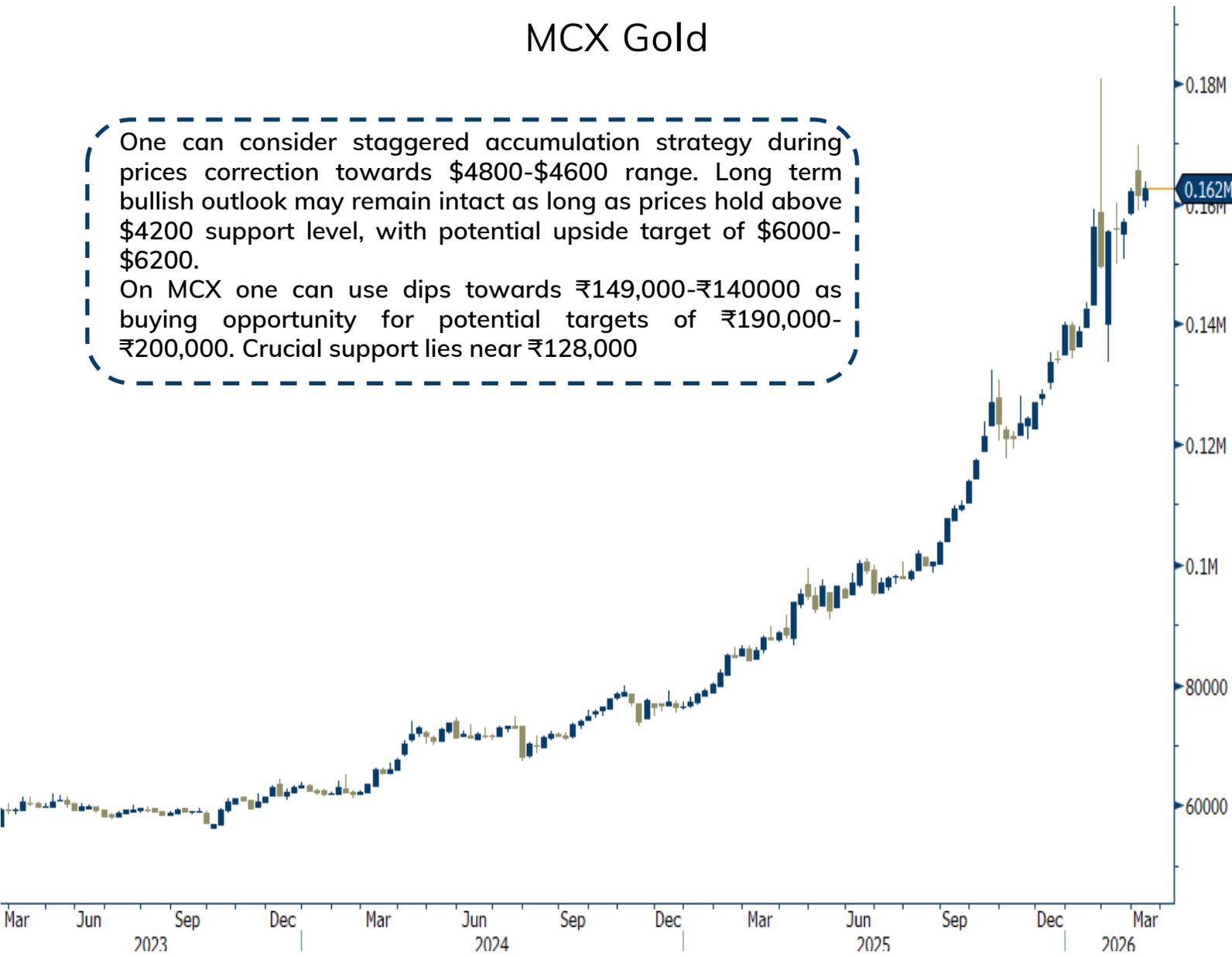


## MCX Gold

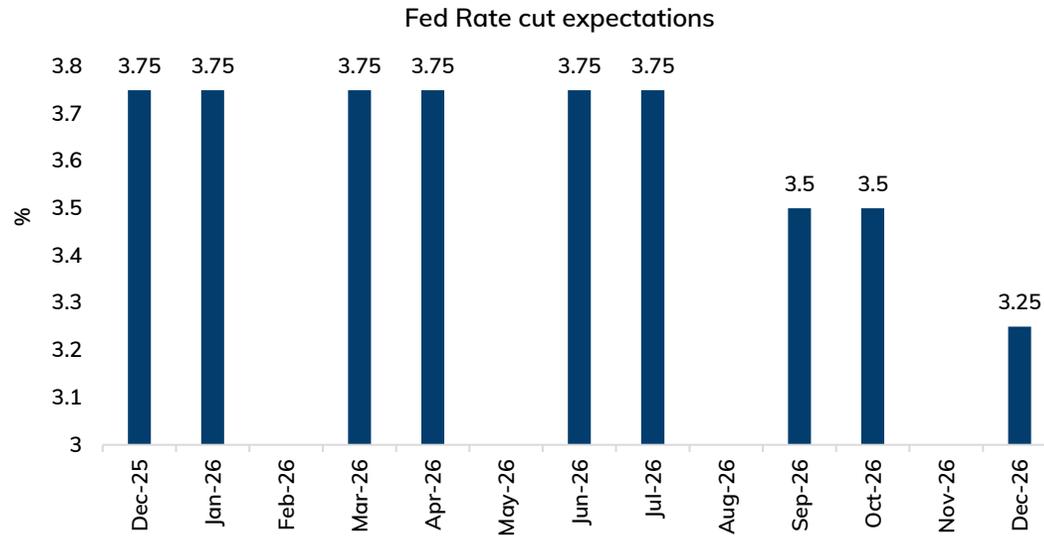
One can consider staggered accumulation strategy during prices correction towards \$4800-\$4600 range. Long term bullish outlook may remain intact as long as prices hold above \$4200 support level, with potential upside target of \$6000-\$6200.

On MCX one can use dips towards ₹149,000-₹140,000 as buying opportunity for potential targets of ₹190,000-₹200,000. Crucial support lies near ₹128,000

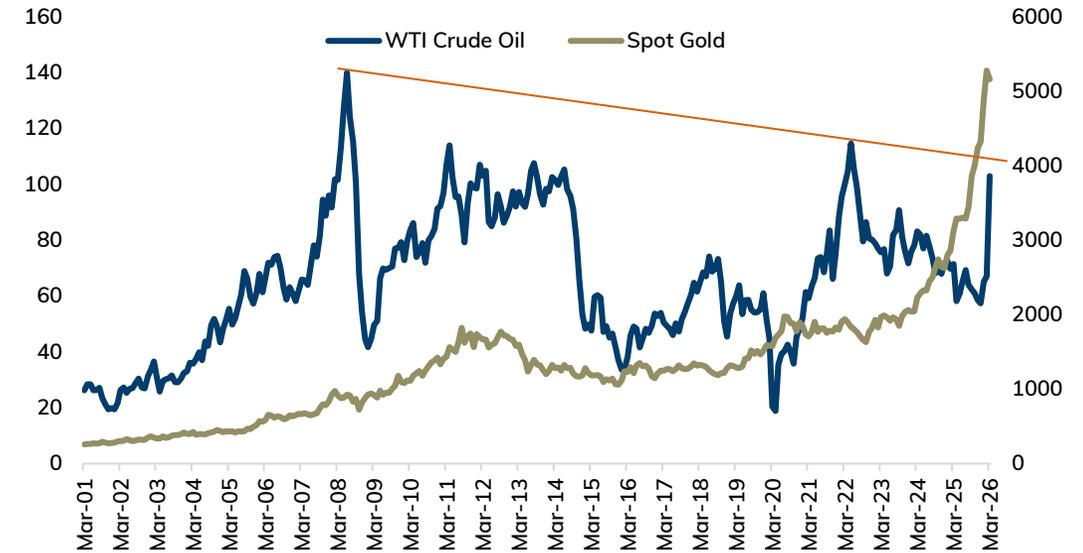
- Gold prices may face short-term headwinds as rising crude oil prices driven by heightened geopolitical tension in Middle East could complicate the path towards policy easing for US Fed. However, any corrective phase in gold should be viewed as strategic accumulation opportunity as underlying macro drivers remain intact and supportive for long term. Hence, prudent approach will be staggered investment strategy on price dips.
- Central banks are likely to continue with their buying spree, diversifying their reserves. Also, persistent concerns about inflation and high government debt may continue to make gold valuable as hedge against uncertainties. Rising investment in ETF's and expectation of further weakness in dollar will provide support to the prices
- Recent developments on trade friction and geopolitics will increase the demand for safe haven. Fears are growing that tension between US-Israel and Iran may drag whole region into conflict and may extend for weeks.
- However, if the conflict extends for longer duration and strait of Hormuz remains close, we may witness higher oil prices and accelerating inflation bringing back memories of 2022. Central banks will face dilemma of stagflation, where they will have to choose between curbing high inflation and supporting economic growth.



## Fed rate cut expectations



## Crude oil prices breached \$100



- Recent dramatic surge in crude oil prices due to escalating tension between US-Israel and Iran is complicating inflation outlook and making policymakers more nervous. US Fed policymakers will face Delima of stagflation, where they will have to choose between curbing high inflation and supporting economic growth. In near term the heightened conflict between US and Iran poses risk to both U.S inflation and growth, but the impact should not be huge given US energy sufficiency. On top of it, recent batch of economic data showed weaker than expected job data raising worries over labor market.
- We don't see US Fed cutting rates before September 2026 as they would continue to evaluate the economic impact of escalating conflict between US and Iran. Impact of war on inflation and economy will depend on its severity and duration as well as the magnitude of disruption at the Strait of Hormuz.
- Gold prices may face short-term headwinds as rising crude oil prices driven by heightened geopolitical tension in Middle East could complicate the path towards policy easing for US Fed. However, any corrective phase in gold should be viewed as strategic accumulation opportunity as underlying macro drivers remain intact and supportive for long term

Source: Bloomberg, ICICI Direct Research

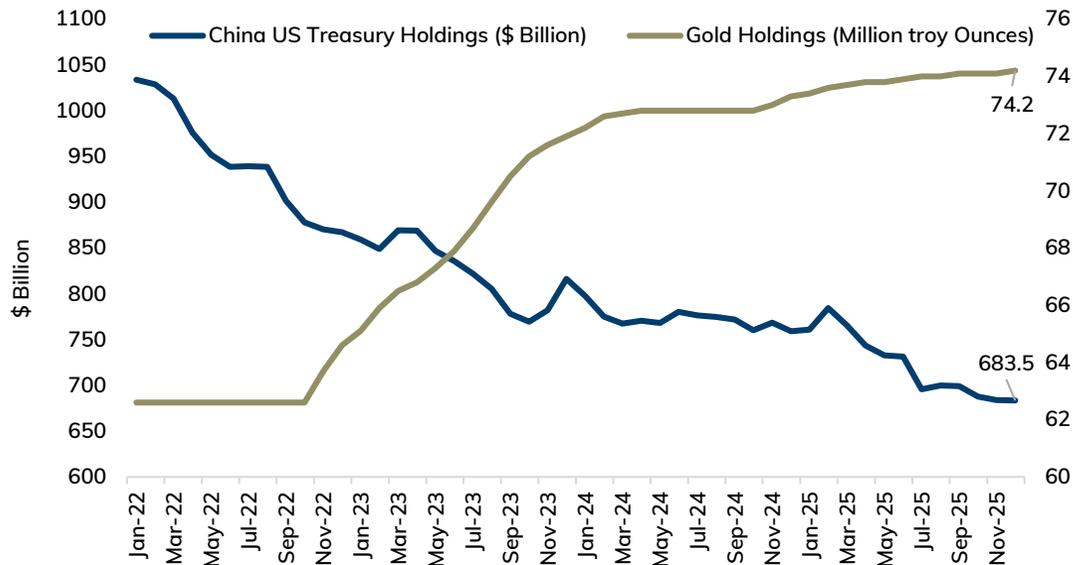
## Gold becomes second largest reserve asset



- Most of the countries will continue to increase gold in Reserves, reducing their dependency on dollar and shielding themselves from US sanctions and volatility
- Global confidence in dollar is eroding and may continue to lose its edge. In 2025, 57% of central bank reserve across world are held in dollar denominated assets which is down from 71% in 1999.
- World's second largest economy China is seen reducing US treasury holdings slowly. It holds about \$683 billion in treasury which is lowest level since 2008. At the same time China has been buying gold regularly. As of now China holds approximately 9.6% of its total foreign exchange reserves in gold.

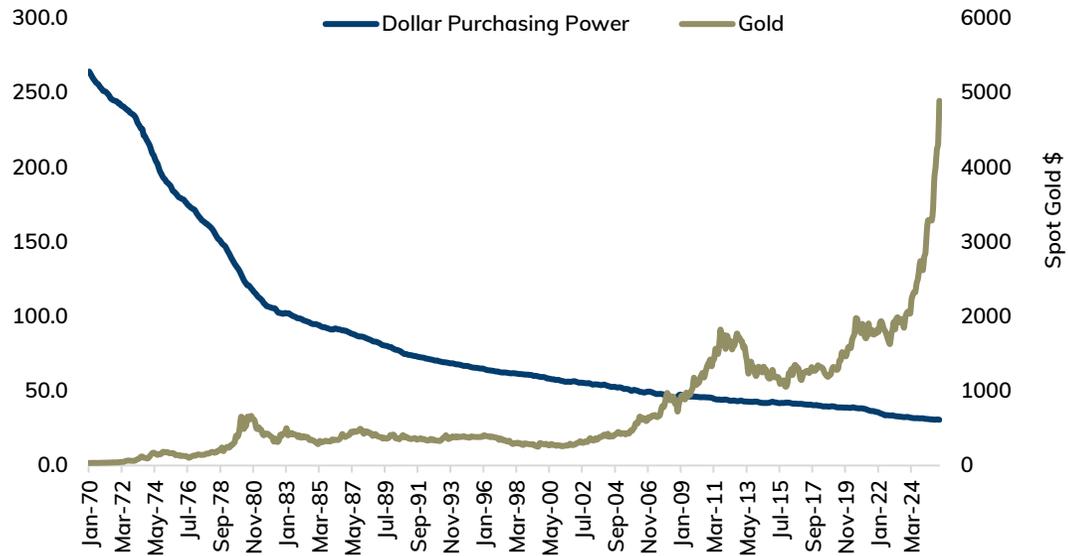
- Gold holding in reserves is expected to rise as central banks will continue to accumulate it to diversify its reserves. Further, gold is perceived as hedge against global fiscal concerns, inflationary and geopolitical risk. Lingering uncertainty over US tariff policy would hurt confidence in American assets.
- 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's central bank continues to diversify reserve

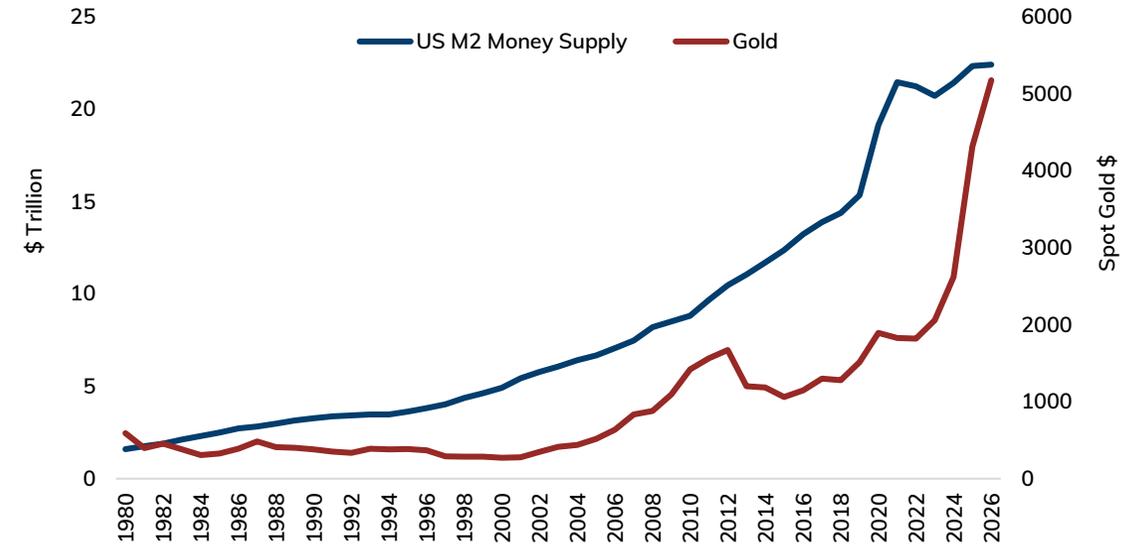


Source: Bloomberg, World Gold Council, SPDR Gold Shares, ICICI Direct Research

### Dollar purchasing power on decline



### US M2 money supply has been skyrocketing



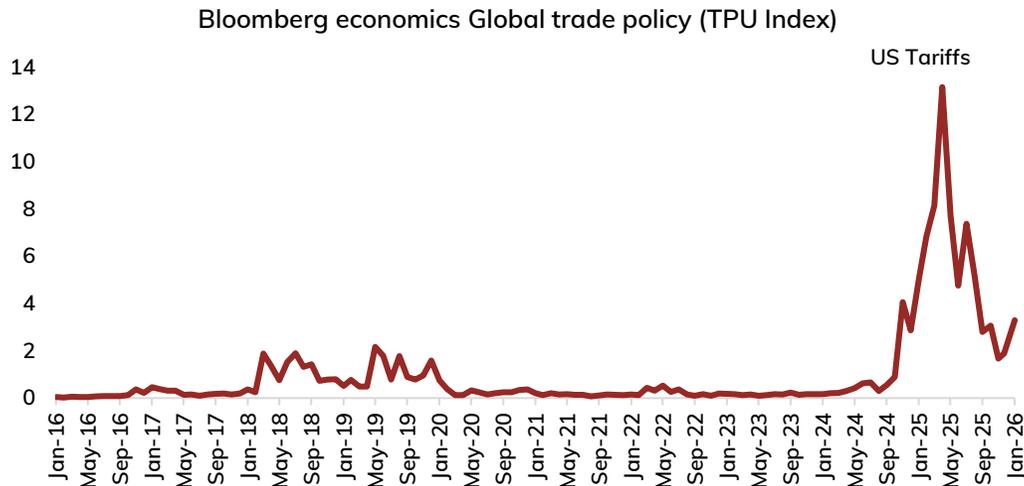
- US Dollar is losing its purchasing power due to expanding money supply, rise in inflation and significant rise in government debt. In addition to that economic and policy uncertainty is also weighing on dollar heavily.
- Gold purchasing power over long historical period has been more stable relative to fiat currencies. The prices may witness short term fluctuations. Its stability compared to fiat currencies would make central bank to hold more gold as part of their reserves.
- US M2 money supply (it is broad measure of all money in circulation, including cash, demand deposits, small certificate of deposits, savings and money market funds) has been skyrocketing, massive expansion of supply is driving force behind soaring prices, supporting gold as store of value and hedge against inflation.

Source: Bloomberg, Federal Reserve Bank of ST. Louis, ICICI Direct Research

## Rising geopolitical tension



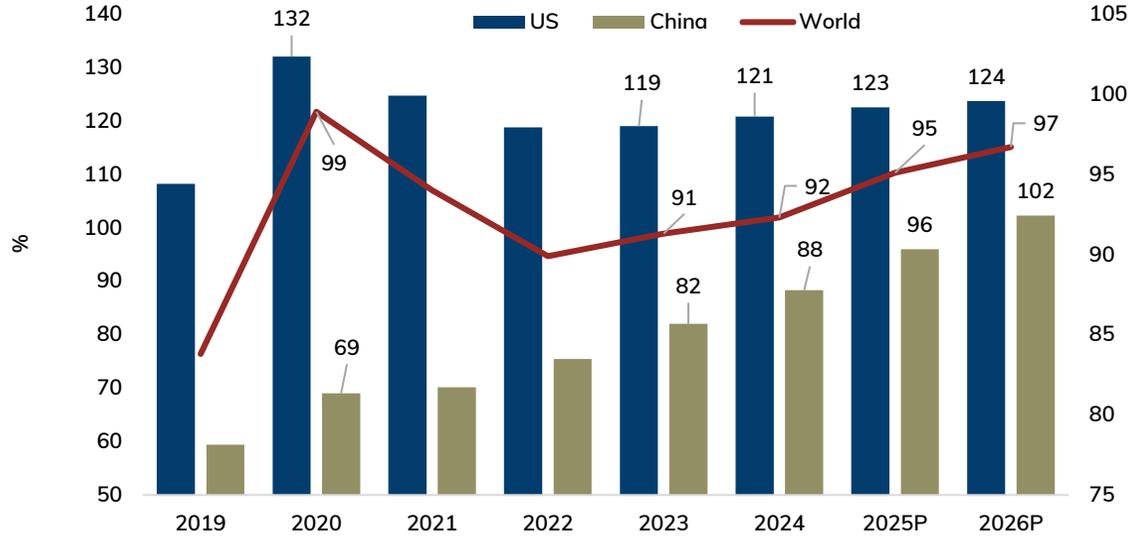
## Bloomberg economics Global trade policy Index



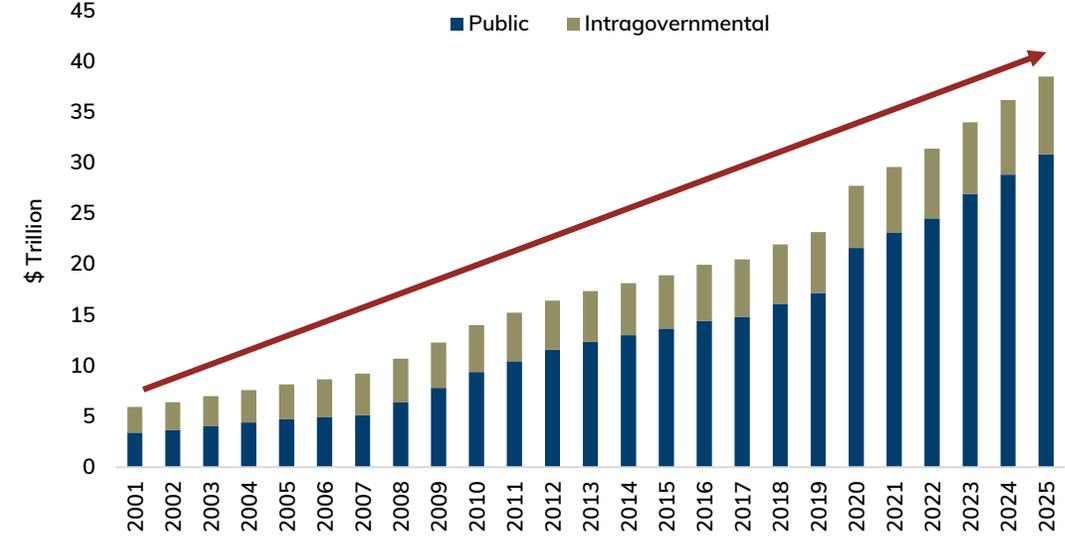
Source: Bloomberg, US Federal Reserve, ICICI Direct Research

- Rise in GPR index reflects escalating geopolitical tensions. We have witnessed spike in 2022 driven by Russia's invasion of Ukraine and after that it had remained elevated due to heightened tensions in Middle East. Elevated GPR levels provides catalyst for gold as safe haven asset.
- World order is in chaos. 2026 started with heightened geopolitical tensions in Eastern Europe, Middle East, Venezuela, Mexico and Arctic region. US-Israel engaged in joint operations attacking Iran, targeting key Iranian officials, military commanders and facilities. Iran retaliated by launching dozens of ballistic missiles and drones targeting US military bases in GCC and Israel and closed strait of Hormuz disrupting global supply chain.
- Escalating geopolitical tension in Middle East and Eastern Europe will drive flight to safety flows into gold. Investors are worried that if conflict between US-Iran continues for weeks then it will have repercussions on global economic growth
- Global trade policy index moves higher with rising trade tensions and have shown positive correlation with gold prices. In 2025 we saw record highs due to surge in global trade tension and shifting US trade policies. Demand for safe haven may continue to rise amid tariff uncertainty after US President Donald Trump raised temporary tariff on US imports from all countries to 15% for 150 days to replace some of his emergency duties that were struck down by the U.S. Supreme Court
- Investors are worried that this decision of supreme court would add more uncertainty as Trump administration would try to pursue new tariffs through other legal channels. Moreover, there is no clarity on how US government will refund the billions of dollars that was collected from importers

## General Government debt on rise (Debt-to-GDP ratio)



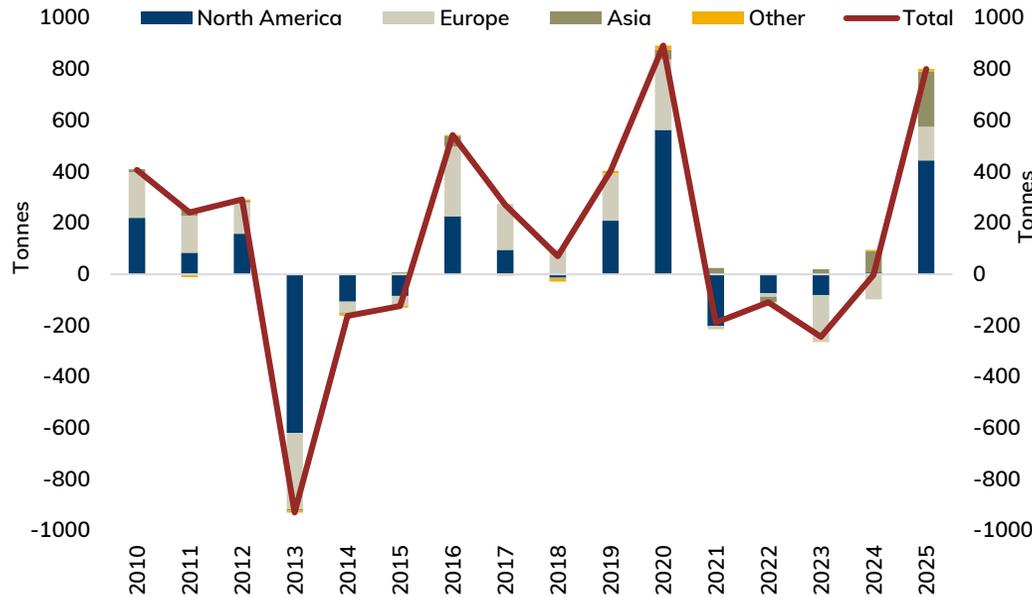
## US Federal debt rising rapidly



- World debt to GDP ratio remained elevated and is forecasted to remain so amid rising fiscal deficit. Deficit reflects costs from Covid-19 subsidies and social benefits and rising net interest rate cost. Total global debt rose by nearly \$29 trillion, reaching a new all-time high of \$348 trillion. Global debt may further accelerate amid rising government borrowing needs.
- US national debt has surpassed \$38 trillion with the debt to GDP ratio hovering near 126%. US is paying approximately \$970 billion a year just to service interest on its national debt. Investors fear that if the payment keeps rising then capital available for infrastructure, medical and education etc goes down impacting productivity of economy. Moreover, ongoing geopolitical tension in Middle East, US will have to keep spending money to sustain its military presence. Rising debt and persistent deficits will lead of fiscal dominance. Forcing Federal Reserve to keep interest rates low, prioritizing debt servicing over inflation.

Source: Bloomberg, IMF, ICICI Direct Research

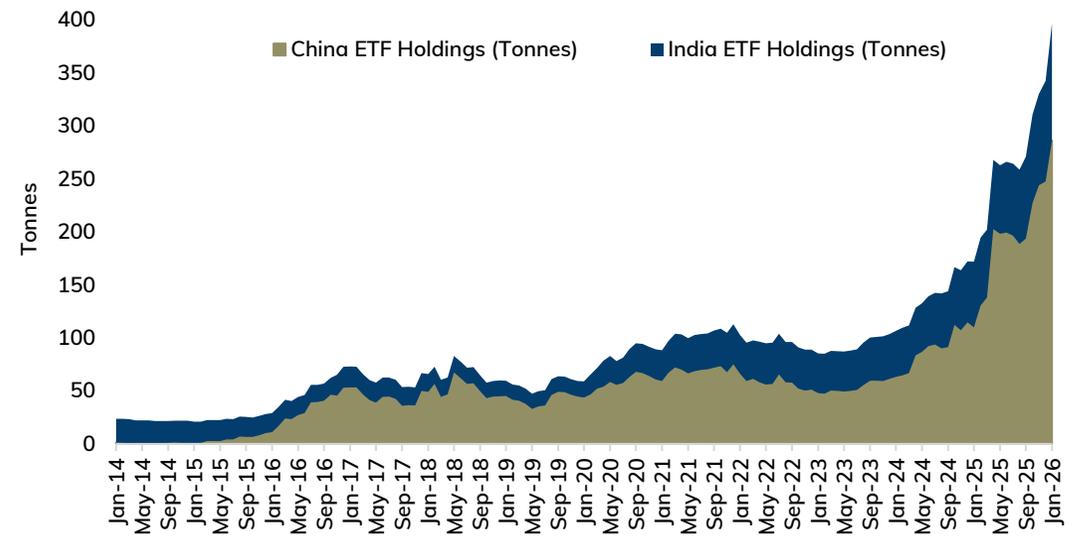
## Robust ETF flows into Gold



- Gold total investment demand surged to 2175 tonnes shattering the 2020 record of 1805 tonnes. Investment demand was driven by strong ETF inflows and strong bar/coin buying. ETF investment added over 801t of demand and bar/coin added 1374t.

- Demand for gold ETF in China jumped 52% in just 5 months till January 2026. It added almost 100 tonnes taking holdings to 286.3 tonnes.
- While in India holding crossed 100t milestone for the first time. It also added record 15.5t in a month taking holding to 110t till January 2026

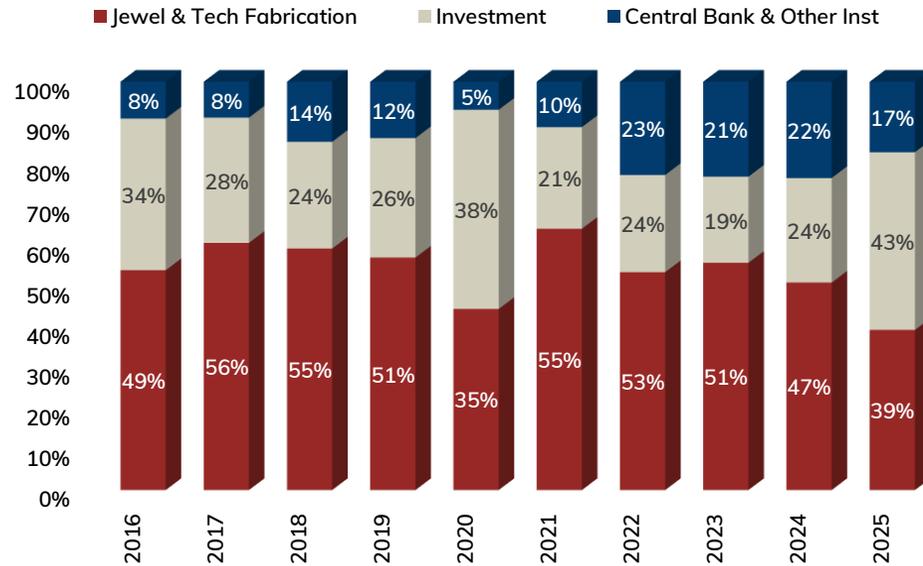
## ETF demand for Gold in China and India remained strong



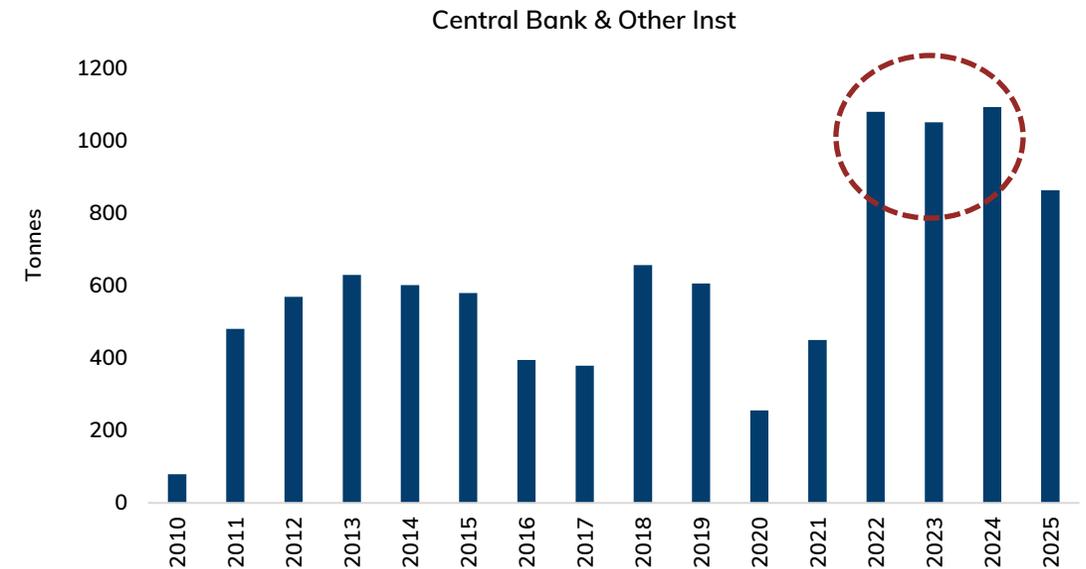
- Looking at the current scenario investors are likely to keep adding ETF to their portfolio. We believe fresh investment demand may kick in 2026 as investors will buy gold as store value amid persistent geopolitical tensions in Middle East and Eastern Europe, uncertainty related trade policies, rising global debts and expectation of further rate cut from US Fed

Source: Bloomberg, World Gold Council, ICICI Direct Research

## Investment demand on move



## Central bank purchase remained sizeable



- Total demand for gold continued to rise and exceeded 5000 tonnes for the first time. Investment demand and central bank buying drove overall demand. Investment demand was seen due to lingering geopolitical and trade uncertainty, rate cuts from Fed, concerns over global economic slowdown and diversification motives.
- Pace of buying from central bank may have reduced but still remained sizeable. In 2025 central bank bought 863t of gold, while in past 3 years the demand remain above 1000t. The buying also remained significantly higher if we compare from 2010-2021 annual average was around 473t.
- National bank of Poland remained the largest buyer for 2<sup>nd</sup> consecutive year. China extended its gold buying streak for 16th straight months and is likely to continue to add gold to its reserves. We believe that the central bank will continue to add gold to diversify their reserves for strategic reasons

Source: Bloomberg, World Gold Council, ICICI Direct Research

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