

# FX Viewpoint

Currencies  
Global

## Gold to resume its rally?

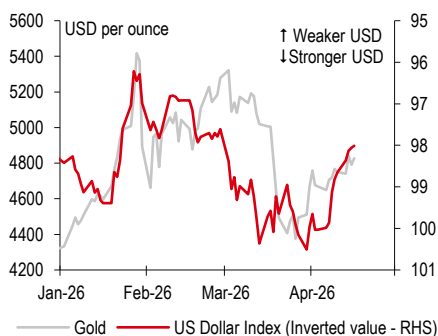
- ◆ Gold prices have been highly volatile this year, with the near-term outlook sensitive to Middle East developments
- ◆ Gold could resume its rally in the post-conflict environment...
- ◆ ...supported by rising global public debt and other risks

**Gold has been highly volatile this year**, rising to a record cUSD5,450 per ounce on 30 January before falling to a 2026 low of cUSD4,405 per ounce on 23 March, and recovering to cUSD4,800 per ounce. The pullback reflects heavy liquidation amid **USD strength** (Chart 1), **higher US yields, elevated oil prices, weaker equities, alongside the ongoing Middle East conflict**. Since the escalation, markets have priced out at least 25bp of expected easing from the Federal Reserve (Fed) by end-2026 (Chart 2), which is also a headwind for gold.

Over the near term, our precious metals analyst expects **gold to remain headline-driven**. FX is also likely to remain sensitive to shifts in geopolitical risk, with **increased tensions typically supporting the USD and vice versa**.

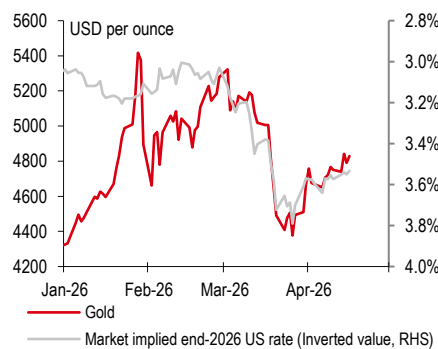
But **over the longer term, we still see a soft USD, which should be supportive for gold**. Even if energy-market after-effects persist, **a post-conflict environment could allow gold to maintain upward momentum**, underpinned by geopolitical risk, economic policy uncertainty, potential USD weakness, shifts in the global order, and ongoing central bank demand. Renewed trade frictions may provide additional support, though likely less than in 2025.

### 1. Gold and US Dollar Index (DXY)



Source: Bloomberg, HSBC

### 2. Gold and market pricing for end-2026 Fed policy rate



Source: Bloomberg, HSBC

**A key longer-term tailwind is deteriorating fiscal discipline**, in our precious metals analyst's view. The International Monetary Fund's (IMF) Fiscal Monitor report released on 15 April notes global public debt rose to just under 94% of GDP in 2025 and is set to reach 100% by 2029, one year earlier than projected in April 2025.

**High gold prices are reshaping fundamentals:** Mine supply is expected to increase modestly in 2026-27, while recycling should rise more meaningfully after a muted response to date. On the demand side, elevated prices are weighing on jewellery and coin purchases, particularly in price-sensitive emerging markets and increasingly in developed markets. These shifts have not yet undermined the broader rally, but **risks would increase if investment demand remained subdued for an extended period**.

**Gold has retreated amid liquidation and macro headwinds, then stabilised at cUSD4,800 per ounce**

**FX and gold will remain highly sensitive to headlines over the near term**

**A softer USD and structural risks should support gold over the longer term**

**Deteriorating fiscal discipline and rising global debt are likely to remain positive for gold**

**High gold prices may lift supply and curb demand, risking weaker investment flows**

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