Worth its wait

With a fair share of moving parts around the world today, gold remains a solid investment as we near the end of 2025, writes commodities economist Caroline Bain

The spot price of gold has risen by over 60% since the start of 2024 to over US$3,300/troy ounce by the end of July 2025. As of June, gold had outperformed most other major asset classes this year – with the notable exception of cryptocurrencies. Traditionally regarded as one of the less volatile commodities, this represents a spectacular run.

The main driver has been an increase in investment-related demand for gold. The World Gold Council (WGC) reported that gold trading activity averaged US$329bn per day in the first half of this year; the highest half-year figure on record. By contrast, the jewellery sector's demand for gold fell sharply, probably largely because the rise in price has hit affordability.

Many of the historic drivers of the gold price such as US interest rates and the US dollar have been factors in this latest rally. Gold typically rises if the US dollar depreciates or US interest rates fall. The US dollar has depreciated and while US interest rates have been on hold so far in 2025, rate cuts are widely expected later this year. Nonetheless, other factors have also been at play.

Safe-haven demand for gold has been rising in the wake of geopolitical shocks, including the wars in Ukraine and Gaza. Additionally, economic uncertainty, notably surrounding the potentially negative impact of rising US trade protectionism, has led to gold purchases.

Central bank buying has also returned, led by emerging economies such as China. This perhaps reflects some concern about holding reserves predominantly in US Treasury bonds or in the US dollar, after Russia's foreign assets were seized in 2022.

At the same time, China's households have also been buying gold as a store of value probably because of the downturn in the country's property sector.

Investment demand has manifested in several forms. Flows into the gold futures market and gold-backed exchange-traded funds (ETFs) have been particularly strong. ETFs trade like shares but they match the performance of the spot price of gold, without the investor having to physically hold the gold.

Some ETFs are tailored to institutional investors with large portfolios and are typically higher cost but with greater liquidity. Other ETFs cater more to the retail market, with lower fees but less liquidity.

Below: Gold has been traded as bullion for centuries, with evidence suggesting its use as currency dating back to around 600 BCE

Pictured: **Gold purity is often expressed using the millesimal fineness system, which indicates parts per thousand of pure gold – 24-karat gold is typically around 99.9% pure, "999.9" gold represents further refinement**

Investors have also been buying bars and coins, which are held physically. The drawback with this form of investment is that you will probably have to pay storage and insurance costs. Another possible pitfall is that gold coins or medals can command quite a premium over the spot price of gold and those premiums may not always be recoverable on resale.

One alternative route to gaining exposure to the gold market is through shares in gold mining companies. All else equal, a rise in the gold price should lead to a higher valuation of a gold-mining company. Moreover, an advantage to equities is that you can expect a flow of income in the form of dividends, unlike gold, which yields no interest or income.

However, this is also a riskier route as there are many other factors other than the price of gold which will determine a company's share price. Shares in a mining company could outperform the price of gold if the firm significantly raises output or makes a new discovery. Conversely, the shares could underperform if there is corporate mismanagement or a disruption to production. Mines are often located in politically-unstable parts of the world and are also susceptible to weather-related disruption to supply.

Looking ahead, it is hard to make the case for a collapse in the gold price any time soon given that economic uncertainty and conflict look likely to persist. Moreover, western central banks will probably be cutting interest rates in the remainder of this year, which boosts the appeal of gold.

That said, the upside could be limited given the scale of the recent rally. Gold has already slipped back from its record high of US$3,432/troy ounce in mid-June. ■