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Gold Mid-Year Outlook 2025

Downhill or second wind?

Contents

Downhill or second wind?

Gold has continued its record-setting pace, rising 26% in US dollar terms in the first half of 2025 – and reaching double-digit returns across currencies (**Table 1, p5**). A combination of a weaker US dollar, rangebound rates and a highly uncertain geoeconomic environment has resulted in strong investment demand.

As we look forward, one of the questions investors continue to ask is whether gold has reached a peak or has enough fuel to push higher. Using our Gold Valuation Framework, we analyse what current market expectations imply for gold's performance in the second half of 2025, as well as the drivers that could push gold higher or lower, respectively (**Figure 1**).

If economists and market participants are correct in their macro predictions, our analysis suggests that gold may move sideways with some possible upside – increasing an additional 0%-5% in the second half. However, the economy rarely performs according to consensus. Should economic and financial conditions deteriorate, exacerbating stagflationary pressures and geoeconomic tensions, safe-haven demand could significantly increase, pushing gold 10%-15% higher from here. On the flipside, widespread and sustained conflict resolution – something that appears unlikely in the current environment – would see gold give back 12%-17% of this year's gains.

Figure 1: Gold responds to a combination of factors that influence its role as a consumer good and investment asset

Hypothetical macroeconomic scenarios and their implied gold performance for H2 2025*

Expected Fed funds rate	Current 4.25% - 4.50%; 50bp lower by year end	Current 4.25% - 4.50%; 100bp-150bp lower by year end	Current 4.25% - 4.50%; 0bp-50bp higher by year end
Economic scenario	**Continued normalisation**	**Deteriorating conditions**	**Risk resolution**
Opportunity cost			
Economic expansion			
Risk and uncertainty			
Momentum			
Implied gold performance	**Rangebound with slight upside**	**Notably higher**	**Downside pressure**

Colour key (effect on gold):	Positive		Neutral		Negative

*Based on market consensus and other indicators by Oxford Economics as of 30 June 2025. Impact on gold performance based on average annual prices as implied by the Gold Valuation Framework. See **Figure 3, p7** for details.
Source: Bloomberg, Oxford Economics, World Gold Council

One for the record books

Gold closed out the first half of the year as one of the top-performing major asset classes, rising 26% over the period **(Chart 1, p4)**. It recorded 26 new all-time highs (ATHs) in H1 2025, having broken through 40 new ATHs in 2024 **(Table 1**, **p5)**.

Behind this was a combination of factors, including:

- a weaker US dollar
- rangebound yields with expectations of future rate cuts
- heightened geopolitical tensions – some of these directly or indirectly linked to US trade policy.

Stronger demand also came from increased trading activity across OTC markets, exchanges, and ETFs. This lifted average gold trading volumes to US$329bn per day during H1 – the highest semi-annual figure on record.[1]

Central banks also contributed with continued buying at a robust pace – even if not at the record levels of previous quarters.

A new trade order

As the world has grappled with uncertain and confrontational trade negotiations, one of the most significant macro themes so far this year has been the underperformance of the US dollar, which had its worst start to a year since 1973.[2]

This was also seen through the underperformance of US Treasuries, which, for more than a century, had been the epitome of safety. Yet, inflows into Treasuries faltered in April amid heightened uncertainty.

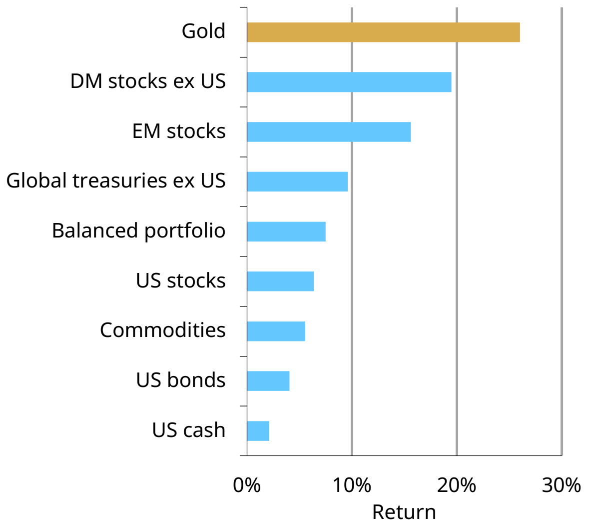
Conversely, gold ETF demand was particularly strong in the first half of the year, led by notable inflows from all regions. By the end of H1 the combination of a surging gold price and investor flight to safety pushed global gold ETF's total AUM 41% higher to US$383bn. Total holdings rose by an impressive 397t (equivalent to US$38bn) to 3,616t – the highest month-end level since August 2022.

Trade-related and other geopolitical risks played a large role, not just directly, but by fuelling moves in the dollar, interest rates, and broader market volatility – all of which fed into gold's appeal as a safe-haven. Taken together, **these factors have contributed around 16% to gold's return** over the past six months, according to our Gold Return Attribution Model (GRAM),[3] broken down as follows (**Chart 2**):

- **Risk and uncertainty** – as a trigger for flows from investors looking for effective hedges: **4%** (half of which was explained by an increase in the Geopolitical Risk (GPR) Index)[4]
- **Opportunity cost** – making gold more attractive relative to the US dollar and bond yields: **7%** (with the bulk or about 6% linked to dollar weakness)
- **Momentum** – which can boost trends or, equally, mean-revert them: **5%** (mostly connected to positive gold ETF flows).

Chart 1: Gold has outperformed all major asset classes in 2025

Y-t-d returns for gold and key asset classes in USD*

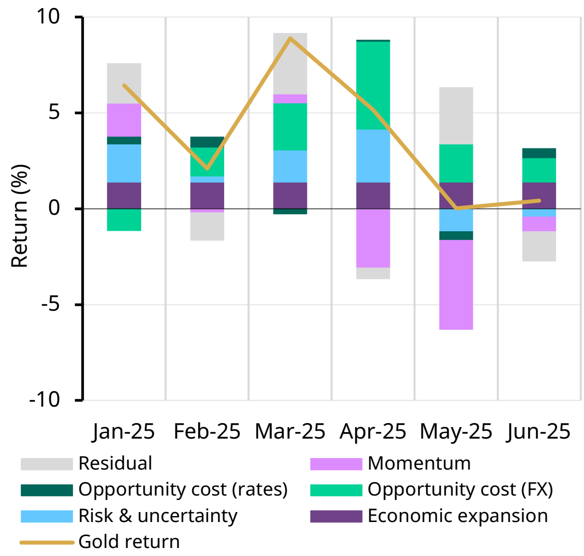


*Data as of 30 June 2025. Indices used Bloomberg Barclays Global Treasury ex US, Bloomberg Barclays US Bond Aggregate, ICE BofA US 3-Month Treasury Bills, New Frontier Global Institutional Portfolio Index, MSCI World ex US Total Return Index, Bloomberg Commodity Total Return Index, MSCI EM Total Return Index, LBMA Gold Price PM (USD/oz), MSCI US Total Return Index.
Source: Bloomberg, World Gold Council

1. LBMA OTC gold trading data became available in 2018.
2. The dollar has its worst start to a year since 1973, NY Times, 30 June 2025.
3. Our Gold Return Attribution Model (GRAM) is a multiple regression model of monthly gold price returns, which we group into four key thematic driver categories of gold's performance: economic expansion, risk & uncertainty, opportunity cost, and momentum. Results shown here are based on analysis covering a five-year estimation period using monthly data. Alternative estimation periods and data frequencies are available on Goldhub.com.
4. We use the Geopolitical Risk (GPR) Index to capture the direct influence that this type of risk has on gold. For more, see: You asked, we answered: What's the impact of geopolitics on gold? October 2023.

Chart 2: Direct and indirect trade risks push gold higher

Key drivers of gold's return by month*



*Data as of 30 June 2025. For more detail see footnote 3.
Source: Bloomberg, World Gold Council

What to expect in H2

The second half of the year sits on a seesaw, with geoeconomic uncertainty keeping investors on edge. Inflation data have shown signs of improvement, but concerns remain that conditions could deteriorate quickly. Dollar-related pressures are likely to persist, and questions around the end of US exceptionalism may dominate investor discussions. Overall, these conditions position gold as a net beneficiary – but while the fundamentals remain strong, the gold price has already captured part of these dynamics. In turn, sustainable conflict resolution and continued rising stock prices could lure more risk-on flows and limit gold's appeal.

To assess the effect of such varied conditions, we look at gold's four key drivers – economic expansion, risk and uncertainty, opportunity cost, and momentum – across three scenarios (**Figure 3, p7**).

Consensus expectations: continued normalisation

Market consensus suggests global GDP will move sideways and remain below trend in the second half **(Figure 2)**. World inflation is likely to rise above 5% in H2 as the global impact of tariffs becomes more pronounced – with the market expecting US CPI to reach 2.9%. In response to this mixed economic backdrop, central banks are expected to begin cautiously lowering interest rates towards the end of Q4, with the Fed expected to cut rates by 50bps by the end of the year.

While an advance in trade negotiations is anticipated, the environment will likely remain volatile, as seen over the past few months. Overall, geopolitical tensions – particularly between the US and China – are likely to remain elevated, contributing to a generally uncertain market environment.

Impact of consensus expectations on gold

Our analysis, based on our Gold Valuation Framework, suggests that, under current consensus expectations for key macro variables, **gold could remain rangebound in H2, closing roughly 0%–5% higher than current levels**, equivalent to a 25%–30% annual return.

Technical indicators suggest that gold's consolidation phase over the past few months is a healthy pause in a broader uptrend, helping to ease previous overbought conditions and potentially setting the stage for renewed upside.

Falling interest rates and continued uncertainty would maintain investor appetite, particularly via gold ETFs and OTC transactions. At the same time, central bank demand is likely to remain robust in 2025, moderating from its previous records while staying well above the pre-2022 average of 500-600t.

However, elevated gold prices are likely to continue to curb consumer demand and potentially encourage recycling. This would act as a damper to stronger gold performance.

Table 1: Gold reaches 26 new ATHs in 2025

Gold price and return across currencies*

	USD (oz)	EUR (oz)	JPY (g)	GBP (oz)	CAD (oz)	CHF (oz)	INR (10g)	RMB (g)	TRY (oz)	AUD (oz)
June-end price*	3,287	2,789	15,223	2,394	4,474	2,607	95,676	763	130,885	4,995
Y-t-d return*	26.0%	10.7%	15.4%	14.8%	19.2%	10.1%	26.0%	23.8%	41.9%	18.5%
Y-t-d avg. price*	3,067	2,803	14,616	2,361	4,318	2,638	89,126	722	115,408	4,833
Record high price*	3,434	3,006	15,726	2,575	4,743	2,812	98,228	830	132,071	5,393
Record high date*	13-Jun-25	22-Apr-25	13-Jun-25	22-Apr-25	22-Apr-25	22-Apr-25	18-Jun-25	22-Apr-25	13-Jun-25	22-Apr-25

*As of 30 June 2025. Based on the LBMA Gold Price PM in USD, expressed in local currencies, except for India and China where the MCX Gold Price PM and Shanghai Gold Benchmark PM are used, respectively. Source: Bloomberg, World Gold Council

Figure 2: Market consensus expectations signal rangebound performance in H2

Consensus expectations and select gold drivers*

Expected Fed funds rate	Current 4.25% - 4.50%; 50bp lower by year end
Economic scenario	**Continued normalisation**
Opportunity cost	10yr yields: stable, marginally down
	Dollar: flat to slightly down
Economic expansion	Below-trend growth
Risk and uncertainty	Inflation slightly up on tariff concerns
	Risk-on positioning
	Geopolitical risks remain elevated
Momentum	Commodities down marginally
	Gold net positioning is stable
Implied gold performance	**Rangebound with slight upside**

Colour key (effect on gold):	Positive		Neutral		Negative

*Based on market consensus and other indicators as of 30 June 2025. Impact on gold performance based on average annual prices as implied by the Gold Valuation Framework: See **Figure 3, p7** for details.
Source: Bloomberg, Oxford Economics, World Gold Council

As we have discussed in the past, looking at consensus expectations often implies a rangebound performance, likely indicating that gold is efficiently reflecting all the currently available information.

As such, it is important to understand the conditions that may push gold higher or lower from here.

Bull case: deteriorating conditions

For gold to continue its upward trend, economic and/or financial conditions would need to deteriorate further.

This could be either a more severe stagflationary environment – marked by slower growth, falling consumer confidence, and persistent inflationary pressure from tariffs – or an outright recession, characterised by widespread flight-to-quality flows.

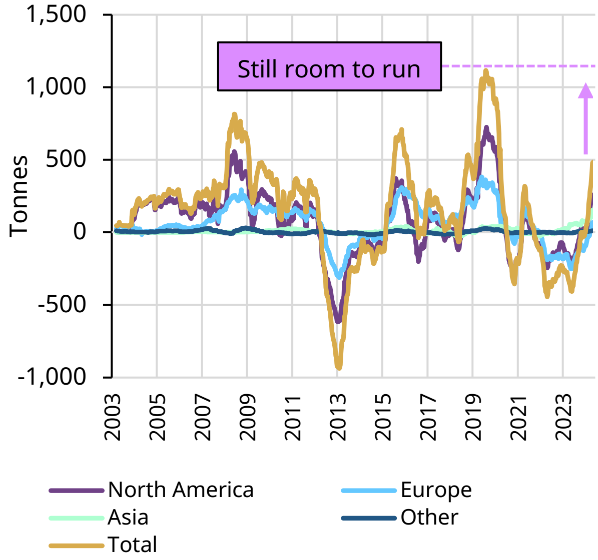
Gold would benefit from lower interest rates and dollar weakness given growing concerns around US economic leadership and policy uncertainty. In this context, central banks could further accelerate their diversification of foreign reserves away from the dollar.[5]

Bull case impact on gold

Our analysis shows that **gold would perform strongly in such an environment, potentially rising an additional 10%–15% in H2** and closing the year almost 40% higher.

Chart 3: Gold ETFs have the capacity to add more

Rolling 12M change in cumulative holdings*



*Data as of 30 June 2025.
Source: Bloomberg, Company Filings, ICE Benchmark Administration, World Gold Council

As we have seen historically during periods of heightened risk, investment demand would significantly outweigh any deceleration in consumer demand and rise in recycling.

And while flows into gold ETFs in the first half of the year have already been substantial, total holdings at 3,616t remain well below the 2020 peak of 3,925t. Further, gold ETFs have accumulated less than 400t in the past six months and just over 500t in the past twelve. In contrast, gold ETFs have amassed between 700t and 1,100t in previous bull runs (**Chart 3**).

Equally, COMEX futures net long positions currently sit near 600t, compared to levels above 1,200t during previous crises. This all suggests meaningful room for further accumulation should conditions deteriorate.

Bear case: risk resolution

Sustainable geopolitical and geoeconomic conflict resolution would reduce the need to keep hedges, such as gold, part of investment strategies – encouraging investors, in turn, to take on more risk.

A full resolution of risk does not seem as likely given what we've seen over the past six months. But more encouraging economic growth prospects, even if inflationary pressures were to persist, would push US Treasury yields higher, leading to a steepening of the yield curve. And if inflation stabilised further, the effect on rates would be more substantial.

5. According to our latest Central Bank Survey, 73% of respondents see moderate or significantly lower USD holdings within global reserves over the next five years. And they expect the share of other currencies, as well as gold, to increase over that same period. Our survey results can be found here: Central Bank Gold Reserves Survey 2025 | World Gold Council.

Bear case impact on gold

In this scenario, our analysis suggests that gold could retreat by 12%–17% in H2, finishing the year with positive but low double-digit (or even single-digit) returns. This pullback is equivalent to the trade risk premium that partly explains gold's H1 performance (see p4).

The reduction in risk, combined with an increase in opportunity cost – through rising yields and a stronger dollar – would trigger gold ETF outflows and reduce overall investment demand. We could also see a deceleration in central bank demand if US Treasuries are again favoured.

Gold market technical analysis and speculative positioning suggest that US$3,000/oz would be a natural "support level", prompting opportunistic investment buying. If gold were to break through these levels, disinvestment may accelerate.

That said, lower gold prices would attract more price-sensitive consumers and discourage recycling, limiting gold's downside compared to what may otherwise be implied by simply looking at real rates and the US dollar.

Further, in our recent report, What's a bear case for gold, we review conditions that have previously triggered more substantive pullbacks in the gold price. It's worth noting that historical drivers such as a major increase in interest rates from current levels or a more saturated gold investment market do not seem to be present to warrant a more extreme dip.

Conclusion

Gold enters the second half of 2025 coming off an exceptionally strong start to the year – up 26% – shaped by a weaker US dollar, persistent geopolitical risk, robust investor demand, and continued central bank purchases.

While some of these drivers are expected to persist, the path forward remains highly dependent on multiple factors, including trade tensions, inflation dynamics, and monetary policy.

Consensus expectations suggest a relatively steady finish for gold with moderate upside potential if macro conditions hold. Gold could also be partly supported by contributions from new institutional investors, such as Chinese insurance companies.

A more volatile geopolitical and geoeconomic scenario could push gold significantly higher, particularly if more substantial stagflation or recession risks materialise and investor appetite for safe-haven assets grows.

On the flip side – while seemingly unlikely given the current environment – widespread and sustained global trade normalisation would bring higher yields and resurgent risk appetite, challenging gold's momentum. Gold could also be tested by a visible deceleration in central bank demand beyond current expectations.

In all, given the intrinsic limitations of forecasting the global economy, **we believe that gold – through its fundamentals – remains well positioned to support tactical and strategic investment decisions in the current macro landscape.**

Figure 3: Hypothetical macroeconomic scenarios and their implied gold performance in H2 2025*

Expected Fed funds rate	Current 4.25% - 4.50%; 50bp lower by year end	Current 4.25% - 4.50%; 100bp-150bp lower by year end	Current 4.25% - 4.50%; 0bp-50bp higher by year end
Economic scenario	**Continued normalisation**	**Deteriorating conditions**	**Risk resolution**
Opportunity cost	10yr yields: stable, marginally down	10yr yields: lower	10yr yields: higher
	Dollar: flat to slightly down	Dollar down on US concerns	Dollar bounces back
Economic expansion	Below-trend growth	Marked economic slowdown	Economic growth recovers
Risk and uncertainty	Inflation slightly up on tariff concerns	Inflation cools down	Inflation cools down
	Risk-on positioning	Risk-off positioning	Market volatility normalises
	Geopolitical risks remain elevated	Geopolitical risks elevated	Geopolitical risks cool dimish
Momentum	Commodities down marginally	Commodities sell off	Commodities rebound
	Gold net positioning is stable	Gold net positioning strengthens	Gold net positioning weakens
Implied gold performance	**Rangebound with slight upside**	**Notably higher**	**Downside pressure**

Colour key (effect on gold):	Positive		Neutral		Negative

*Based on market consensus and other indicators by Oxford Economics as of 30 June 2025. Impact on gold performance based on average annual prices as implied by the Gold Valuation Framework. Our tool, Qaurum[SM] can be customised to reflect different inputs from those included herein.
Source: Bloomberg, Oxford Economics, World Gold Council

World Gold Council

We are a membership organisation that champions the role gold plays as a strategic asset, shaping the future of a responsible and accessible gold supply chain. Our team of experts builds understanding of the use case and possibilities of gold through trusted research, analysis, commentary and insights.

We drive industry progress, shaping policy and setting the standards for a perpetual and sustainable gold market.

Research

Jeremy De Pessemier, CFA
Asset Allocation Strategist

Johan Palmberg
Senior Quantitative Analyst

Kavita Chacko
Research Head, India

Krishan Gopaul
Senior Analyst, EMEA

Louise Street
Senior Markets Analyst

Marissa Salim
Senior Research Lead, APAC

Ray Jia
Research Head, China

Taylor Burnette
Research Lead, Americas

Juan Carlos Artigas
Global Head of Research

Market Strategy

John Reade
Senior Market Strategist,
Europe and Asia

Joseph Cavatoni
Senior Market Strategist,
Americas

Further information:

Data sets and methodology visit:
www.gold.org/goldhub

Contact:
research@gold.org

World Gold Council
7th Floor, 15 Fetter Lane,
London EC4A 1BW
United Kingdom

T +44 20 7826 4700
W www.gold.org

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