

Gold Market Commentary

Making waves

Unmoved

Gold finished July practically where it started, at US\$4,027/oz, having tested the US\$4,000 level on several occasions during the month (**Table 1**). It is down 8% y-t-d.

Our monthly Gold Returns Attribution Model (**GRAM**) attributes the performance in July largely to positive momentum factors. Sharp falls in gold prices are often reversed in a subsequent period (**Chart 1**). Countering momentum was a fall in risk factors including breakeven inflation and implied volatility. Rising yields (opportunity cost IR) were somewhat cancelled out by a falling US dollar (opportunity cost FX).

Positive **ETF flows** supported gold in July, with European funds leading the pack. It is unclear whether regional rotation out of equities or simply just an attractive price point were core drivers. But it is a welcome development, particularly as European gold investors have historically shunned gold in positive real rate environments and inflows in July arrived against a backdrop of real bond yields at 15-year highs.

Highlights

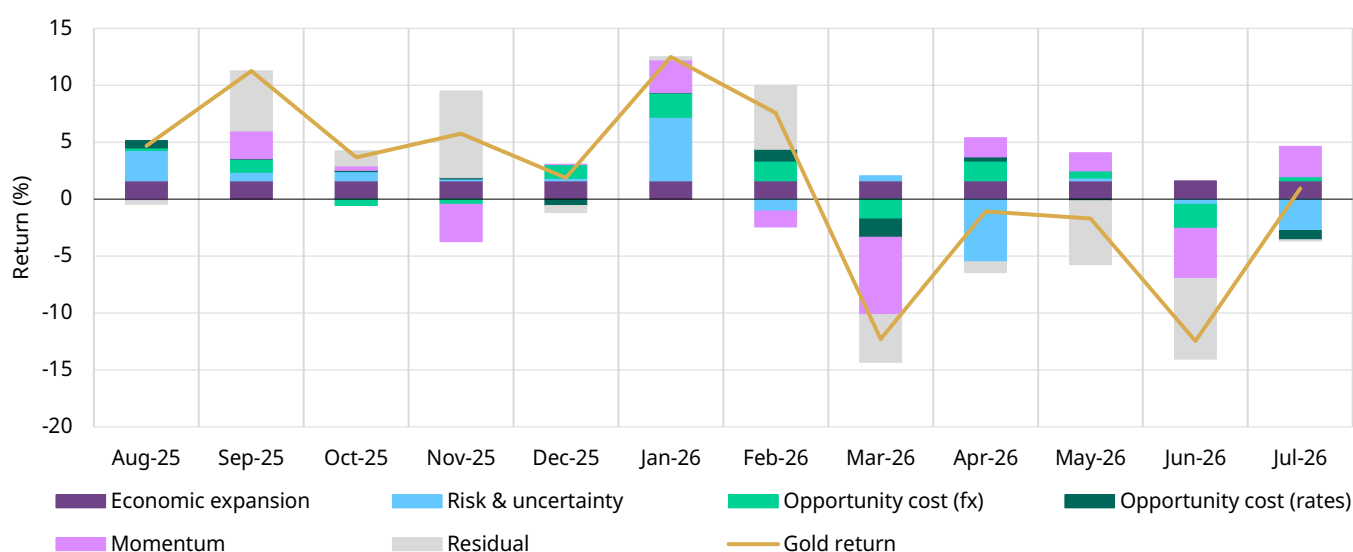
July review

Positive momentum factors offset negative risk factors to leave gold prices unchanged in July.

Looking forward

A second wave of high inflation, similar to the late 1970s, cannot be ruled out. But it does not imply a major gold rally on its own. That depends on how real rates, the US dollar, growth expectations, Asian investor demand and central banks respond.

Chart 1: Positive momentum factors countered a fall in risk factors to leave gold flat in July



*Data to 31 July 2026. 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. These themes capture motives behind gold demand; most importantly, investment demand, which is considered the marginal driver of gold price returns in the short run. The 'residual' represents the percentage change in the gold price that is not explained by factors already included. Model estimated over a period of five years.
Source: Bloomberg, World Gold Council



Table 1: Gold within a +/-2% return range across all major currencies in July

	USD (oz)	EUR (oz)	JPY (g)	GBP (oz)	CAD (oz)	CHF (oz)	INR (10g)	RMB (g)	TRY (oz)	AUD (oz)
July price*	4,027	3,496	20,632	2,990	5,649	3,257	142,295	885	191,328	5,731
July return*	0.0%	-0.9%	-2.0%	-1.6%	-1.2%	0.0%	1.0%	0.7%	1.9%	-1.6%
Y-t-d return*	-7.8%	-5.9%	-6.0%	-7.8%	-5.5%	-5.7%	7.3%	-9.0%	2.0%	-12.0%
Record high price*	5,405	4,539	26,884	3,961	7,305	4,143	175,231	1,248	234,639	7,701
Record high date*	29-Jan-26	02-Mar-26	02-Mar-26	02-Mar-26	29-Jan-26	29-Jan-26	29-Jan-26	29-Jan-26	29-Jan-26	29-Jan-26

*Data as of 31 July 2026.

Source: Bloomberg, World Gold Council

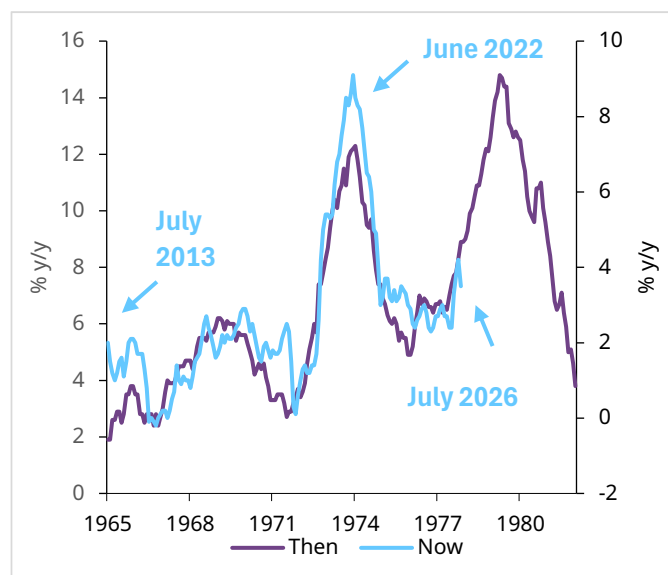
Making waves

- A second wave of inflation can't be ruled out. Though, unlike the 1970s, today's Fed is likely to react much faster
- Therefore, an inflation resurgence does not automatically imply a major gold rally
- Gold's reaction will depend on how real rates, the US dollar and growth expectations respond – as well as central bank and Asian investor demand which may only be loosely influenced by US developments.

Despite the limitations of such a comparison, Apollo's analogy of the current inflation cycle with the 1970s has attracted considerable attention (**Chart 2**).¹ The more interesting parallel is not oil, but the possibility that inflation arrives in waves. Once an inflation shock changes behaviour and expectations, a second wave can become more likely.

Chart 2: The waves of inflation

US CPI, 1965 to 1982 and 2013 to 2026*



*Data to 31 July 2026. Based on chart from [Apollo Asset Management](#).
Source: Bloomberg, World Gold Council

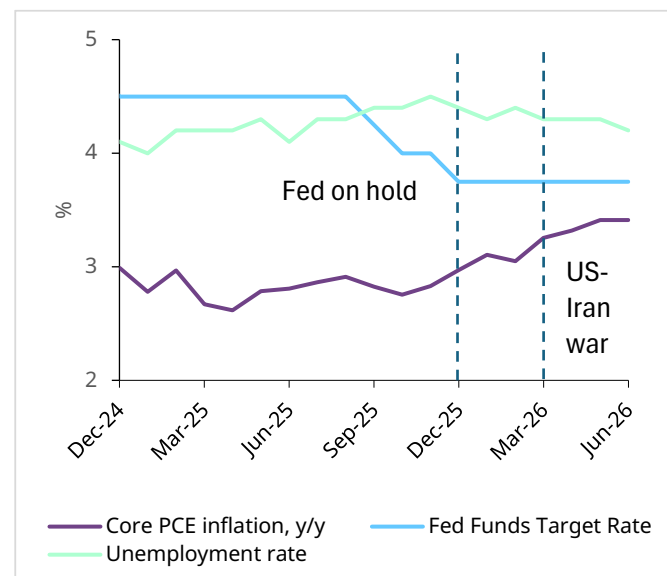
Why inflation could come back in force

Things are different today of course. Unions don't wield the sword they did then, oil matters less and the Fed has a much clearer inflation-fighting mandate. But if another shock arrives before inflation expectations have fully normalised, inflation could reignite. This time, the risk may come less from oil embargoes and **more from strategic stockpiling and competition for critical resources fuelled by both government and corporate spending (AI)**.

We can't rule out near-term disinflation entirely of course, primarily because the underlying US economy – and elsewhere – isn't as robust as it was after COVID when inflation last hit and cracks could easily appear, but upside inflation risks are stacking up. Here are some illustrations (**Charts 3 to 6**):

Chart 3: The Fed's 'on hold' strategy isn't working

Fed Funds rate, Core PCE y/y and Unemployment rate*



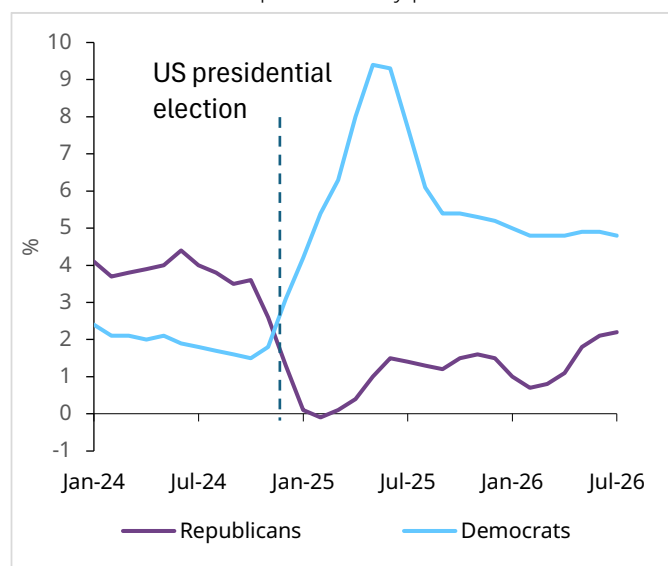
*Data to 31 July 2026.

Source: Bloomberg, World Gold Council

1. [When History Rhymes - Apollo Academy](#)

**Chart 4: Even Republicans are upping their forecasts**

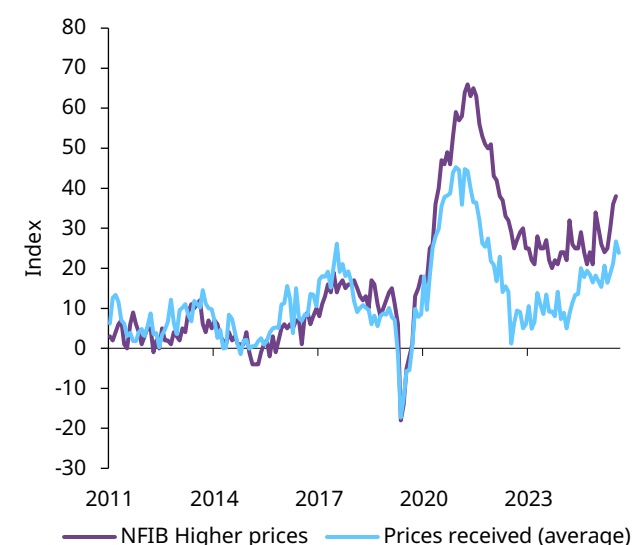
Year-ahead inflation expectations by political affiliation*



*Data to 31 July 2026. Survey is from the University of Michigan.
Source: Bloomberg, World Gold Council

Chart 5: Firms are passing on higher costs

Fed regional prices received and NFIB prices*



*Data to 31 July 2026. Prices received is arithmetic average of three Federal Reserve Banks' series. NFIB prices represent prices paid, not received, for small businesses.
Source: Bloomberg, World Gold Council

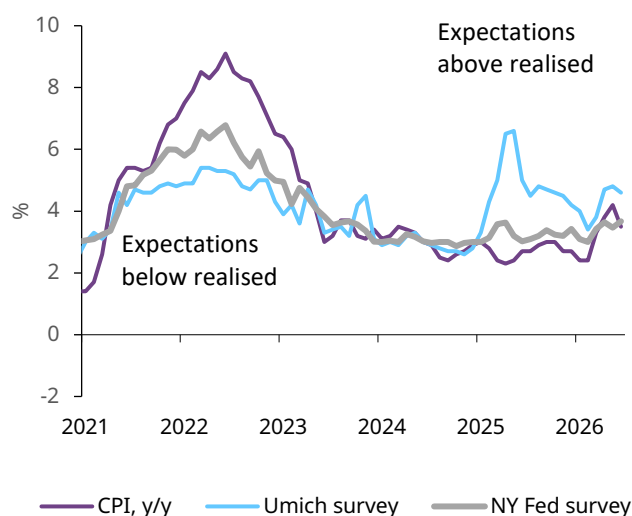
So it seems that the case for higher inflation is there. And if it happens, route one is that gold benefits – or so goes the thinking. With US core inflation at 3.3%, we are edging towards levels where investors may start to view inflation as a little more unruly.

Gold and inflation, not joined at the hip

This is what our analysis suggests. When inflation is benign, gold doesn't really pay attention. But above 4%, it starts to feel like a policy mistake, as we saw post COVID. And then interest has been sparked (**Table 2**).

Chart 6: Consumers appear to have adjusted

CPI y/y and consumer 1y inflation expectations*



*Data to 31 July 2026. Based on University of Michigan and New York Fed 1-year inflation expectations surveys.
Source: Bloomberg, World Gold Council

That doesn't mean inflation automatically translates into higher gold prices, however. The dollar, real policy rates and growth expectations still matter. Should inflation accelerate beyond those levels while real rates fall, the dollar weaken or recession risks rise, it could prove a much stronger catalyst for gold investment.

Table 2: Inflation starts to matter when it's high

Regression of inflation and controls on gold returns*

Variable	Coefficient	
	Full	Inflation > 4%
Change in CPI	1.32	2.98*
Change in real Fed funds	-0.63	-0.84
Dollar return	-0.93***	-1.2***
Change in recession probability	0.14*	0.19

*Quarterly regression of log change in gold price on four factors from Q1 1971 to Q2 2026. US CPI y/y, real fed funds captures both opportunity cost and Fed credibility. Change in recession probability is the quarter-ahead recession probability from the Survey of Professional Forecasters. Dollar return is the log change in the DXY dollar index. The Full sample has 222 observations. The high inflation sample has 72 observations. *** = 1% significance level, ** = 5% level and * = 10% level.
Source: Bloomberg, Macrobond, World Gold Council

But will we have a second wave like in the late 1970s?

We think not. The current Fed has shown a fervent distaste for inflation² and today's consumer is arguably less able to absorb a sustained rise in prices, **with the personal savings rate not far from all-time-lows**.³ As a result, a renewed inflation surge could produce tighter policy and slower growth rather than a classic 1970s-style inflation breakout.

And, of course, US inflation is no longer the only tune to which gold dances. Central banks and Asian investors have become increasingly important drivers of demand and may behave independently of US macro factors. As we have

2. [Warsh vows to crush inflation but offers no hint on the Fed's next move](#) | AP News

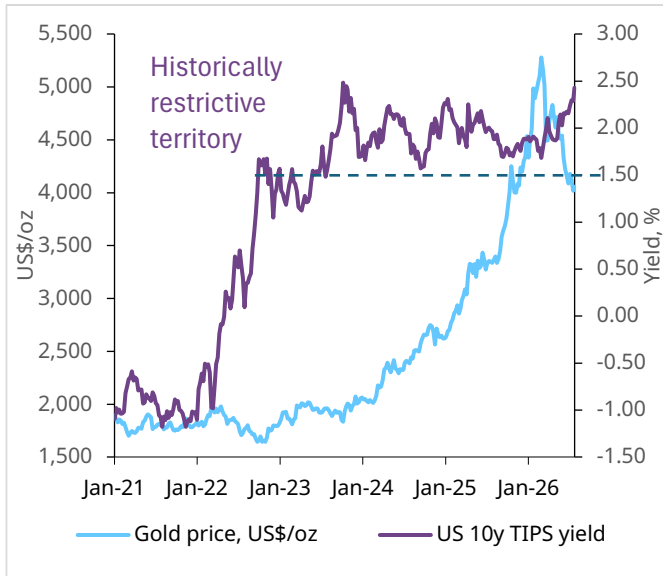
3. [Personal savings as a % of disposable income at 2.8%](#)



noted before, gold has performed impressively despite historically restrictive US real rates since 2023 – largely thanks to these two sources of demand (**Chart 7**).

Chart 7: Elevated real rates have not been an obstacle

US 10-year TIPS yield and gold price (US\$/oz)*



*Data to 31 July 2026

Source: Bloomberg, World Gold Council

In summary

The bottom line is that inflation is looking increasingly problematic, but a repeat of the late 1970s still seems highly unlikely even if the Fed has another misstep like in 2022. Tighter policy and slower growth appear the more probable path. That may mean higher yields and some near-term pressure on gold while markets test the Fed's resolve.

But if history is any guide, something eventually breaks: inflation, growth, or both. At that point, longer-dated yields are likely to start moving lower. Together with continued central bank buying and Asian consumer demand, that should prove supportive for gold, albeit without necessarily repeating the outsized gains of 2025.



World Gold Council

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

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