WORLD GOLD COUNCIL

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What's a bear case for gold? A historical perspective

Introduction

Gold's recent bull run has attracted tremendous attention. After bottoming on 3 November 2022, the gold price has more than doubled from US$1,429/oz to US$3,287/oz, equivalent to a 30% compound annual growth rate.[1] This has been supported by consistent central bank purchases as well as soaring geopolitical and, more recently, trade risks; all this has dwarfed the negative impact from rising real rates amid rate hikes by central banks and cooling inflation between November 2022 and August 2024.[2]

As the gold price has continued to break new highs, investors have become wary of potential risks. And we have studied previous bear runs for gold and analysed the factors that could lead to mid- or longer-term pullbacks, based on historical patterns (**Table 1**).

In summary, the gold price may experience mid-term weakness if geopolitical and trade risks globally ease, or higher opportunity costs if the US dollar and Treasury yields rise (**Table 2, p3**). Slowing central bank gold purchase and retail investment demand could also lead to mid-term gold price adjustment.

While we don't consider these likely, longer-term pullbacks could come from more persistent and structural demand shifts which may lead to notable declines in gold's investment demand from both institutions and retail investors as well as rapid rises in supply (**Table 3, p4)**.

Highlights

Gold has experienced an extended period of bull run since late 2022, prompting questions about potential catalysis for change in trend.

Cooling risks, rising opportunity costs and easing momentum might curb gold's current strength, while structural changes in gold demand or supply may bring longer-term weakness.

Table 1: Summary of past gold pullbacks*

Previous bull run	Pullback duration	Drivers	
Aug 1971 ~ Nov 1974 +353%	Nov 1974 ~ Aug 1976 -43%	Rising opportunity costs (FX & interest rate)	Cooling geopolitical risks
Aug 1976 ~ Sep 1980 +541%	Aug 1980 ~ Jun 1982 -52%	Rising opportunity costs (FX & interest rate)	Cooling geopolitical and inflation risks
Jun 1982 ~ Jan 1983 +57%	Jan 1983 ~ Feb 1985 -57%	Rising opportunity costs (FX & interest rate)	Cooling geopolitical and economic risks
Feb 1985 ~ Nov 1987 +71%	Nov 1987 ~ Aug 1999 -48%	Central bank selling & rising gold supply	
Aug 1999 ~ Aug 2011 +612%	Aug 2011 ~ Dec 2015 -42%	Rising opportunity costs (FX & interest rate)	Falling risks, and weakening momentum

*Based on monthly LBMA Gold Price PM in USD.
Source: ICE Benchmark Administration, World Gold Council

1. Based on the LBMA Gold Price PM in USD between 3 November and 30 June 2025.
2. For more, see: Gold Demand & Supply by Country | World Gold Council and Gold Return Attribution Model | World Gold Council.

What is a bear case for gold?

Demand and supply ultimately determine gold prices. Our analysis shows that investment, through gold ETFs, futures or over-the-counter spot transactions, dominates gold price changes in the short-to-medium term. And these sources of net demand are driven by factors such as the performances of competing assets, changes in risk appetite, geopolitics and inflation concerns.

In the longer term, consumers, buy-and-hold investors – from individuals to large institutions – and technology demand become as important in setting prices. The predominant driver is economic growth.

To sum up, we typically categorise gold's key drivers into four groups:

Economic expansion, which drives demand for jewellery, technology and long-term savings

Risk and uncertainty, which often boost investment demand for gold as a safe haven

Opportunity cost, which relates to interest rates and currency, influencing investor attitudes towards gold

Momentum, as capital flows, positioning and price trends can ignite or dampen gold's performance

And based on this, we aim to summarise similarities in gold's bear runs and make assumptions of the future.

Lessons from history

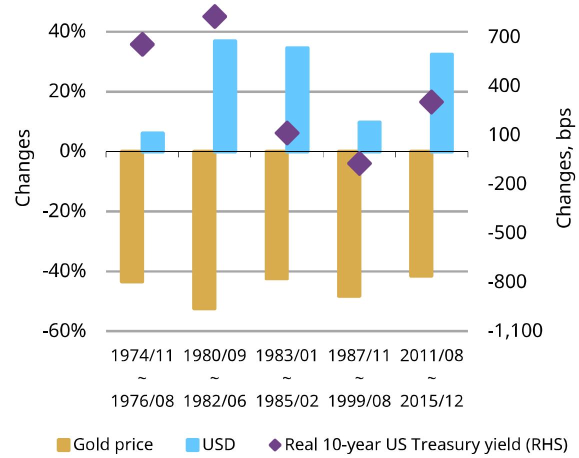
Gold, like all assets, has its ups and downs. History shows clear bull and bear runs.[3] Since the collapse of the Bretton Woods system in 1971, when gold's fixed exchange rate with the dollar ceased, gold has undergone five major pullbacks (**Table 1, p1** and **Appendix**, **p5**).

After examining each of these bear runs, we found some common ground. For instance, almost all major gold pullbacks were in main, or in part, related to ***rising opportunity costs related to real rates and the dollar*** (**Chart 1**) – sometimes driven by a booming economy, and sometimes by rapid US Fed rate hikes. This is an obvious outcome, as rising opportunity costs and strong economic performance often suppress investor interest in holding gold and lift risk appetite.

Cooling risk and uncertainty was another theme that featured throughout gold's major pullbacks (**Chart 2**). During most of the five gold price pullbacks we observed easing geopolitical tensions, strong economic performance and cooling inflation in major markets. And these usually come with equity bull runs, diverting investor attention away from safe-haven assets such as gold.

Chart 1: Gold price bear runs in history are usually associated with rising real yields and a stronger dollar

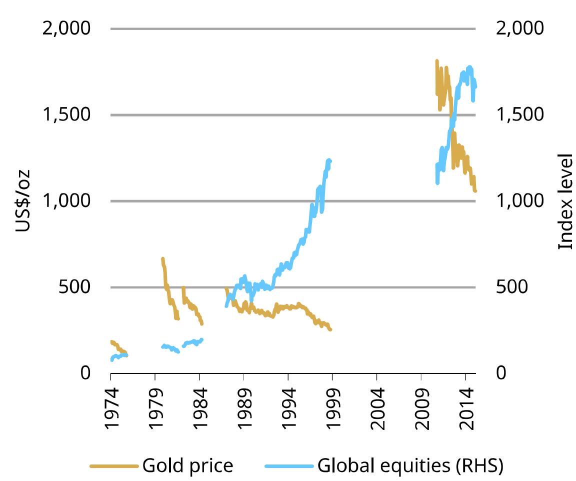
Gold price performance, US 10-year real Treasury yield and the dollar*



*Based on the LBMA Gold Price PM in USD, the 10-year US Treasury yield less US headline CPI and the Bloomberg US Dollar Index on a monthly basis.
Source: Bloomberg, ICE Benchmark Administration, World Gold Council

Chart 2: Gold's pullbacks often coincide with rising investor risk appetite

The gold price bear runs and equity performance*



*Based on monthly data of the LBMA Gold Price PM in USD and the MSCI World Index.
Source: Bloomberg, ICE Benchmark Administration, World Gold Council

In some cases, changes in supply and demand conditions weighed heavily on gold. ***Decelerating momentum*** from sustained central bank gold sales and gold ETF outflows contributed to gold's past bear runs.

3. Base on various sources of definitions, we similarly define a period where gold's price falls more than 20% as a bear run. For more: Bear Market Guide: Definition, Phases, Examples & How to Invest During One

Potential short- and long-term catalysts

We created hypothetical scenarios that could dampen gold's current momentum (**Table 2**). Based on historical guidance we have made three assumptions that could reduce safe-haven demand for gold, push up opportunity costs of holding gold, or slow physical gold demand – all of which would likely lead to mid-term gold price weakness.

It is worth noting, however, that previous bear runs have been accompanied by a combination of these factors and not only one.

Interestingly, there has only been one bear market since 2000. We believe that this is thanks to three structural changes that gold market has experienced:

- Surging gold demand from emerging markets, including China and India driven by their economic expansion
- Global central banks turned from net sellers for two decades to net buyers after 2009, contributing meaningfully to annual demand
- The creation and rapid expansion of global gold ETFs, attracting a new set of investors.

Conversely, a more protracted pull back in the gold price would need to come from a structural shift that either undermines demand or significantly boosts supply. In this context, we lay out four themes that, while unlikely, could drive gold towards a longer-term bear run (**Table 3**). These include:

- A drying up of central bank demand
- Competition from other assets
- A shift in tastes by consumers
- A significant increase in supply.

Conclusion

With gold's rise has slowed down in recent months following an impressive rally, many investors have become concerned about a potential inflection point. To assess such a possibility, we look back to history for sources of stress that may lie ahead.

In the short-to-medium term, cooling risks rising rates, and reviving US economic growth may slow gold demand.

A structural shift from either demand or supply would be needed to place longer-term pressure on gold. However, we believe that these shifts are either unlikely or would have mitigating factors given the current global geopolitical landscape and economic backdrop.

Table 2: Hypothetical scenarios that could dampen gold's momentum in the near-to-medium term

Scenarios	A peaceful world	America is great again	Running out of steam
Assumptions	Global trade risks fade	US economy thrives and the Fed keeps rates high while inflation stabilises	Following a 40% increase over the past 12 months, speculative investor positioning turns bearish
	The Russia-Ukraine war eases or the Middle East conflicts recedes	AI breakthrough boosts productivity notably, supporting growth	Higher gold prices and weak economic growth prevent consumers from stepping up
Gold driver impacted	Risk and uncertainty	Opportunity cost	Momentum
Possible outcome	Safe-haven demand fades	Real rates rise, the dollar strengthens, investor risk appetite improves	Gold demand weakens

Source: World Gold Council

Table 3: Hypothetical scenarios that may lead to longer-term gold price weakness

Scenarios	Central banks step away	Cryptocurrency fever	Shift in tastes	Striking gold
Assumptions	A fiscal/economic crisis in major buyers/holders economies force sales	Crypto assets gain recognition by major countries, raising their status	China and India fully open capital markets, weakening gold's role as a global asset to local investors	Major gold mining deposits beyond any current expectations are discovered and economically viable to extract
	A decline in global trade or the value foreign currency reserves takes gold allocation close to potential target	A unified global regulatory framework emerges, leading to the adoption of crypto assets by major institutions	Young consumers in major markets shift away from gold	
	The US dollar dominates again global reserves through American exceptionalism or trade pressure	The US pioneers crypto reserves, prompting other central banks to follow		
Possible outcome	Central banks gold demand slows down significantly (or turns negative)	Notable weakness in gold demand from investors and/or central banks	A steady but consistent reduction in demand from investors or consumers	A marked uptick in gold mine supply
Likelihood/Mitigation	Gold reserves from emerging market central banks are still well below those of developed markets and a resurgence of the USD does not appear likely in the current market environment	Gold and cryptocurrencies are fundamentally different with market research consistently highlighting that investors look differently at their portfolio roles	Gold has maintained its status as a valuable strategic asset and consumer good in key markets	Mine production is cost and labour intensive, with new discoveries taking decades to come online allowing the market to adjust over time

Source: World Gold Council

Appendix

Gold bear runs throughout history post Bretton Woods[4]

The first bear run

Gold's first bear run occurred not long after the 1971 Bretton Woods collapse. Following the decoupling with the dollar, gold surged by 353% between August 1971 and November 1974. But gold plummeted by 43% between **November 1974 (US$184/oz) and August 1976 (US$104/oz)**, mainly due to:

- ***A rising real US rate*** driven by cooling inflation and strong economic growth
- ***A strengthening dollar*** amid strong US economic growth and the 1974 US – Saudi Petrodollar Accord, which significantly pushed up oil settlement demand for the dollar, and rising real rates
- ***Cooling geopolitical risks*** as the Middle East oil crisis stabilised and the Vietnam war ended.

Meanwhile, strong growth and cooling inflation eased investors' concerns of stagflation, lifting their risk appetite and weighing on safe-haven demand for gold.

The second bear run

Gold experienced its second major adjustment in the early 1980s. Following a staggering return of 541% between August 1976 and September 1980, gold plunged 52% between **September 1980 and June 1982**.[5]

The fall from US$667/oz to US$318/oz during that period was driven by factors similar to those seen in the first bear run:

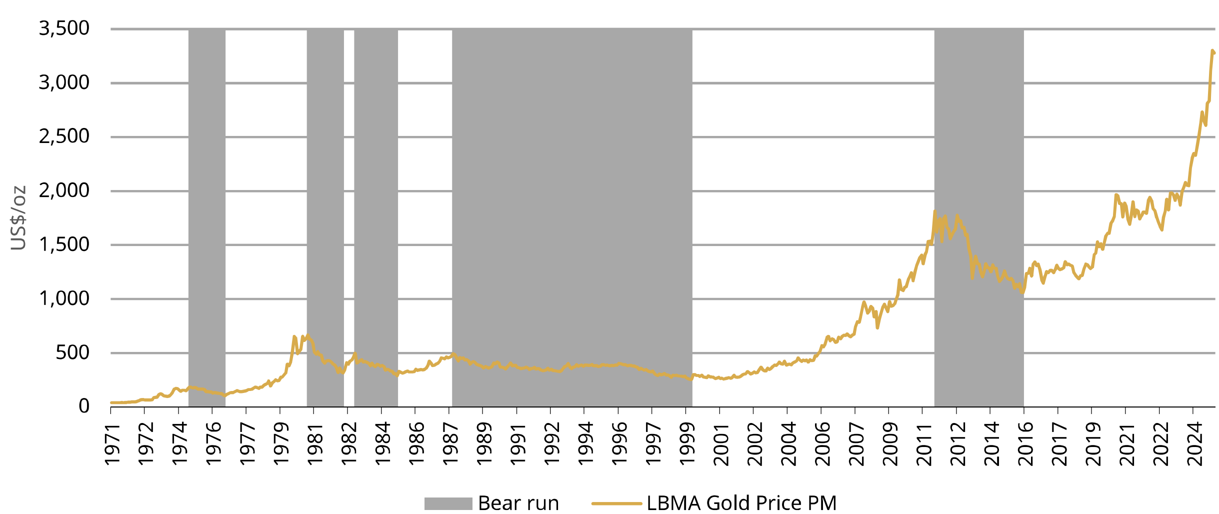
- ***A rising real rate*** **–** the resurgence of inflation prompted the then-Fed Chair, Paul Volcker, to rapidly hike rates **–** as high as 20% in March 1980 and then again to 20% in May 1981 **–** significantly outpacing inflation growth and leading to unseen real rate levels
- ***A stronger dollar*** driven by rapidly rising real US rates and strong economic growth, before the US entered a recession in late 1981
- ***Cooling geopolitical and inflation risks*** **–** the second oil crisis eased and the impact of the Soviet invasion of Afghanistan settled, causing geopolitical concerns to cool. And with inflation coming down, investors' hedging needs also reduced.

The third bear run

The third gold price bear run came soon after the second. After a brief surge of 57% after June 1982, gold dropped by 42% between ***January 1983*** **and** ***February 1985***, falling from US$500/oz to US$288/oz.

The US economy finally shook off the shadow of stagflation after 1982, supported by a number of factors including Reaganomics and lower interest rates, leading to a ***strong economic recovery***.

Chart 3: Gold's five major pullbacks in history*



*Based on common definition, we identify pullbacks greater than 20% as bear runs. Based on the LBMA Gold Price PM in USD on a monthly basis.
Source: ICE Benchmark Administration, World Gold Council

4. For simplicity, we use a month-end basis gold price analysis, which may differ from cycles measured using daily gold prices.

5. The 541% increase occurred between August 1976 and September 1980.

At the time, the fear that inflation would reinflate amid the strong economic rebound prompted the US Fed to hike rates. And with inflation remaining in control, ***real yields climbed quickly*** and ***the dollar strengthened notably*** as a result of higher yields and the stronger economic growth.

But as inflation stabilised, the economy recovered, and ***geopolitical risks remained largely stable*** during the late phase of the Cold War, gold came under pressure from a sharp reduction in safe-haven demand. Higher opportunity costs also weighed on gold heavily at that time.

The fourth bear run

The fourth bear run was the longest. ***Between November 1987 and August 1999***, gold fell by 48% from US$493/oz to US$255/oz. And this time around the drivers were a little different:

- ***Sustained central bank selling***

The fall of the Berlin Wall in 1990 and the collapse of the Soviet Union in late 1991 marked the end of the Cold War, significantly reducing both geopolitical risks and safe-haven demand for all investors, including central banks.

At the time, gold had reached a post-Bretton Woods high in global reserves (~80%). As developed nations began demanding higher returns on reserve assets – and some countries used gold to repay debts – central banks started selling gold.

From 1989 onwards, global central banks sold gold for 21 consecutive years, with 3,554 tonnes dumped between 1989 and 1999 alone.

- ***Rising mined gold supply***

Our data shows that mined gold production jumped from 1,354t in 1980 to 2,620t in 2000, averaging a 3% annual growth rate, notably higher than 1.7% over the longer run.[6] Combined with central bank gold sales, this created a structural oversupply and weighed on gold.

Other factors also impacted gold during this period:

- ***US equity bull run***: the S&P 500 Index rose by more than four times during the period, improving investor risk appetite significantly
- ***Booming US Treasuries***: the issuance of US Treasuries surged during the 1980s, promoting various derivatives such as Treasury futures. As their popularity increased, so gold's safe-haven role diminished.

The fifth bear run

The most recent gold price adjustment occurred between August 2011 and December 2015. Gold had experienced its longest bull run since 1971, rallying 612% between August 1999 and August 2011. But it was followed by a 42% fall from ***US$1,814/oz at the end of August 2011 to US$1,060/oz in December 2015.***

This bear run was driven by a blend of factors:

- ***Rising real yields and a strengthening dollar*** amid the end of the Fed's quantitative easing program; rate hikes in 2015 and cooling inflation that pushed up the opportunity cost of holding gold
- ***Rising investor risk appetite*** as the world shook off the Global Financial Crisis and the European sovereign debt crisis – global equities rose and safe-haven demand fell.

In addition, with investors' risk appetite rising and opportunity cost increasing, global investors liquidated a significant amount of their gold ETFs – in particular, global gold ETFs lost 1,215t between 2013 and 2015 – further adding to the price pressure via weakening momentum. Meanwhile, the average growth of above 4% in mine production, well above the sector's long-term average, may have also contributed to the gold price weakness.

6. Based on the average annual growth rate of mined gold production between 1970 and 2024.

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.

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