

---

# WHAT'S HOT: GOLD IS FLIRTING WITH RECORD HIGHS AGAIN

Mobeen Tahir – Director, Research  
12 May 2023

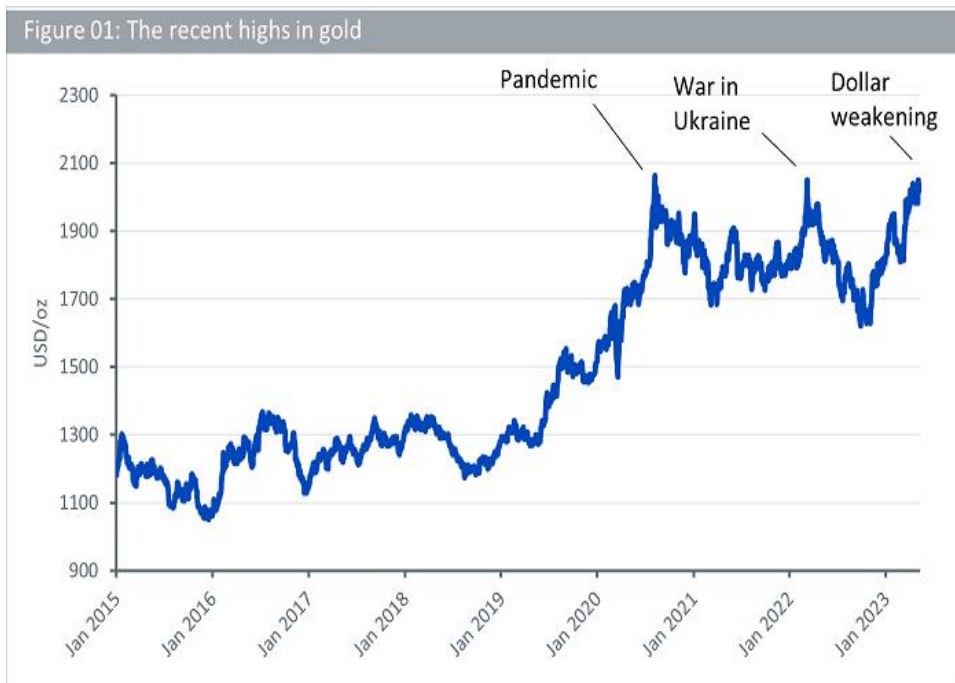
On 3rd May, gold very narrowly missed breaking its all-time high achieved in August 2020. As of this writing on 11th May, gold is holding its ground comfortably above the \$2000/oz mark.

Gold's recent rally was triggered in November last year when markets began foreseeing a slowdown in inflation in 2023 and the US Federal Reserve (Fed) toning down its hawkish rhetoric. As a result, despite subsequent interest rate increases, 10-year Treasury yields have pulled back and dollar has depreciated – both tailwinds for gold. Additional support came from the trouble in the banking sector which served as a reminder to investors to maintain their hedges given the systemic fragilities that can be exposed when monetary policy is tightened aggressively.

## A look back at recent highs

Gold's three recent peaks have each been driven by unique reasons. The record high achieved in August 2020 came following a strong rally triggered by the pandemic. Some might argue that gold was already upwardly mobile, and that monetary policy accommodation had been aiding gold's ascent since the second half of 2018.

Once the worst of the pandemic was over, gold retreated but approached record highs again March 2022 when Russia invaded Ukraine. Pandemic, war, and turmoil in the banking sector are all distinct reasons that have fuelled gold rallies in recent times, but they all point to the need for hedging in investment portfolios. They highlight how gold's credentials become apparent when it matters most. We discuss this in more detail in our recent [podcast episode](#) of The Commodity Exchange titled 'Investing in Gold'.



Source: WisdomTree, Bloomberg. Data as of 10 May 2023.

**Historical performance is not an indication of future performance and any investments may go down in value.**

### ETP flows vs speculative positioning

Investor sentiment can be measured by one of two things, flows into exchange traded products (ETPs), or speculative positioning on futures. Physical gold held in ETPs is flat year-to-date at around 93m troy ounces, compared to a record high of around 110m troy ounces in September 2020<sup>1</sup>. Similarly, net speculative positioning in gold futures is well below highs seen in 2020 and 2022 (see figure 02 below). Both these data points suggest that investor sentiment is not stretched on the long side yet.



Source: WisdomTree, Bloomberg. 01 January 2015 – 10 May 2023.

**Historical performance is not an indication of future performance and any investments may go down in value.**

### Potential catalysts for gold in the coming months

One potential catalyst for gold interest could be the US debt ceiling, which is the limit on the amount of money the US government can borrow. Currently standing at \$31.4tn<sup>2</sup>, the debt ceiling has been raised multiple times in the past. However, the US government has warned that it is close to exhausting its cash reserves and may face a sovereign default or severe spending cuts by June 1st, 2023. This situation is likely to increase the demand for gold as a hedge against economic uncertainty.

Economic data could be the other driver. US annual inflation rate fell to 4.9% in April, compared to 6.4% in January<sup>3</sup>. If inflation continues to drop in line with consensus expectations, this could continue to support gold. Although this appears counterintuitive at first, given higher inflation is meant to be supportive of gold, but further declines in Treasury yields and additional dollar depreciation that will result from falling inflation are likely to exert greater force on gold's path.

### Keep an eye on other precious metals

Other precious metals like silver, platinum, and palladium all have notable, albeit varying, levels of correlation with gold. In the past, we have often seen silver demonstrate what appears to be a leveraged relationship with gold. In 2020, when gold rallied following the Covid outbreak, silver outshined gold.

Sometimes we also see a lag in the reaction by other precious metals to movements in gold. For example, when gold reached record highs in August 2020, platinum formed a peak in February 2021. Such dynamics may or may not repeat but it is always interesting to see what's happening to the broader precious metals basket when gold shows strong moves in either direction.

### Sources

<sup>1</sup> Bloomberg, as of 10 May 2023.

<sup>2</sup> Congressional Budget Office.

<sup>3</sup> Trading Economics.

### Related blogs

+ [Gold is expensive. Don't waste it!](#)

### Related products

+ [WisdomTree Core Physical Gold \(WGLD/GLDW\)](#)

+ [WisdomTree Gold 3x Daily Leveraged \(3GOL/3LGO\)](#)

+ [WisdomTree Gold 3x Daily Short \(3GOS/3SGO\)](#)

View the online version of this article [here](#).

Important Information

**Marketing communications issued in the European Economic Area (“EEA”):** This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

**Marketing communications issued in jurisdictions outside of the EEA:** This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as “WisdomTree” (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

For professional clients only. The information contained in this document is for your general information only and is neither an offer for sale nor a solicitation of an offer to buy securities or shares. This document should not be used as the basis for any investment decision. Investments may go up or down in value and you may lose some or all of the amount invested. Past performance is not necessarily a guide to future performance. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.

The application of regulations and tax laws can often lead to a number of different interpretations. Any views or opinions expressed in this communication represent the views of WisdomTree and should not be construed as regulatory, tax or legal advice. WisdomTree makes no warranty or representation as to the accuracy of any of the views or opinions expressed in this communication. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.

This document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares or securities in the United States or any province or territory thereof. Neither this document nor any copy hereof should be taken, transmitted or distributed (directly or indirectly) into the United States.

Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.