



# Gold and its Changing Sparkle

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# Gold

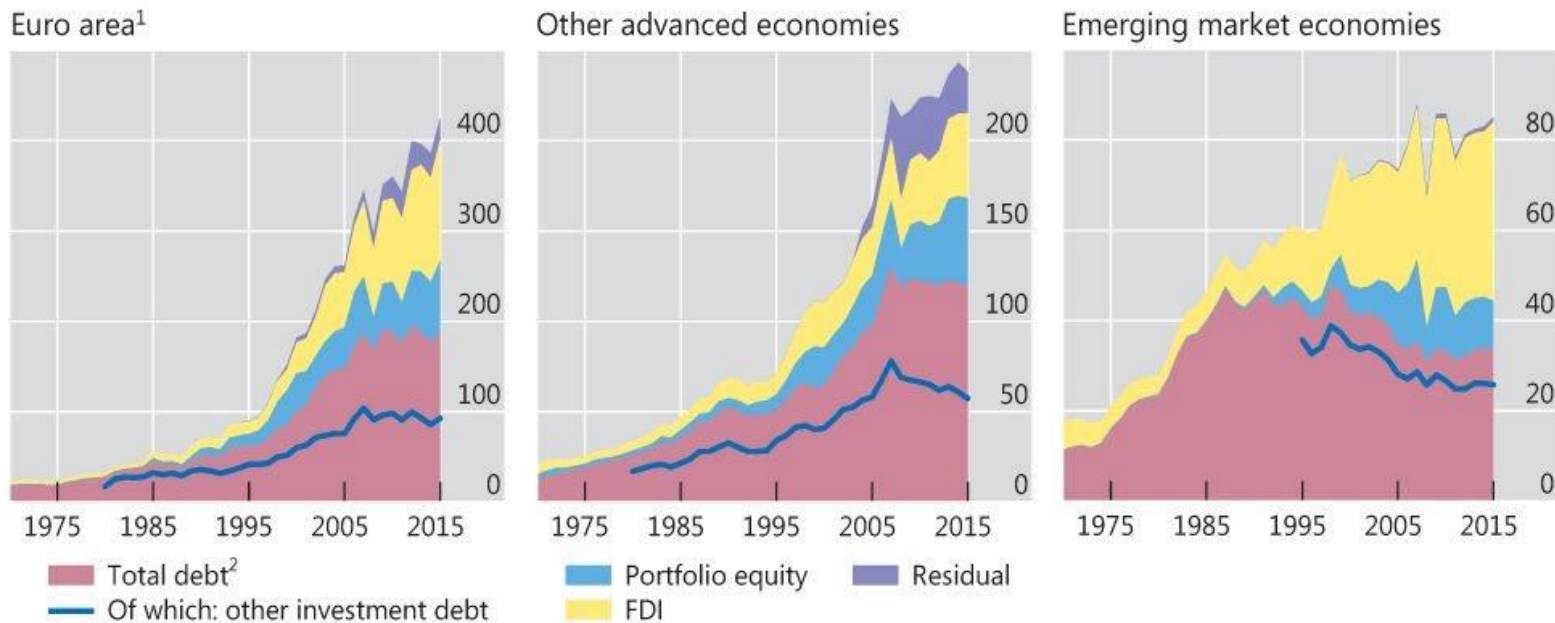
1. An international common asset
2. The USD is the primary global reserve and transaction currency, but gold remains critically important and relevant
3. No government strictly backs its paper currency with gold or uses it as circulating legal tender
5. However, gold is universally valued as a global commodity and can be exchanged for local currency almost anywhere
5. An asset with no border

# Increasing Global Capital Flows

Different evolution of external positions in AEs and EMEs

Gross external liabilities as a percentage of GDP

Graph VI.4



The complete list of countries is available at [http://www.bis.org/statistics/ar2017stats/ar87\\_c6.xlsx](http://www.bis.org/statistics/ar2017stats/ar87_c6.xlsx).

<sup>1</sup> The series for the euro area are constructed as sums of the respective series for individual countries; intra-euro area positions are not netted out. <sup>2</sup> For the time periods in which "other investment debt" is plotted, the difference between total debt and "other investment debt" is primarily "portfolio debt", although there is also a small unallocated debt residual.

Sources: Lane and Milesi-Ferretti (2017); BIS calculations.

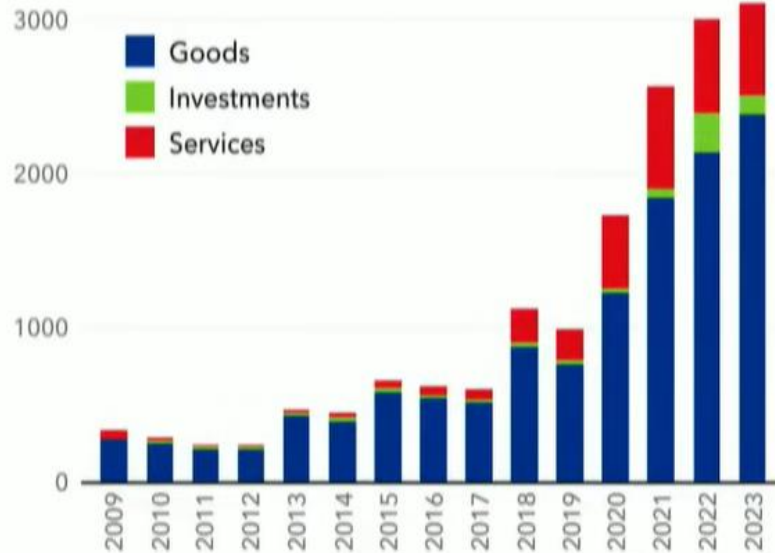
# Changing Trade Order

## THE GLOBAL BACKDROP

TRADE RESTRICTIONS HAVE INCREASED SHARPLY ALONGSIDE GEOPOLITICAL RISK.

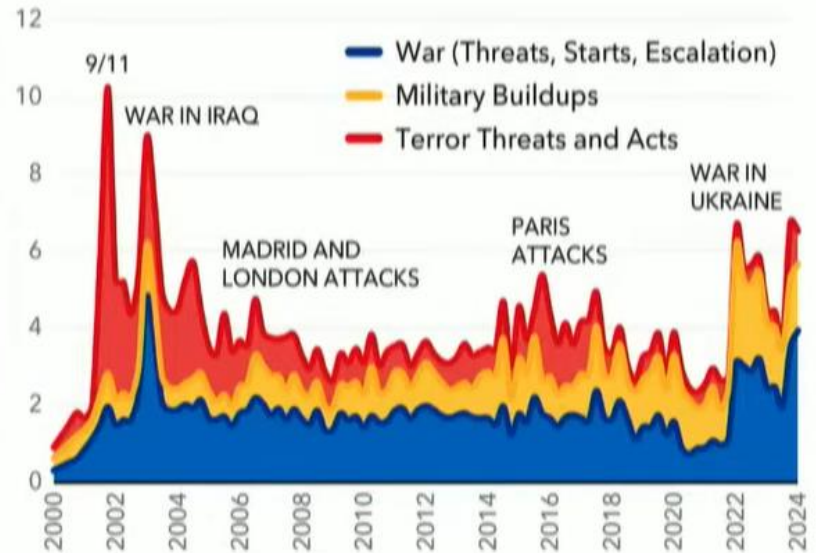
### TRADE RESTRICTIONS

(NUMBER)



### GEOPOLITICAL RISK

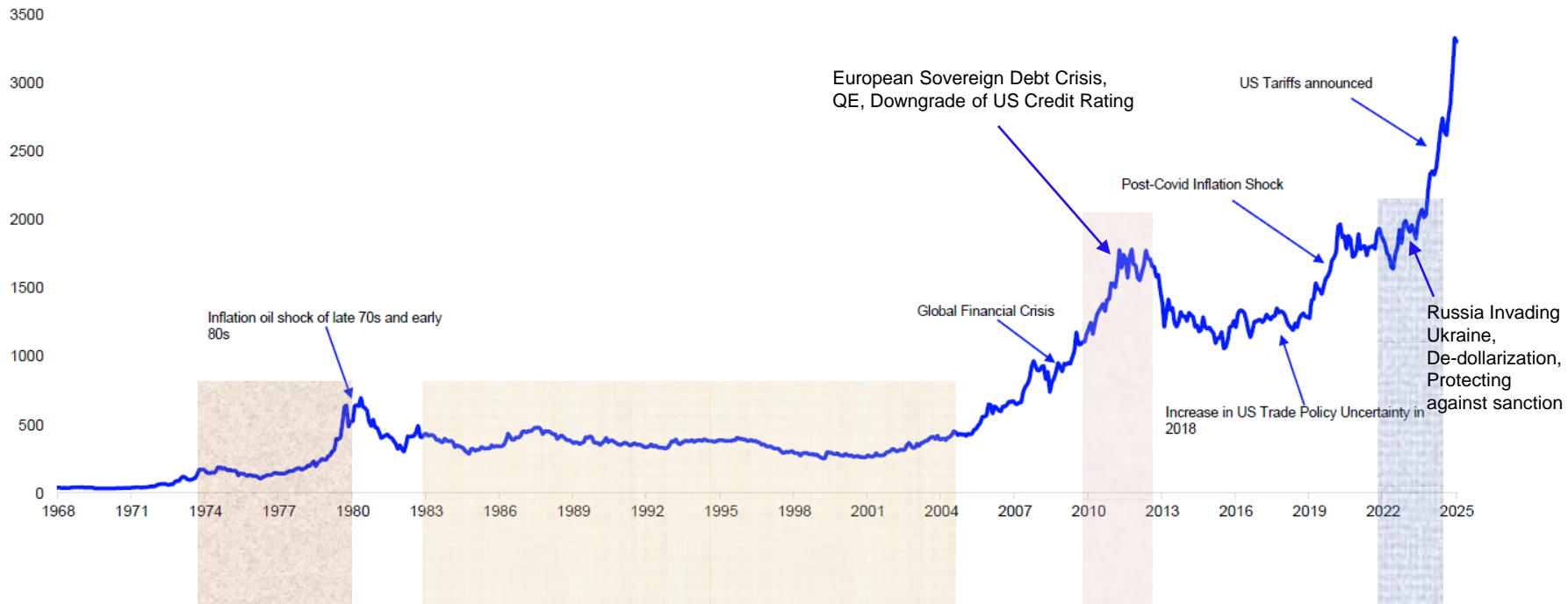
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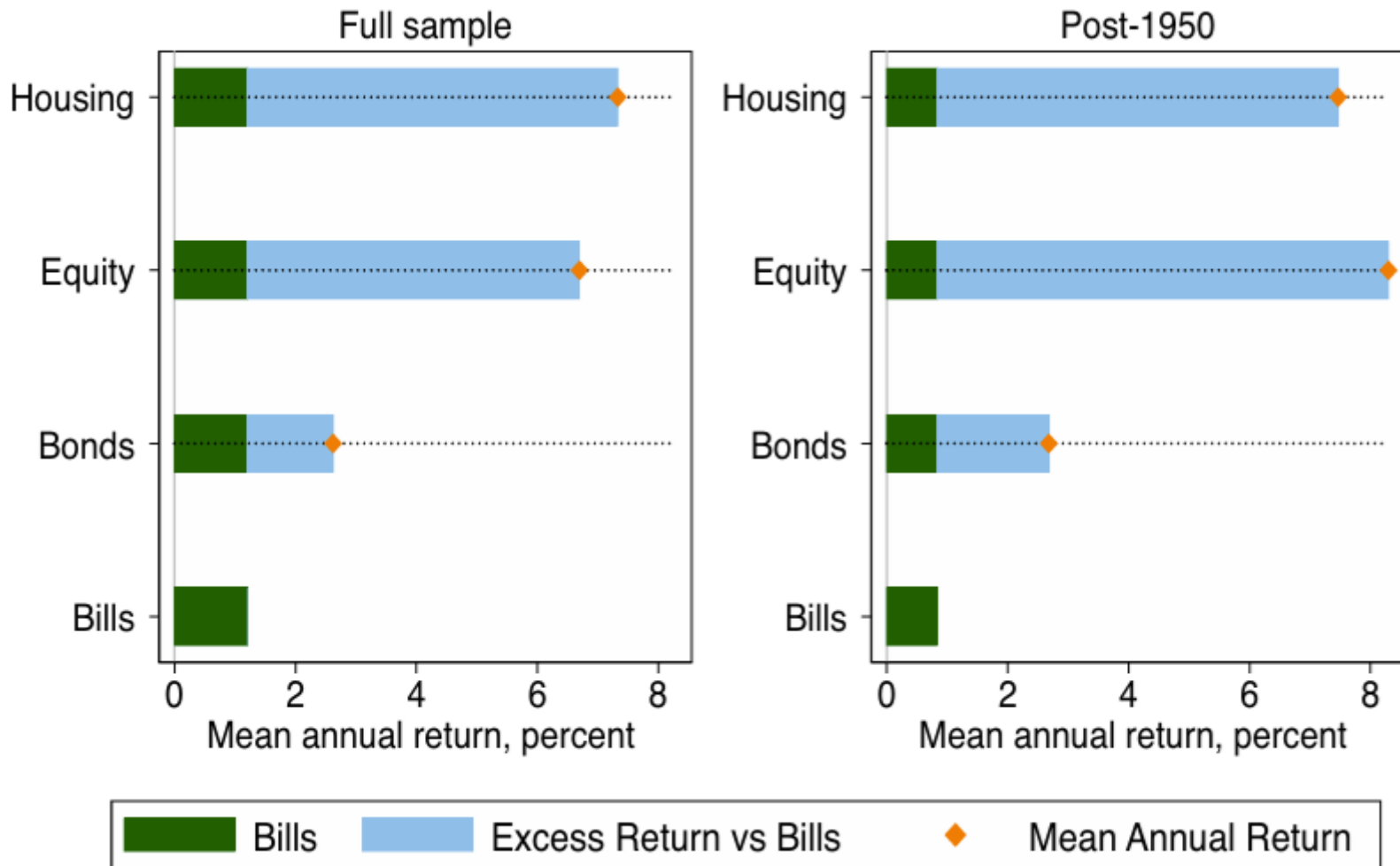
Source - IMF

# Gold - The Changing Context

Price of Gold:  
USD/troy oz.



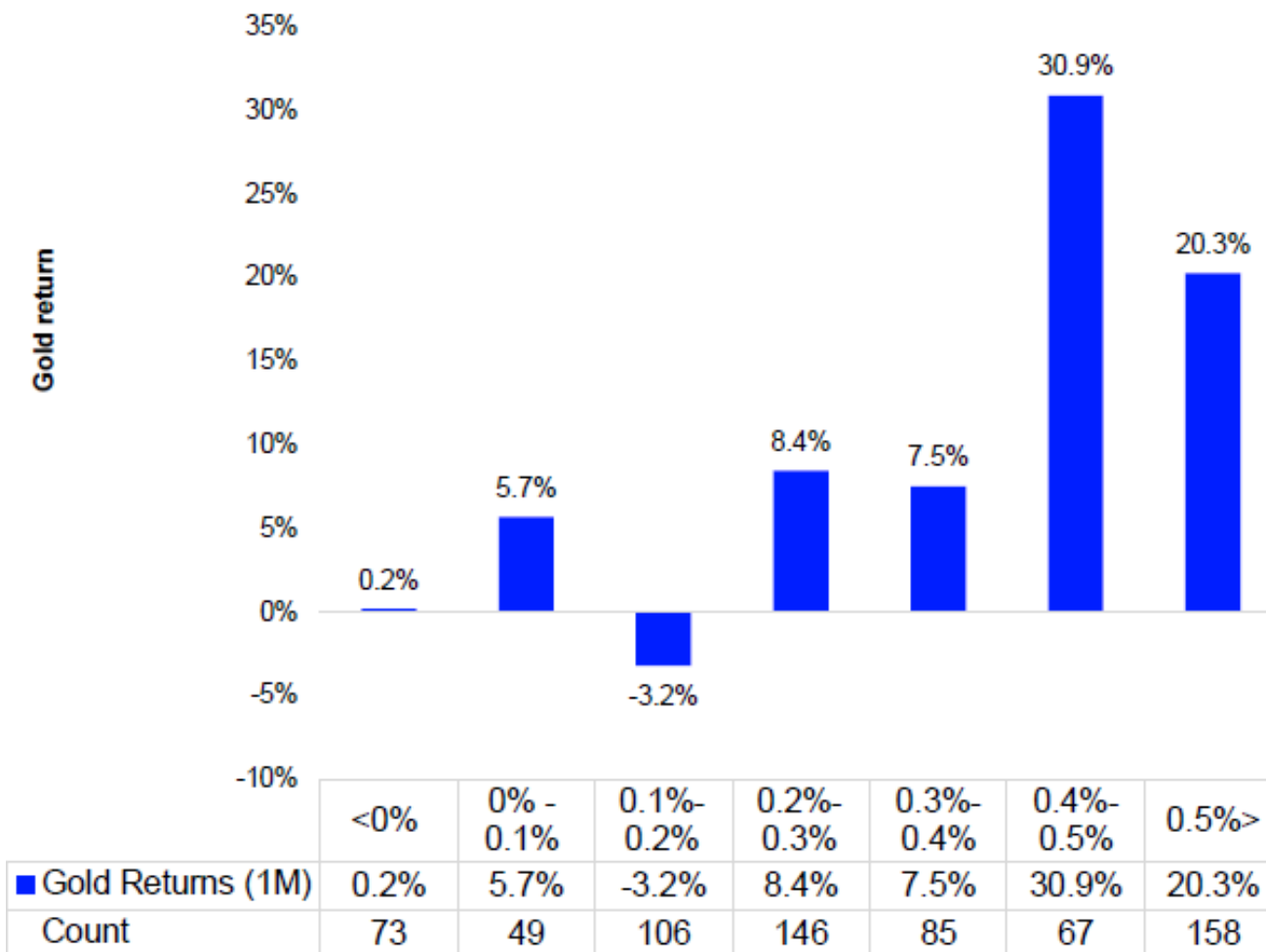
# Global Real Returns: 1870-2015



Note: Annual global returns in 16 countries, equally weighted.

# Average gold return, by monthly US CPI inflation bucket, 1968-2025

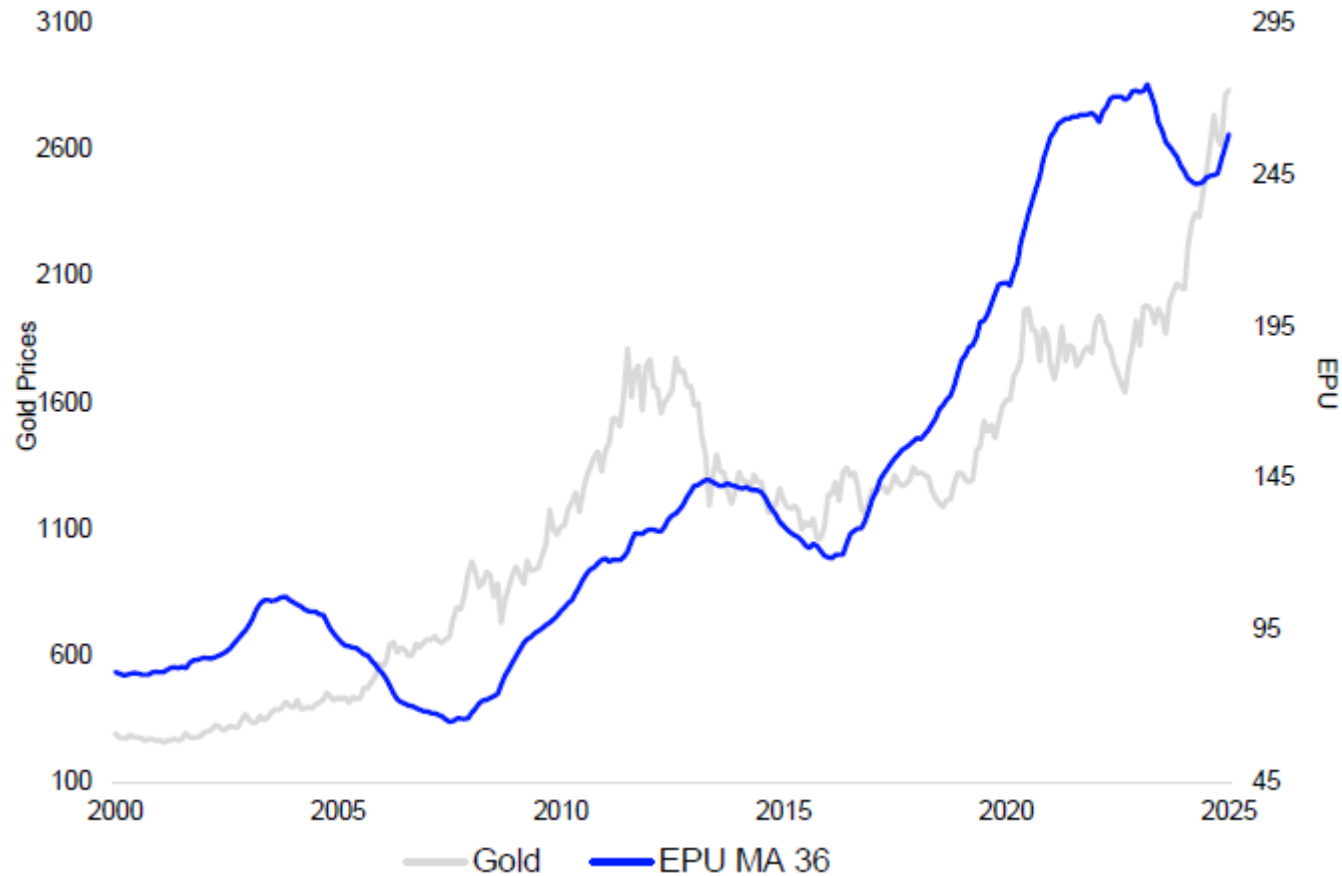
Best gold returns have occurred in moderately high inflation



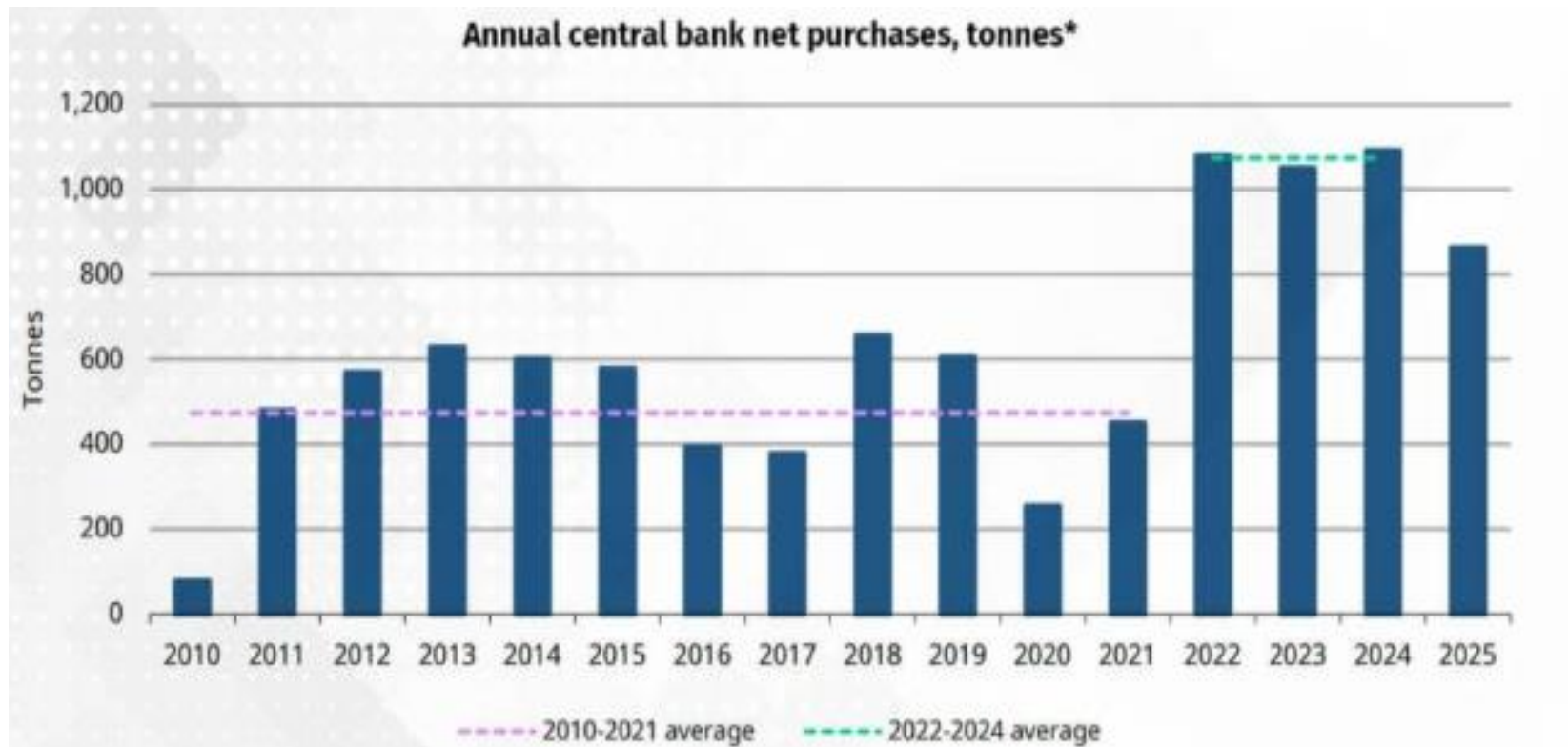
- 0.4%–0.5% monthly CPI, or about 5.5% per annum

# Gold and policy uncertainty: strong positive correlation

Gold Price (USD/troy oz) and EPU index (36-month mov. ave, RHS)



# Central Banks' Gold Purchase Dips in 2025

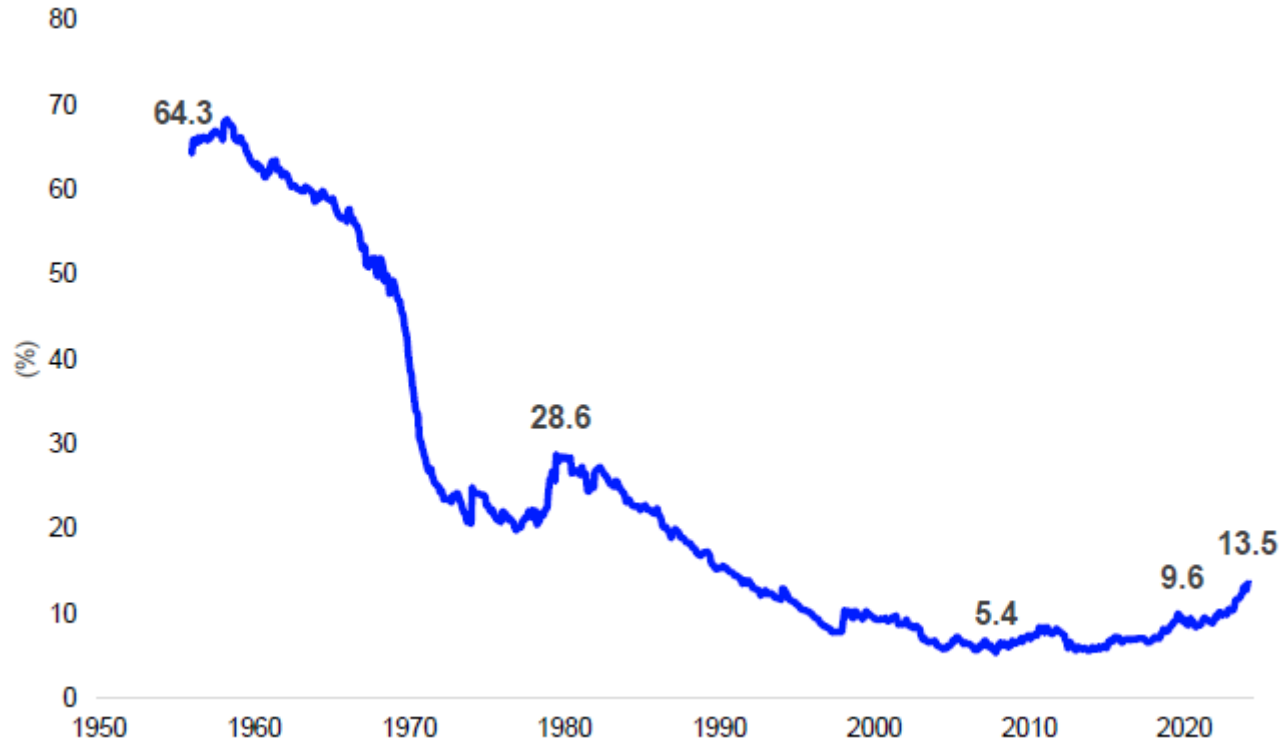


\*Data up to December 31, 2025

EM central banks increased gold reserves by 132% since 2021, led by India (+38%) and China (+17%).

# Gold in Central Banks' Reserves

## Gold Reserves % of Total Reserves



- Gold backs 13.5% of central bank balance sheets (up from 9% in 2020).

# Gold: Correlation with Other Asset Class

Correlation matrix	Gold	All-World	US Govt 7-10yr	US ILB	World HY
Gold	1.00	0.22	0.41	0.44	0.34
All-World	<b>0.22</b>	1.00	0.58	0.73	0.87
US Govt 7-10yr	<b>0.41</b>	0.58	1.00	0.85	0.64
US ILB	<b>0.44</b>	0.73	0.85	1.00	0.77
World HY	<b>0.34</b>	0.87	0.64	0.77	1.00

FTSE All-World Index  
US ILB: Inflation-Linked Bonds  
High Yield (HY) Bonds

# Gold: Changing Roles

- Strategy to diversify reserves into a global asset
- Increasing role of gold in Central Bank's balance sheet
- Inflation hedge to uncertainty hedge

Thank you