Does gold still shine?

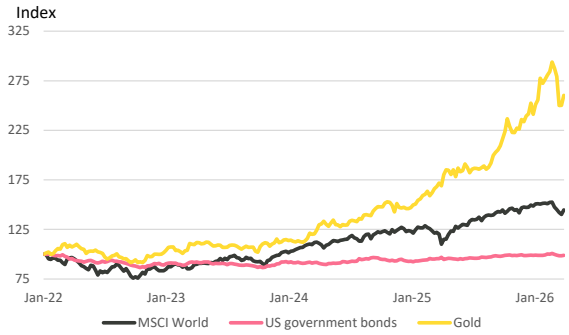
Market Performances (as of June 17th, 2026 – 9:30 CET)*

	CURRENT	CHANGE 1 WEEK	CHANGE YTD		CURRENT	CHANGE 1 WEEK	CHANGE YTD
MSCI USA Equity Index	7'155	1.65%	9.54%	Gold Ounce	4'329	6.31%	0.23%
MSCI Canada Equity Index	4'530	2.61%	11.50%	Silver Ounce	70.1	10.69%	-2.13%
MSCI Eurozone Equity Index	2'058	4.31%	9.69%	Oil WTI Future	75.4	-16.23%	31.35%
MSCI Switzerland Equity Index	1'759	2.10%	3.86%	EUR/USD	1.16	0.62%	-1.19%
MSCI Germany Equity Index	216	2.75%	-0.30%	EUR/CHF	0.918	0.46%	1.34%
MSCI Japan Equity Index	2'493	4.78%	19.26%	USD/CHF	0.791	1.09%	-0.16%
MSCI Emerging Markets Equity Index	1'775	6.50%	26.41%	USD/JPY	160	0.20%	2.20%
Yield 10Y US Treasuries	4.43	-0.12	0.26	CAD/USD	0.71	0.41%	2.00%
Yield 10Y German Bund	2.92	-0.15	0.07	USD/CNY	6.76	0.26%	-3.41%

Source: Bloomberg, Vontobel SFA
* All equities performance is measured in USD

Gold did not benefit from Middle East driven volatility
Over the past years, the gold price has risen substantially, beating global equities and fixed income. Around the start of 2022, gold was still trading below USD 1,800 USD per troy ounce and reached an all-time high in January this year of around USD 5,400. This strong performance was driven by a combination of factors, including trade tensions, reduced demand for the U.S dollar, and increased central bank purchases.

Chart 1: Performance since 2022



Source: Bloomberg, Vontobel SFA, until June 5th 2026

Gold is traditionally seen as a portfolio diversifier, and may help mitigate equity price risks associated with inflation spikes and geopolitical uncertainty. It has long been regarded as a safe-haven asset due to its ability to act as a store of value and its generally low correlation with other asset classes.

Historically, gold has often appreciated during major geopolitical shocks. When Russia invaded Ukraine in 2022 its price initially increased by 8%, and the most recent example where historical patterns may have suggested similar behavior was with the American-Israeli war against Iran in late February. Although indeed gold has provided some stability in previous geopolitical and economic shocks which impacted equities, the price of gold fell 4%[1] more than US equities during the equity decline, while gold remained weak as equities started to recover. What went wrong for gold this time?

Traditional economic arguments could be that as a non-interest paying asset, gold becomes less attractive when real yields rise or are expected to rise. Anticipation of higher interest rates may have increased the relative attractiveness of cash equivalents and bonds compared to gold.

However, even though this may relevant for some investor it may only be a partial explanation in our view of recent price dynamics. In a sizeable market shock, safe haven flows are typically driven more by capital than by yield considerations. A more likely reason, in our view, is an investor reaction to increased market uncertainty, and a response to lock in profits and reduce tactical biases.

[1] Measured from S&P500 peak on 25th of February until the trough at 30th of March

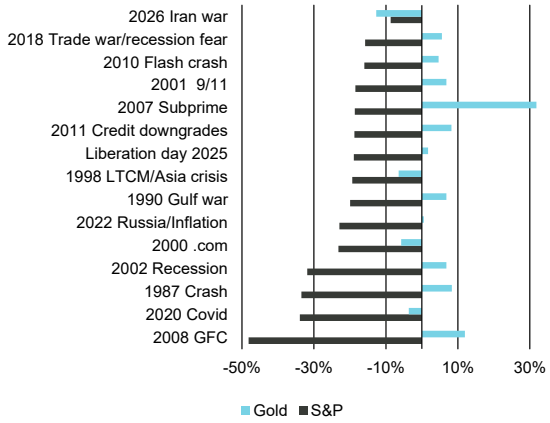
This strong upward trend in gold may have attracted a new type of investor in gold: momentum investors. This group of investors, typically oriented toward short-term gains, has different characteristics than traditional gold investors, who tend to prioritize long-term diversification, smoother portfolio returns and risk reduction. We see some confirmation in this argumentation as, according to data from the US commodity Futures Trading Commission (CFTC) the net long positioning of speculative investors in gold futures has moderated somewhat during the sell-off.

With some central banks, notably Turkey and Russia, starting to sell gold as well, it may have led to a re-assessment among some investors about potential for gold price momentum. However, these sales appear to be driven by country-specific factors. For instance, Turkey liquidated gold to stabilize the value of the lira and in general is very idiosyncratic to the rest of emerging markets and does not follow their same policy direction. Russia on the other hand, is a sanctioned economy and facing different incentive structures and fiscal constraints. Both countries remain edge cases that cannot be extrapolated to the rest of the global macro space.

Gold's attractiveness during episodes of uncertainty

In general, there are two key reasons that continue to speak for gold. First, gold tends to provide protection in downside equity events of different causes, even though it may not work every time. Second, we still see room for more reallocation to gold from a longer-term perspective.

Chart 2: Gold performance during selected equity shocks[2]



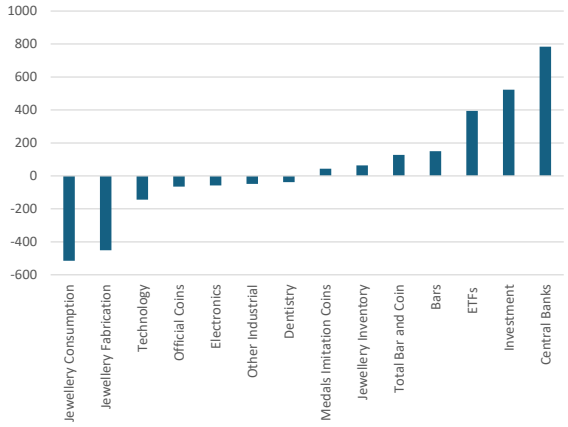
Source: Bloomberg, Vontobel SFA, until May 2026.

Chart 2 shows that mostly during negative equity shocks the gold price increases, or at least declines less. This is measured over the period from the equity peak to the trough. It also shows that the shock this year seems to be an outlier, with gold falling more than equities. As this seems most likely a result of portfolio flows and reallocation due to tactical flows. It is our belief that gold may continue to contribute to portfolio stability during periods of elevated uncertainty and may have a role within a broadly diversified portfolio.

Gold's attractiveness remains in the long term

From a longer-term perspective, gold demand has been changing as well. Over the past 15 years, jewelry demand has declined, while demand for bars, ETFs, investments in general and by central bank has increased. Some of that financial demand may prove to be long-term, given the still relatively low allocation to gold in strategic portfolios by institutional investors and some central banks.

Chart 3: Demand changes since 2010 (in tonnes)



Source: World Gold Council, Vontobel SFA, February 2026

An example of a central bank that still holds low levels of gold in their foreign exchange reserves is the People's bank of China (PBoC). Historically, several emerging markets used to have their currency pegged to the U.S. dollar. For that reason, it also makes sense that the share of US dollar assets in their foreign exchange reserves is relatively high. While some central banks have undertaken currency devaluations, central banks still heavily rely on the U.S. dollar. Devaluation adjustments are typically driven by domestic macroeconomic considerations where the exchange rate acts as a shock absorber. This is distinct from decisions about how much reserve assets central banks hold in their balance sheets.

That said, we observe a gradual increase in gold allocations within reserve portfolios. While central banks used to hold a substantial part of their reserve in U.S. treasuries, some have begun to diversify and reallocate more assets towards gold even as gold prices keep rising. While central banks are not actively selling their U.S. asset, they allow maturing fixed income dollar instruments to roll off and reinvest the proceeds to gold and/or other currencies. Some central banks may also use gold price setbacks to increase their holdings. For instance, there were indications that China bought about 5 tonnes of gold in March

[2] Measured from pre- shock peak until the trough in the S&P500. Gold price change measured over the same period.

and 8 tonnes in April according to the world gold council data. In our view, diversification away from U.S. dollar-denominated assets and increased allocation into gold may represent a structural and long-term trend that could continue.
There are a few drivers pointing in that direction that are worth exploring.

Concerns about the dollar debasement play an important role. Recent U.S. policy rhetoric suggests a preference for a weaker dollar most likely with the intention to make U.S. exports more competitive. This anticipated currency depreciation results in negative real returns risks. Simultaneously, markets have become increasingly concerned about fiscal policy direction with respect to rising government debt and raised questions about its long-term debt sustainability. Since the pandemic, the U.S. has significantly increased its debt issuance to finance its spending. As with any market, a rise in supply puts downward pressure on prices, and the existing debt stock in the market becomes less valuable. For central banks this can be negative, as it erodes the value of their holdings and may incentivize diversification into alternative assets, including assets that are not subject to sovereign issuer credit risk.

From a central bank perspective, reserve assets also serve a strategic function and holding large amounts of assets issued by a country with which relations could become more uncertain introduces an additional layer of geopolitical risk.

The freezing of Russian central bank reserves by the European Union and the Unites States in 2022 appears to have had a lasting signaling effect on reserve allocations globally. While these measures were implemented in response to geopolitical developments, they were symbolic for that sovereign assets can be subject to sanctions and other restrictions. This has increased awareness of potential legal and political risks associated with holding foreign assets. Some central banks have placed greater emphasis on reducing counterparty risk in order not to be subjected to the control of any sovereign authority. Gold is often cited as a counterexample, as it can be held outside many financial intermediaries and may provide owners with direct control over the asset.

Chart 4: Relative share of PBoC gold and UST holdings



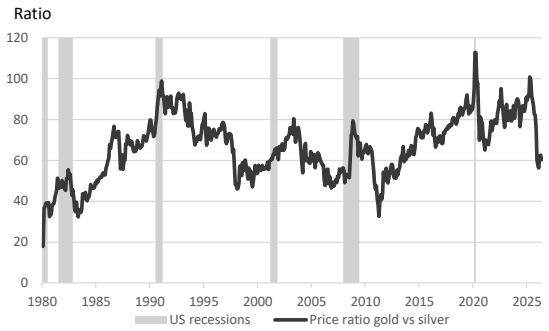
Source: Bloomberg, Vontobel SFA, data until May 2026

In this context, China is an idiosyncratic case worth looking at. The country's efforts to reduce reliance on the U.S. dollar predate recent geopolitical developments. It has been prioritizing the internalization of the renminbi since 2011 by moving away from external reliability. In this distinct case, the gold accumulation is not driven by the broader diversification theme we are seeing globally across markets, but instead a continuation of its pre-existing commitment to de-dollarize.

Silver does not share the same characteristics as gold

Some investors extrapolate the perceived safety features of gold to silver as well. In the long run both precious metals may trade in a certain relationship. Chart 5 shows the gold to silver ratio. However, during recessions, gold tends to outperform, as the ratio moves up.

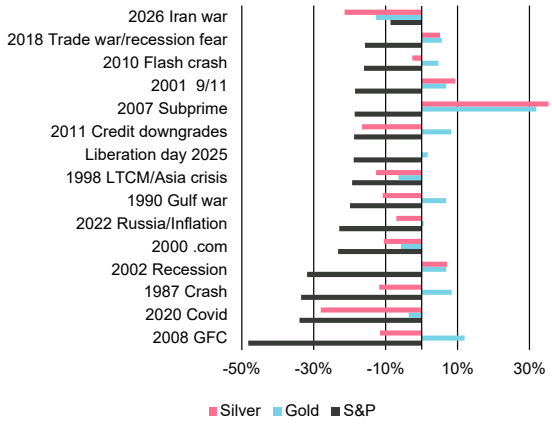
Chart 5. Gold to silver ratio



Source: Bloomberg, Vontobel SFA, Data until May 2026

Also, when we add silver to the chart we showed earlier (chart 2) with the different equity market shocks, we see that silver often behaves more like equities rather than gold during these episodes. Even though both gold and silver are precious metals, they are not perfect substitutes and have different demand drivers. Where, historically, gold benefited from flight to safety flows, silver has more a cyclical component to it, as it is used to a larger extent in manufacturing processes.

Chart 6: gold and silver during equity sell-offs



Source: Bloomberg, Vontobel SFA, May 2026

Conclusion

If recent market developments teach us anything it is that gold is not a perfect or universal hedge. While geopolitical risks and inflationary pressures can result in higher gold prices, they are supportive but not sufficient drivers of performance. In the short-term, other factors like opportunistic divestment from momentum investors and central banks, and to a lesser extent, changes in real yield, can dominate.

In the long run, we believe the underlying structural drivers that have historically supported gold demand remain intact. In particular, rising government debt levels, concerns around currency debasement, and the perception of reduced policy predictability introduces additional risks and raises questions about long-term attractiveness of U.S. assets.

Central banks' behavior further reinforces this view. While some countries, notably Turkey and Russia, have reduced their gold holdings, they largely remain edge cases. Many central banks, on the contrary, have been increasing their gold holdings.

Taken together, these factors may support continued expansion in gold allocations by both central banks and other investors. If such demand trends persist, they could provide support for gold prices over time, although future market outcomes remain uncertain.

Silver, in contrast to gold, has historically not exhibited the same defensive characteristics during periods of market stress. Rather than functioning as a safe-haven asset, silver tends to be more cyclical and equity-like, reflecting its more extensive industrial application compared to gold.

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