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COMMODITIES, FOOD & AGRI

Geopolitics alone isn't enough to lift gold

Geopolitical tensions continue to underpin gold, but recent price action shows they are not enough on their own to drive a sustained rally. Macro factors, particularly real yields, the US dollar and interest rate expectations, remain the key constraints on further upside

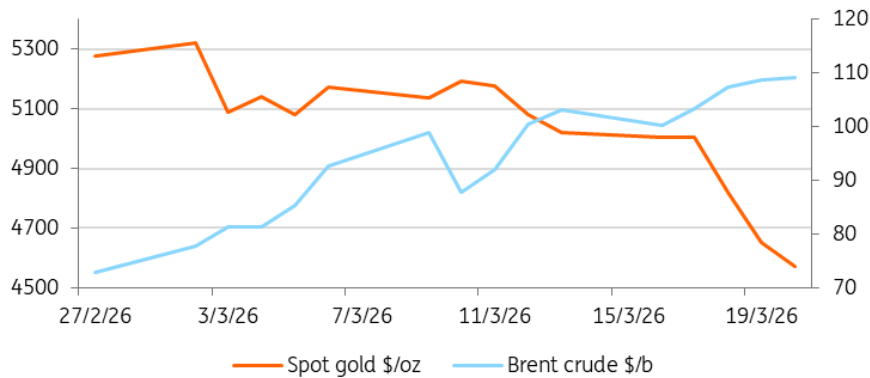


Gold prices have fallen since the Iran conflict started, highlighting that macro factors such as interest rates, the dollar and cross-asset positioning are driving price dynamics

Safe-haven demand has been overshadowed by higher energy prices, a stronger dollar and shifting rate expectations.

Higher energy prices pressure gold

Gold vs oil since the start of the conflict



Source: Refinitiv, ING Research

Macro forces outweigh geopolitics

Despite the escalation of the Iran war, gold prices have fallen around 14% since the conflict began, highlighting how macro factors, particularly interest rates, the US dollar and cross-asset positioning, continue to dominate short-term price dynamics. This pattern is consistent with previous shock episodes, where liquidity needs tend to outweigh safe-haven demand in the early stages.

Gold's reaction in 2022 offers a useful reference point. Prices rose initially after Russia's invasion of Ukraine, but that move faded as the inflation shock fed through to rates, the dollar and investor flows.

More broadly, geopolitics alone rarely drives gold prices in a sustained way; what matters is how such shocks feed through to inflation, monetary policy and the dollar. In the near term, a stronger US dollar and gold's high liquidity can make it a source of funds during stress episodes.

Gold's safe haven performance: Ukraine vs Iran

Indexed at 100 at the start of each year



Source: Refinitiv, ING Research

Energy prices complicate inflation outlook

Rising geopolitical tensions have pushed energy prices higher, increasing the risk that inflation remains elevated and complicating the path for monetary easing. A higher-for-longer rate environment would keep real yields elevated, posing a headwind for gold. The Federal Reserve left rates unchanged this week, with Chair Powell stressing that further easing would require clearer progress on inflation, although our US economist still expects two 25bp rate cuts later this year, in September and December. That said, a stagflationary backdrop – slower growth alongside persistent inflation – would remain supportive for gold over the longer term.

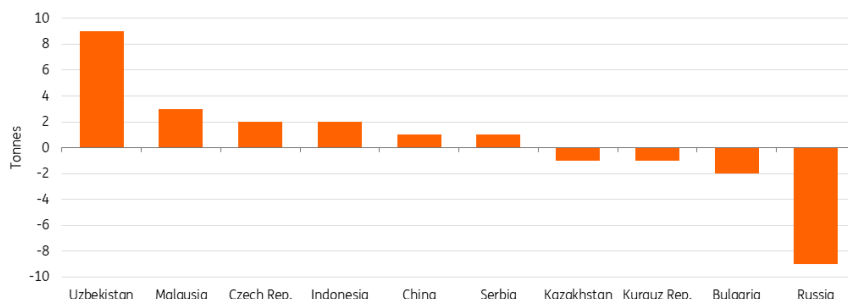
Central banks remain supportive, but buying may slow

Central banks continue to underpin gold demand, though the pace of buying has eased. World Gold Council data show net purchases of 5 tonnes in January, well below the 2025 monthly average of 27 tonnes, reflecting softer momentum at the start of the year. The flow mix nevertheless points to continued structural interest, with purchases by Uzbekistan offset by sales from Russia, while new buyers such as Malaysia and a potential return from Bank of Korea suggest a gradual broadening of the demand base.

That said, while official sector demand remains structurally supportive, reflecting an ongoing shift in reserve management away from the US dollar, it is unlikely to drive short-term price moves. Central banks could use price weakness to selectively add to reserves, but investment flows are still likely to dominate near-term price action.

Central bank gold buying slows down in 2026

Central bank net purchases and sales in January

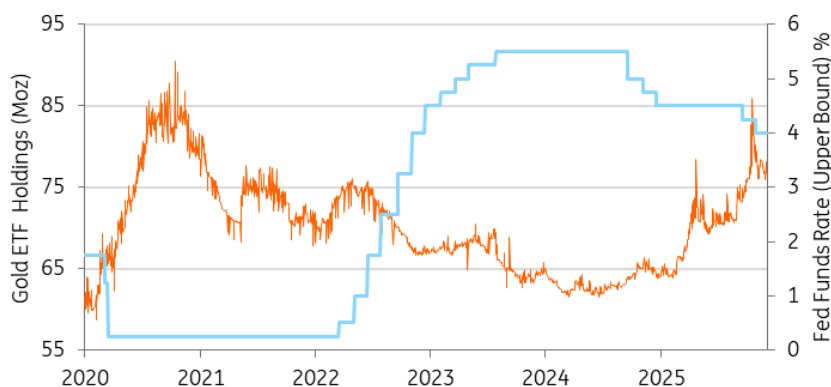


Source: World Gold Council, ING Research

ETF outflows weigh on gold prices

ETF flows remain a key driver of gold demand. Persistent outflows in recent weeks have weighed on prices, with holdings reversing much of this year's earlier gains since the Iran war began. Historically, ETF positioning moves closely with gold prices and expectations for US monetary policy. A shift towards Fed rate cuts later this year could trigger renewed inflows and support prices, while a higher-for-longer rate backdrop would likely keep ETF outflows as a headwind.

ETFs move closely with US monetary policy



Source: Refinitiv, ING Research

Outlook still constructive, but near-term risks have increased

We remain constructive on gold overall, though near-term risks have increased.

Gold is still up roughly 6% year-to-date, leaving the market vulnerable to bouts of profit-taking. However, any deeper pullback would likely attract buyers, particularly from central banks and

longer-term investors.

Ultimately, gold's direction will depend less on geopolitical headlines alone and more on how those events shape inflation, monetary policy expectations and real interest rates.

For now, macro forces, not geopolitics alone, are driving gold prices.

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