

# Gold Monthly: Gold's rally is just getting started

We believe the most anticipated US rate cut in decades will bring fresh impetus to gold prices. We have revised our gold forecast higher, and we now expect prices to average \$2,700 in 2025



Gold has been one of the best performers among major commodities this year. It has surged more than 20% year-to-date, supported by expectations of an interest rate cut from the Federal Reserve, strong central bank buying and robust Asian purchases. Haven demand amid heightened geopolitical risks as well as uncertainty ahead of the US election in November have also supported gold's record-breaking rally this year.

## Fed pivot will boost gold

At the recent Jackson Hole conference, Fed Chair Jerome Powell made it clear that the Federal Reserve would cut interest rates on 18 September, stating that "the time has come for policy to adjust. The direction of travel is clear."

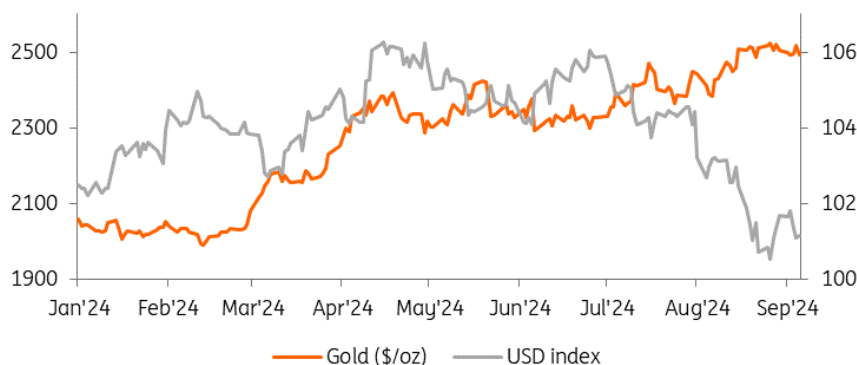
Gold prices have gained after Powell affirmed expectations the US central bank will soon start cutting interest rates. Lower borrowing costs are positive for gold as it doesn't pay interest. The Fed has held its key policy rate in a target range of 5.25% to 5.5% – the highest level in more than

two decades – since last July.

The question for the gold market now is the pace at which the Fed will ease its policy.

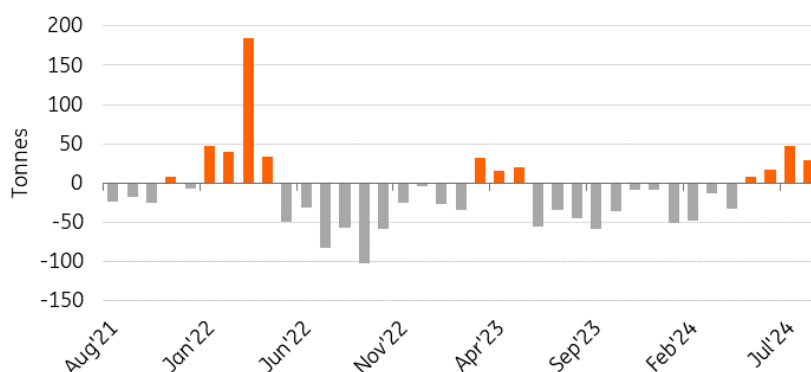
The latest US jobs data report was mixed, adding to the ongoing debate over how deeply the Fed is going to cut interest rates at its September meeting. [Our US economist believes](#) the central bank will opt for a 50bp move, but it's a close call.

## Gold sets a new record as Fed prepares to cut rates



Source: Refinitiv, ING Research

## ETF flows turn positive after years of outflows



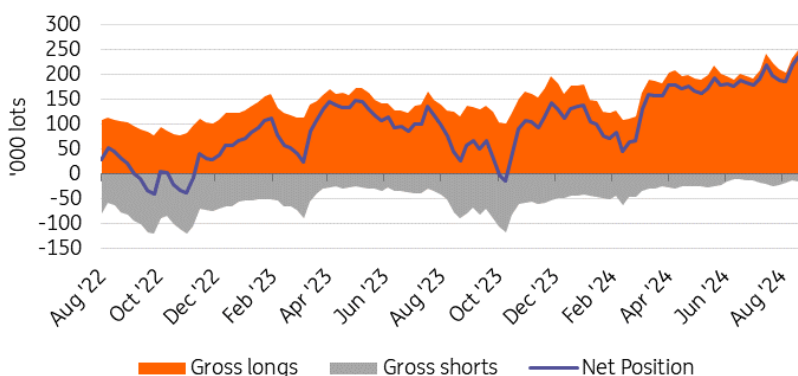
Source: WGC, ING Research

## ETF inflows continue

Demand for gold-backed ETFs has also seen a revival. Global gold ETFs saw inflows four months in a row with all regions recording positive flows and Western funds leading the way in August.

Investor holdings in gold ETFs generally rise when gold prices gain, and vice versa. However, gold ETF holdings have been in decline for much of 2024, while spot gold prices have hit new highs. ETF flows finally turned positive in May.

## COMEX futures net long rise further



Source: Commodities Futures Trading Commission, ING Research

COMEX total net longs also continued to rise, seeing a 17% month-on-month rise by the end of August, and the highest month-end level since February 2020.

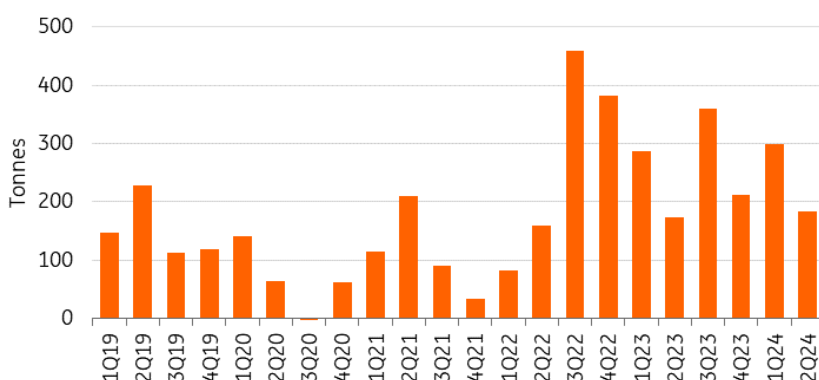
## Central bank gold demand picks up in July

Central bank gold demand strengthened in July despite price rises. Reported net purchases by central banks more than doubled to 37 tonnes in July, as data from the World Gold Council shows. This represents a 206% month-on-month increase and the highest monthly total since January when central bank purchases totalled 45 tonnes.

The National Bank of Poland was the leading buyer in the month, followed by the Central Bank of Uzbekistan and the Reserve Bank of India.

In 2023, central banks added 1,037 tonnes of gold – the second-highest annual purchase in history – following a record high of 1,082 tonnes in 2022. Looking ahead, we expect central bank demand to remain strong amid the current economic climate and geopolitical tensions.

## Central banks keep adding gold



Source: WGC, ING Research

## US rate cuts will drive gold to new highs

We believe that the long-awaited Fed rate cut will drive gold to new highs. The US presidential election in November will also continue to add to gold's upward momentum through to the end of the year, in our view.

Geopolitics will also remain one of the key factors driving gold prices. The war in Ukraine and the Middle East and tensions between the US and China suggest that safe-haven demand will continue to support gold prices in the short to medium term. Central banks are also expected to keep adding to their holdings, which should offer support.

We now see gold averaging \$2,580 in the fourth quarter, resulting in an annual average of \$2,388. Gold's upward momentum will continue next year with 2025 prices averaging \$2,700.

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