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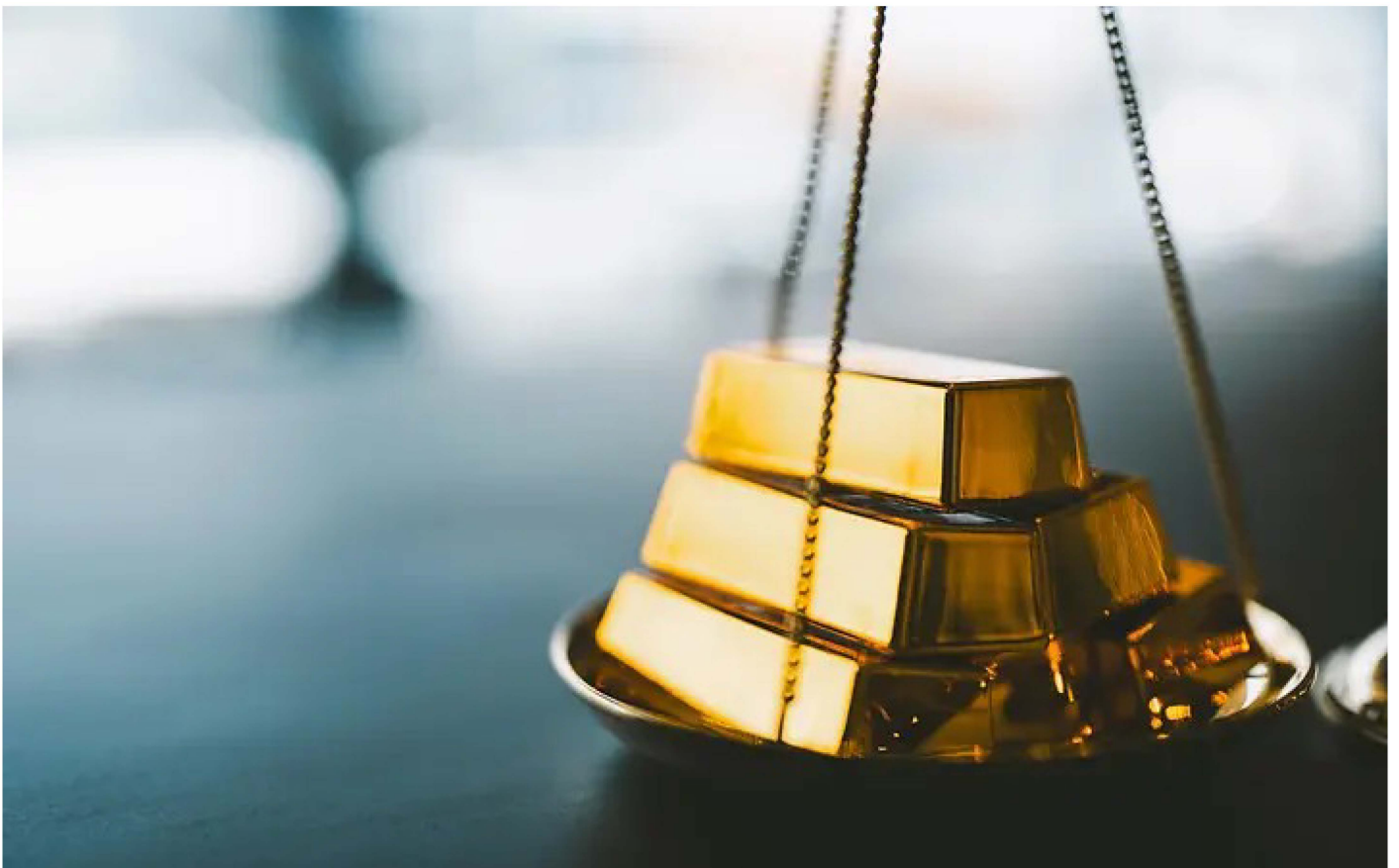
Market View

Have we passed peak gold?

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At a glance

Gold surged strongly from early 2024 to a record high in January 2026, driven by geopolitical uncertainty and central-bank buying.

Since then, higher rate expectations, a stronger US dollar and profit-taking have prompted a pullback.

We look at what drove gold's rise and reversal, and the factors that may shape its path from here.

We shared an article on the significant rise in gold prices, 'Will gold ever lose its shine?', in June 2025. Since then, the price continued to rise from around £80 per gram on 6 June 2025 to a peak of £129 on 29 January 2026, bringing the total rise from the start of 2024 to around +150%. However, gold has since fallen with a peak to trough fall of 22%.¹ In this article, we discuss what caused these movements in the gold price and provide some forward-looking views.

The spectacular rise

The 2024-2025 gold price surge was fuelled by a convergence of geopolitical tensions, economic uncertainty and growing concerns about the long-term role of the US dollar as the world's dominant reserve currency. Central banks, particularly in emerging markets, continued diversifying their reserves into gold, while investors increased their holdings through exchange-traded products (ETPs), bullion and coins. Expectations of lower interest rates, a weaker US dollar and concerns about elevated equity-market valuations further strengthened gold's appeal as a store of value. As the rally gathered momentum, trend-following investors and speculative buying amplified the move, creating a powerful combination of fundamental demand and market momentum.

The gold price surged +150% from early 2024 to the peak in late January 2026. To put this into context, an investor buying £1,000 of gold in early 2024 would have had a holding worth £2,500 in late January 2026.

The 2026 reversal

However, many of the above forces that propelled gold to record levels reversed in early 2026. The escalation of the US–Iran conflict and disruption to energy supplies pushed oil prices higher, reigniting inflation concerns and prompting markets to reassess the outlook for monetary policy. Rather than benefiting consistently from its traditional safe-haven status, gold came under pressure as investors anticipated higher interest rates and rising bond yields linked to

increased inflation. Holding gold pays no interest, so when interest rates on cash deposits and money market funds were expected to rise, investors deemed gold to be less attractive in relative terms.

Moreover, a stronger US dollar added further pressure, while many investors took profits and sold some of their holdings in gold following the sharp rally, pushing prices lower. Indeed, the World Gold Council has identified changing risk sentiment, investor positioning and profit-taking as important contributors to gold's volatile performance during the first half of 2026.²

By October 2026, the retreat had become substantial. Gold was trading around £100.50 per gram on 16 October, a fall of around 22% from its January peak.¹ Renewed inflationary pressure has continued to weigh on the market: stronger-than-expected US inflation data has increased expectations that the Federal Reserve may raise interest rates further, while rising US government bond yields have made cash and bonds more attractive relative to gold.

Certain investors have also been selling their holdings in gold funds, adding to the downward pressure on price. According to the World Gold Council, physically backed gold ETFs experienced net outflows of 45 tonnes during the second quarter, with significant selling concentrated in June 2026.

Nevertheless, the correction has not eliminated gold's underlying sources of demand. Central banks resumed substantial net purchases in the second quarter, buying 289 tonnes,³ and the Council reported that reserve managers continued to express an appetite for increasing their gold holdings. The distinction is important: gold's recent weakness reflects a less favourable short-term investment environment, rather than conclusive evidence that its longer-term appeal has disappeared.

What happens next?

Looking ahead, the outlook for gold remains finely balanced, with a likelihood of further volatility. In the near term, higher energy costs, higher-for-longer interest rates, rising bond yields and a resilient dollar could prevent a sustained recovery. However, a moderation in inflation, renewed expectations of monetary easing, or even a resurgence of the currency debasement narrative that drove the massive gold rally in prior years could reignite investment demand and support a rebound in the medium term. Continued central-bank diversification away from traditional reserve assets may also provide a longer-term structural floor, particularly if concerns about government debt and currency stability intensify.

Gold may be a traditional safe haven, but its price chart has the temperament of a day trader on espresso. One thing is certain: predicting gold prices remains a precious business.

Sources:

¹ GBP gold prices obtained from <https://www.bullionbypost.co.uk/>

² <https://www.gold.org/goldhub/research/gold-mid-year-outlook-2026>

3 <https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-q2-2026>

Further sources

Reuters: <https://www.reuters.com/business/finance/gold-races-5100-record-peak-safe-haven-demand-2026-01-26/>

World Gold Council: <https://www.gold.org/goldhub/research/gold-outlook-2026>

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