



Be bold for gold: why the rally has room to run

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Arielle Ingrassia

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Be bold for gold: why the rally has room to run

Gold has reclaimed the spotlight. After a steady climb, it recently reached new all-time highs. While headlines often focus on superficial price moves, the more important story lies beneath: gold is being supported by rising demand, particularly from central banks and investors responding to a complex macroeconomic backdrop.

In an environment shaped by inflation, fiscal uncertainty and geopolitical tension, gold is attracting renewed interest—not just as a short-term hedge, but as a longer-term allocation. Its resilience through changing market conditions makes it a compelling long-term holding for investors seeking to strengthen portfolio diversification, improve returns and manage evolving risks.

Gold price (USD/troy oz)



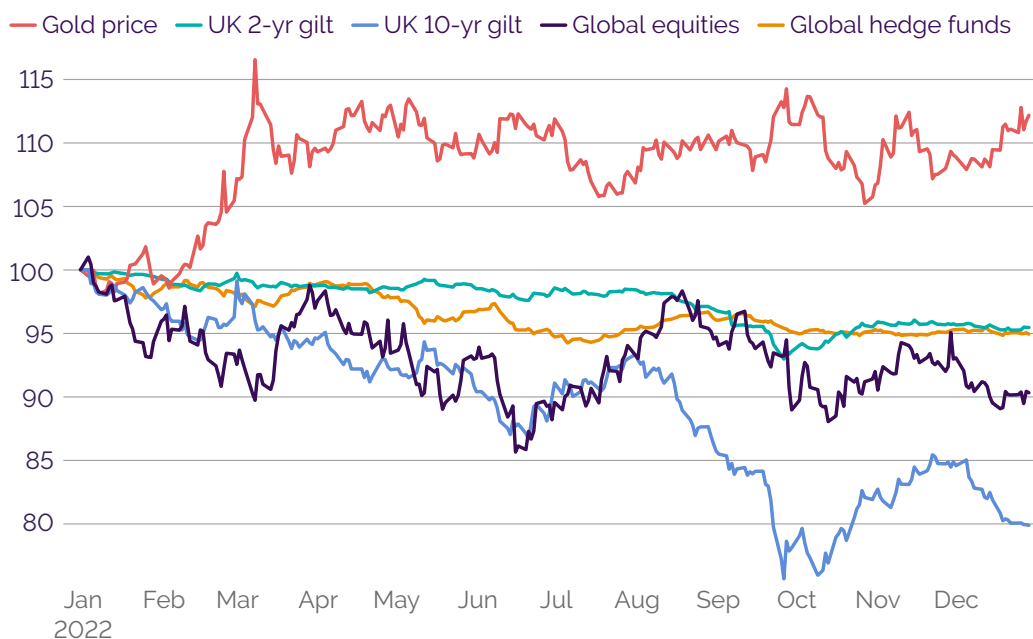
Source: LSEG Datastream / Evelyn Partners

Gold's strategic role: resilience in a shifting landscape

Gold has long been valued for its ability to behave differently from traditional assets like equities and bonds. That makes it a useful diversifier—especially during periods of market stress. Beyond its defensive qualities, gold has also shown it can deliver meaningful positive returns.

Since early 2022, gold has offered strong risk-adjusted returns. It provides support during equity drawdowns and periods of volatility, while also capturing upside when sentiment improves. That combination of protection and growth potential is rare, and increasingly important in today's environment.

Asset price performance during 2022 inflation / rate shock



Source: LSEG Datastream/Evelyn Partners

What's driving the rally: five key reasons to own gold

1. Shift up in investment demand

Central banks are buying gold at record levels. In the first quarter of 2025 alone, over 240 tonnes were added to reserves globally¹. Countries like China, Poland and Turkey are leading the charge, and surveys suggest many more plan to follow². Private investors are also increasing allocations, viewing gold as a way to hedge against inflation and currency risk.

2. Still under-owned

Despite its recent rally, gold remains under-owned. Private sector positioning is still relatively light, and central banks have room to increase their holdings. This leaves scope for further demand without the risk of saturation.

3. Multi-scenario hedge with upside return potential

Gold is one of the few assets that can respond positively across a range of stress scenarios. Whether it's inflation, rising public debt or geopolitical instability, gold tends to benefit when confidence in fiat currencies or financial systems is shaken. Recent experience also shows that gold can deliver strong returns even in more benign conditions.

4. Early stages of a bull market

Technical indicators suggest gold is in the early stages of a new bull market. The recent breakout above \$3,500 has turned previous resistance into support, and sentiment is shifting. Bull case scenarios point to upside targets near \$3,740 per ounce, with further gains possible if macro conditions remain supportive.

5. Veblen good

Gold is behaving like a "Veblen good"—a term coined after American economist Thorstein Veblen, describing a product for which demand increases as the price rises. This is especially true among central banks and high-net-worth investors, who view gold not just as a financial asset, but as a symbol of wealth and stability. That dynamic helps reinforce long-term demand, even in rising price environments.

Risks to monitor

While the outlook for gold is constructive, it's not without risks. First, gold doesn't generate income, which may be a drawback for investors focused on yield. Second, despite its strong recent performance, short-term consolidation is possible. Gold is inherently volatile, and sharp price movements in either direction are not uncommon. Finally, there is some risk that supply will respond if prices remain elevated. However, this is likely to be gradual and limited, given declining ore grades and long lead times required to bring new production online.

Gold's role in portfolios

Gold's recent performance has been impressive, but its investment case goes far beyond price action.

The asset is supported by a mix of structural and cyclical factors which are additive to portfolios over both a short and long-term time horizon. Its low correlation with equities and bonds makes it a powerful diversifier, while its track record of delivering strong risk-adjusted returns adds to its relevance in a world where volatility and uncertainty are becoming structural features, not cyclical anomalies.

Whether the rally continues or pauses, gold remains a worthy inclusion in portfolios in a market shaped by uncertainty.