



Market Insight

Gold Outlook to Q3 2026: Structural tailwinds and policy fragilities

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Gold’s breakout

Gold prices have risen sharply, reflecting growing concerns about the Federal Reserve’s (Fed) credibility as it embarks on a rate-cutting cycle in an environment of elevated headline inflation. Trade uncertainty continues to weigh on global supply chains, while geopolitical risks have intensified, most notably with Russian incursions into NATO¹ territory. Gold is responding to these overlapping risks, and we believe these pressure points will remain in place.

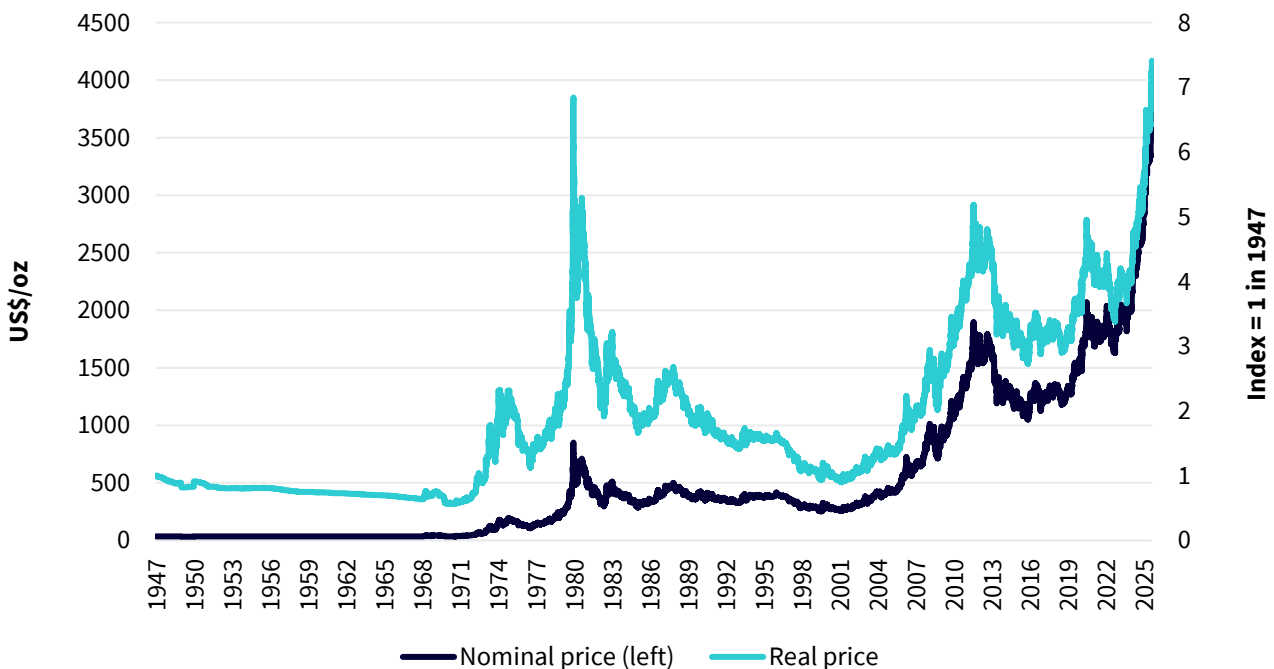
In our July 2025 outlook, *Loading the Spring*, we highlighted many of these issues, yet gold remained range-bound throughout the summer. Since early September, however, pent-up pressures have boiled over, propelling gold into a swift upward move. Our outlook for the coming year remains constructive, with significant further upside.

Gold at a new high

Gold has entered uncharted territory — at record highs in both nominal and real terms (Figure 1). This year’s price gains are on track to be the strongest since the 1970s.

Although equity markets continue to rally — typically unfavourable conditions for defensive assets — many investors are hedging vulnerabilities in the equity narrative through a barbell strategy, balancing cyclical assets with gold exposure.

Figure 1: Gold in nominal and real terms



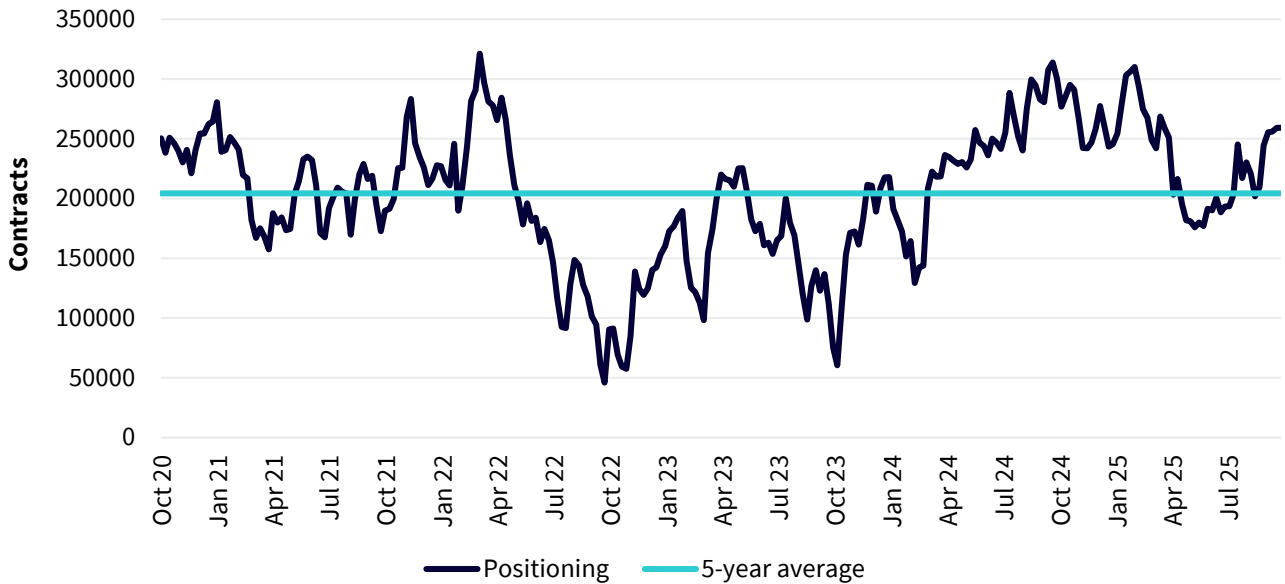
Source: WisdomTree, Bloomberg. Nominal is LBMA PM fixing. Real deflated by US CPI index. January 1947 to September 2025. Gold data daily. CPI data monthly. **Historical performance is not an indication of future performance, and any investments may go down in value.**

1. North Atlantic Treaty Organization.

Gold underinvested by historical standards

Sentiment toward gold has improved but remains far from overstretched. Net speculative positioning, at 260,000 contracts long, is only slightly above its five-year average and well below the 300,000 levels repeatedly seen in 2022 and 2024 (Figure 2).

Figure 2: Net speculative positioning in gold futures



Source: WisdomTree, Bloomberg. September 2020 – September 2025. **Historical performance is not an indication of future performance, and any investments may go down in value.**

Exchange-traded product (ETP) flows have also turned positive since mid-2024, reversing the steady outflows since 2022 (Figure 3). Still, holdings remain well below 2022 levels and far from the 2020 peak, suggesting considerable headroom.

Figure 3: Gold held in exchange-traded products



Source: WisdomTree, Bloomberg. January 2020 – September 2025. **Historical performance is not an indication of future performance, and any investments may go down in value.**

Central banks remain supportive of gold

Central banks continue to provide strong support. In tonnage terms, purchases in H1 2025 were slightly below recent peaks, but in dollar terms, they represent record spending (Figures 4a, 4b).

Figure 4a: Central bank demand for gold

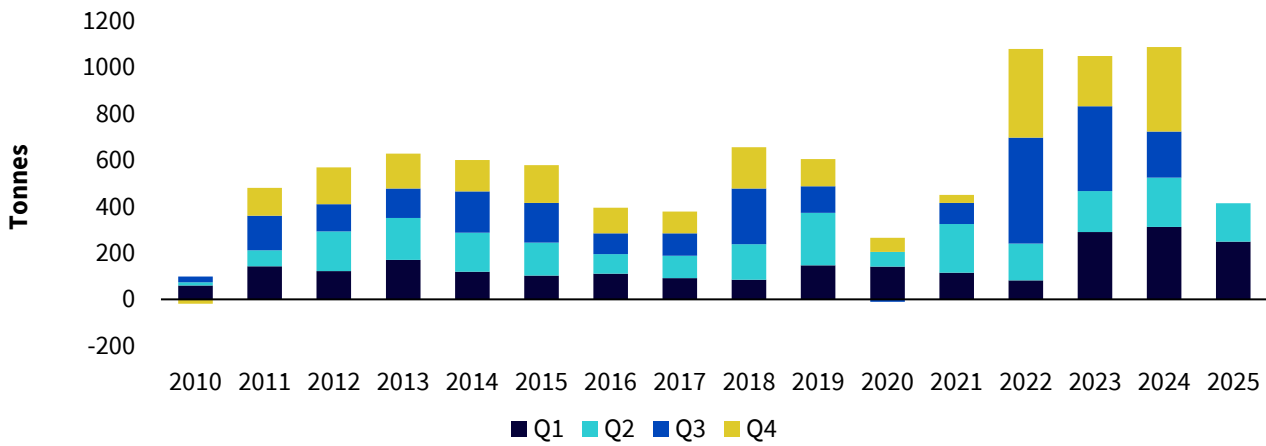
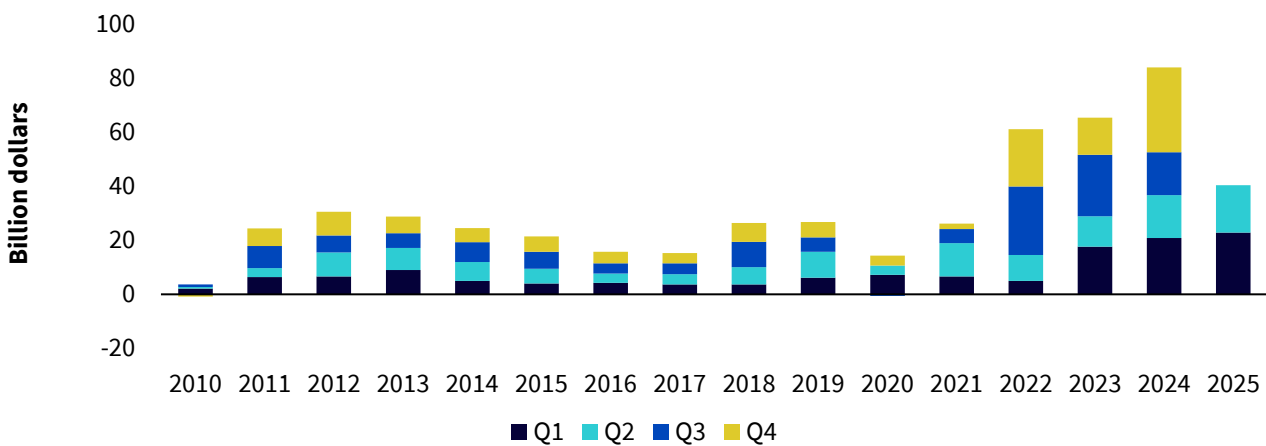


Figure 4b: Central bank demand for gold



Source: WisdomTree, World Gold Council, Q1 2010 to Q2 2025. **Historical performance is not an indication of future performance, and any investments may go down in value.**

Our analysis indicates central banks now collectively hold more reserves in gold than in U.S. Treasuries (Figure 5). This does not mean gold exceeds all U.S. dollar reserves: as of end-2024, the ECB² estimated³ global reserves were 46% U.S. dollar, 20% gold, and 16% euro. Given subsequent price moves and purchases, we estimate gold now represents over 26% of official reserves.

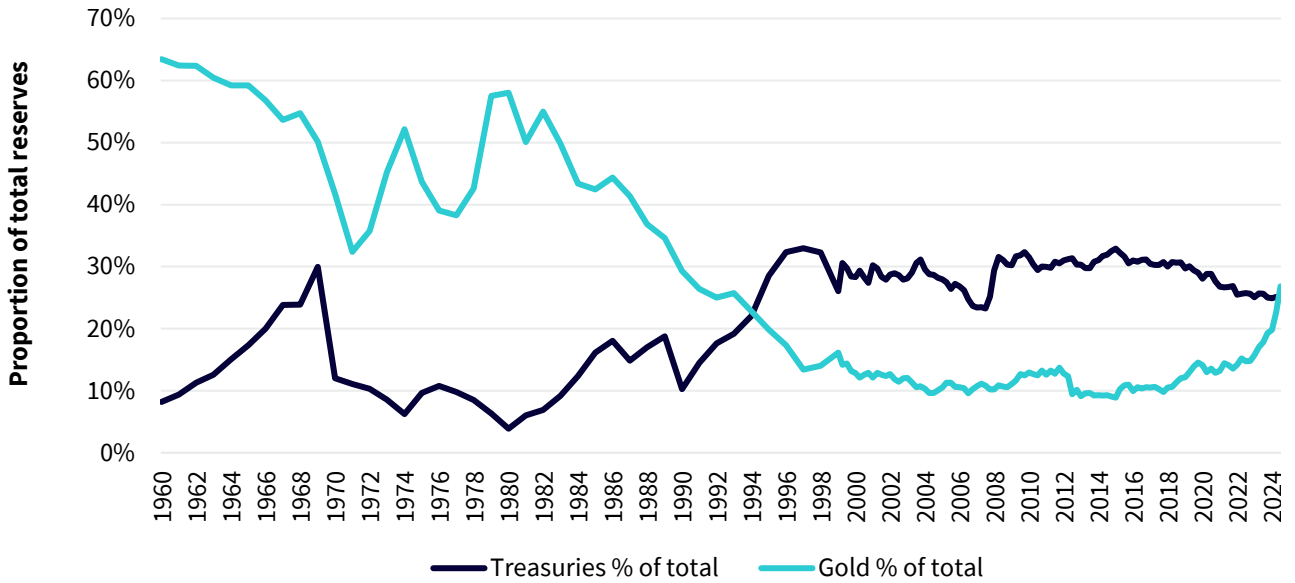
Notably, central banks appear to be using proceeds of maturing Treasuries to increase gold holdings rather than outright liquidating all dollar assets.

As discussed in previous outlooks, central bank gold buying is not part of our main gold price model, because the monthly data is not very robust. However, when using more reliable quarterly data (which covers less economic cycles than our base model) central bank buying has proven to be a statistically significant driver of gold prices. So, while not explicitly in the outlook model, our observations on central bank activity does help inform our views on gold.

2. European Central Bank.

3. The international role of the euro, June 2025.

Figure 5: Central bank reserves

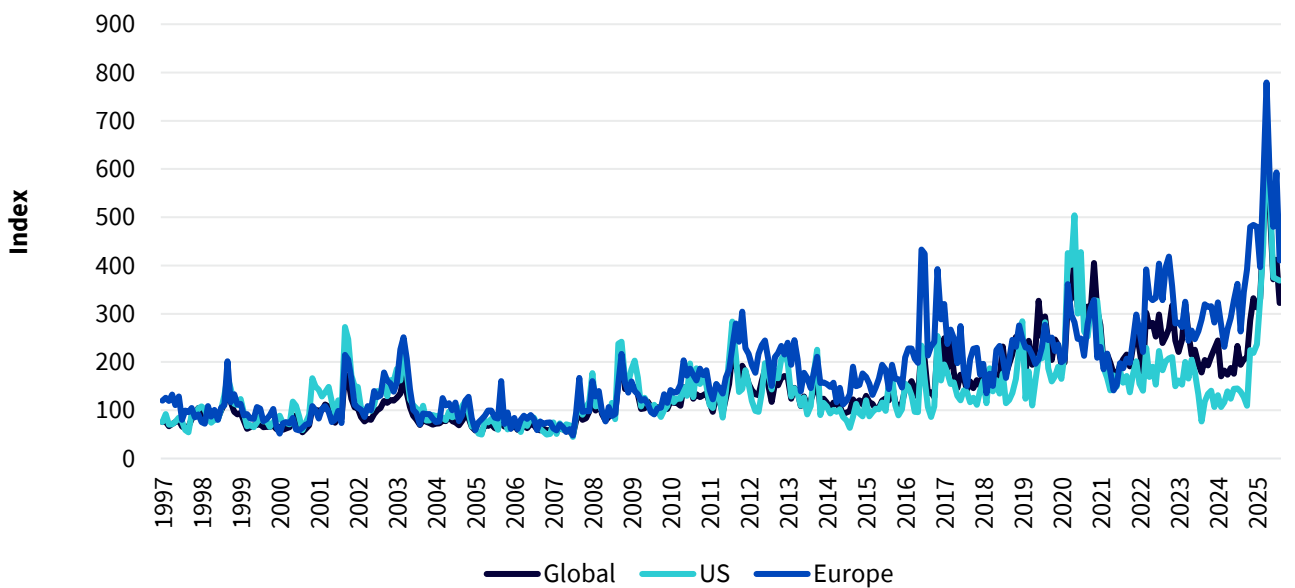


Sources: World Gold Council (2025). Central banks' gold as percentage of total international reserves, extracted from IMF International Financial Statistics (IFS). Retrieved from World Gold Council Goldhub data portal; International Monetary Fund (2025). International Financial Statistics (IFS) and Currency Composition of Official Foreign Exchange Reserves (COFER), via Central Banking's "Appendix 3: Reserve statistics." Central Banking. Retrieved from Appendix 3: Reserve statistics. (Central Banking, 2025). **Historical performance is not an indication of future performance, and any investments may go down in value.**

Gold as a hedge

Investors remain eager to participate in buoyant equity markets but are simultaneously hedging against worst-case risks with gold. Economic policy uncertainty indices confirm that uncertainty, while off its April 2025 peak, remains elevated across major regions (Figure 6).

Figure 6: Economic policy uncertainty



Source: Economic Uncertainty Indices by Baker, Bloom, Davis of Stanford University. January 1997 – September 2025. **Historical performance is not an indication of future performance, and any investments may go down in value.**

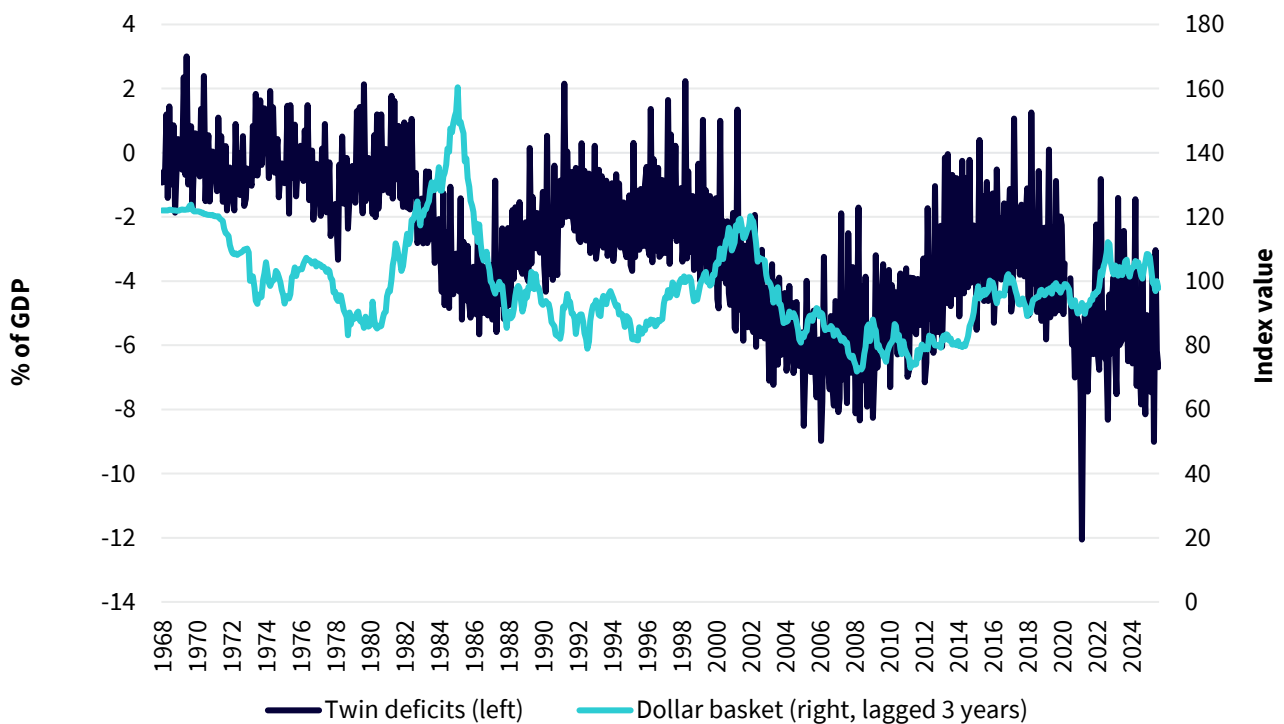
US Dollar depreciation likely to continue

The U.S. dollar faces persistent downward pressure. Historically, periods of widening **twin deficits** — fiscal and current account — have preceded dollar depreciation (Figure 7).

- + A larger current account deficit means more dollars flow abroad to pay for imports, requiring foreign investment inflows to balance.
- + A widening fiscal deficit boosts Treasury issuance, raising questions about sustainability.
- + Together, persistent twin deficits erode investor confidence in U.S. policy discipline.

These effects are not immediate: past cycles show lags of roughly three years before dollar weakness materialises. Today, we are already more than three years into the deficit-widening phase, and the 11% depreciation since January 2025 could mark only the beginning of a multi-year trend. Although no formal dollar-debasement policy exists, the administration’s actions suggest tolerance for a softer currency, reinforcing structural headwinds.

Figure 7: US dollar and US twin deficits

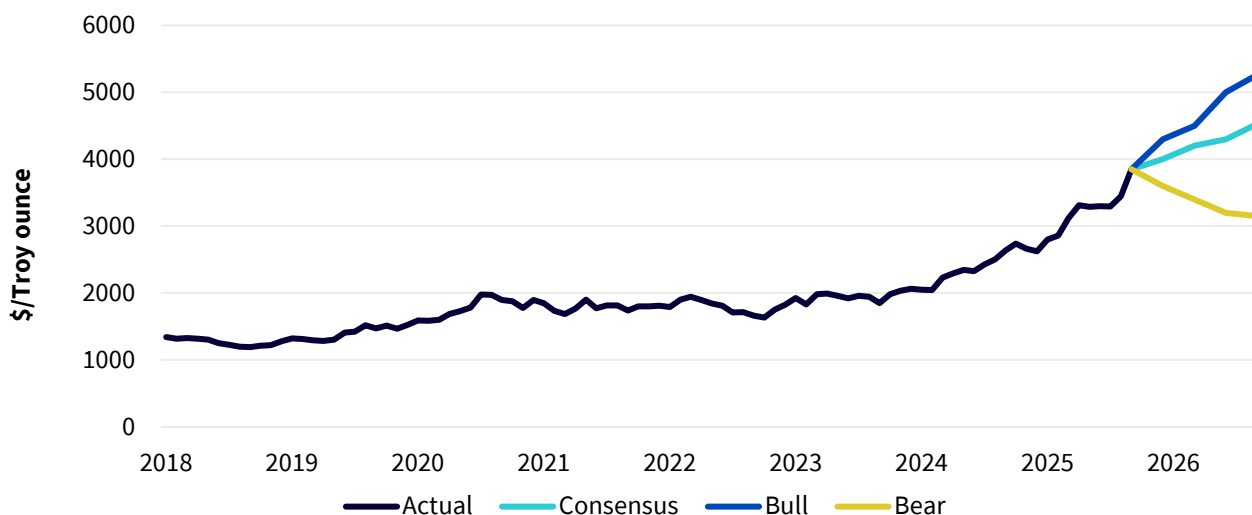


Source: WisdomTree, Bloomberg, January 1968–September 2025. Twin Deficit = Current Account + Budget Deficit as a % of GDP. Dollar Basket (DXY). **Historical performance is not an indication of future performance, and any investments may go down in value.**

Gold price forecasts

Using WisdomTree’s gold price model⁴, we outline three scenarios for the year ahead (Figure 8):

Figure 8: Gold price forecast



Source: WisdomTree Model Forecasts, Bloomberg. Historical Data to September 2025. **Forecasts are not an indicator of future performance, and any investments are subject to risks and uncertainties.**

Consensus

This scenario is based on a consensus macroeconomic view on inflation, bond yields and dollar exchange rates. In this scenario, gold will likely continue to rise over the psychologically important \$4,000/oz level for the first time by the end of this year and continue to over \$4,500/oz by September 2026. Consensus forecasts suggest that inflation will remain persistently above the Fed’s target. The mechanical impact of elevated tariff levels on prices will in part drive this trend. With the Fed cutting interest rates, we could see some additional upside pressure for prices. Expectations for 10-year bond yields remain relatively stable, as the projected 75-100 basis points of policy rate cuts over the next year are offset by rising concerns about fiscal indebtedness. Consensus expects the US dollar to depreciate modestly.

Consensus	Q4 2025	Q1 2026	Q2 2026	Q3 2026
Inflation forecast	3.1%	2.9%	3.1%	2.9%
Nominal 10-year yields forecast	4.15%	4.10%	4.09%	4.08%
US\$ exchange rate forecast (DXY)	96.3	95.7	95.4	94.8
Speculative positioning forecast	200,000	200,000	200,000	200,000
Gold price forecast (US\$/oz)	4,000	4,200	4,300	4,530

Source: WisdomTree. Bloomberg Survey of Professional Economists. October 2025. **Forecasts are not an indicator of future performance, and any investments are subject to risks and uncertainties.**

4. See our model described in [Gold: how we value the precious metal](#).

Bull

If the Fed shifts more heavily to dovish bias, cutting interest rates more steeply, inflation could rise more aggressively. This could be the effect of ‘fiscal dominance’, that is, when fiscal policy, particularly high deficits and debt, determines monetary policy, overriding the central bank's primary goal of controlling inflation. Also, assuming other central banks are not shifting focus in the same way (which they are unlikely to do given their more singular focus on inflation), dollar depreciation could be more aggressive as well. Positioning in gold would likely rise as markets assess the change in behaviour as the Fed having capitulated to the Trump Administration’s requests. In this scenario, we lower the 10-year bond yield, as short-term rates are also falling. We recognise that this is a more controversial outcome, as the effect of fiscal dominance may actually be for bond yields to rise. If bond yields were to rise to 5%, gold prices would still end the forecast period above \$5,000/oz. With the decline in bond yields presented below, the gold price is expected to rise to \$5,260/oz in September 2026.

Bull	Q4 2025	Q1 2026	Q2 2026	Q3 2026
Inflation forecast	3.5%	4.0%	5.0%	5.0%
Nominal 10-year yields forecast	3.95%	3.75%	3.55%	3.50%
US\$ exchange rate forecast (DXY)	94	92	90	89
Speculative positioning forecast	300,000	300,000	300,000	300,000
Gold price forecast (US\$/oz)	4,300	4,500	5,000	5,260

Source: WisdomTree. October 2025. **Forecasts are not an indicator of future performance, and any investments are subject to risks and uncertainties.**

Bear

In this scenario, the Fed get serious about beating inflation. It acts fast and continues to keep inflation at the 2% target. An increase in policy interest rates pushes 10-year yields higher. Assuming other central banks are not following the Fed, the currency appreciates, heading higher than January 2025 levels (to levels last seen in 2022). If the Fed manages to achieve this without bringing on a recession or serious damage to the labour market, positioning in gold could plummet. A gold price consistent with this scenario would be \$3,140/oz according to our model.

Bear	Q4 2025	Q1 2026	Q2 2026	Q3 2026
Inflation forecast	2.0%	2.0%	2.0%	2.0%
Nominal 10-year yields forecast	5.00%	5.50%	6.00%	6.50%
US\$ exchange rate forecast (DXY)	102	106	110	113
Speculative positioning forecast	150,000	100,000	50,000	50,000
Gold price forecast (US\$/oz)	3,600	3,400	3,200	3,140

Source: WisdomTree. October 2025. **Forecasts are not an indicator of future performance, and any investments are subject to risks and uncertainties.**

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