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Nitesh earned a master's degree in International Economics and Finance from Brandeis University and a bachelor's in Economics from the London School of Economics. His insights are frequently featured in financial media, and he is a sought-after speaker at industry events. He also hosts the ‘Commodity Exchange’ podcast, where he discusses trends shaping global markets. Passionate about guiding investors, Nitesh provides actionable insights to help them navigate complex financial landscapes.

Rebounding after a violent drawdown

In January 2026, gold posted its largest monthly gain since September 1999, before recording its sharpest decline since June 2013 in March. The first quarter of the year has been exceptionally eventful for the metal.

In April, gold began to recover part of its March losses, although the rebound remains incomplete.

We believe gold is transitioning towards a new, higher equilibrium, supported by a broadening investor base. Chinese insurance companies, Indian pension funds and digital asset issuers such as Tether represent relatively new sources of demand. At the same time, gold exchange-traded fund (ETF) inflows in both China and India have increased significantly over the past year.

While this transition is likely to remain volatile, it suggests that gold prices may ultimately stabilise at higher levels. For long-term investors, such periods of volatility may present opportunities rather than risks.

Geopolitical risk – initial drawdown before recovery

Gold is traditionally viewed as a hedge against geopolitical risk. However, as we noted previously, its response is often non-linear, with initial declines followed by subsequent gains.

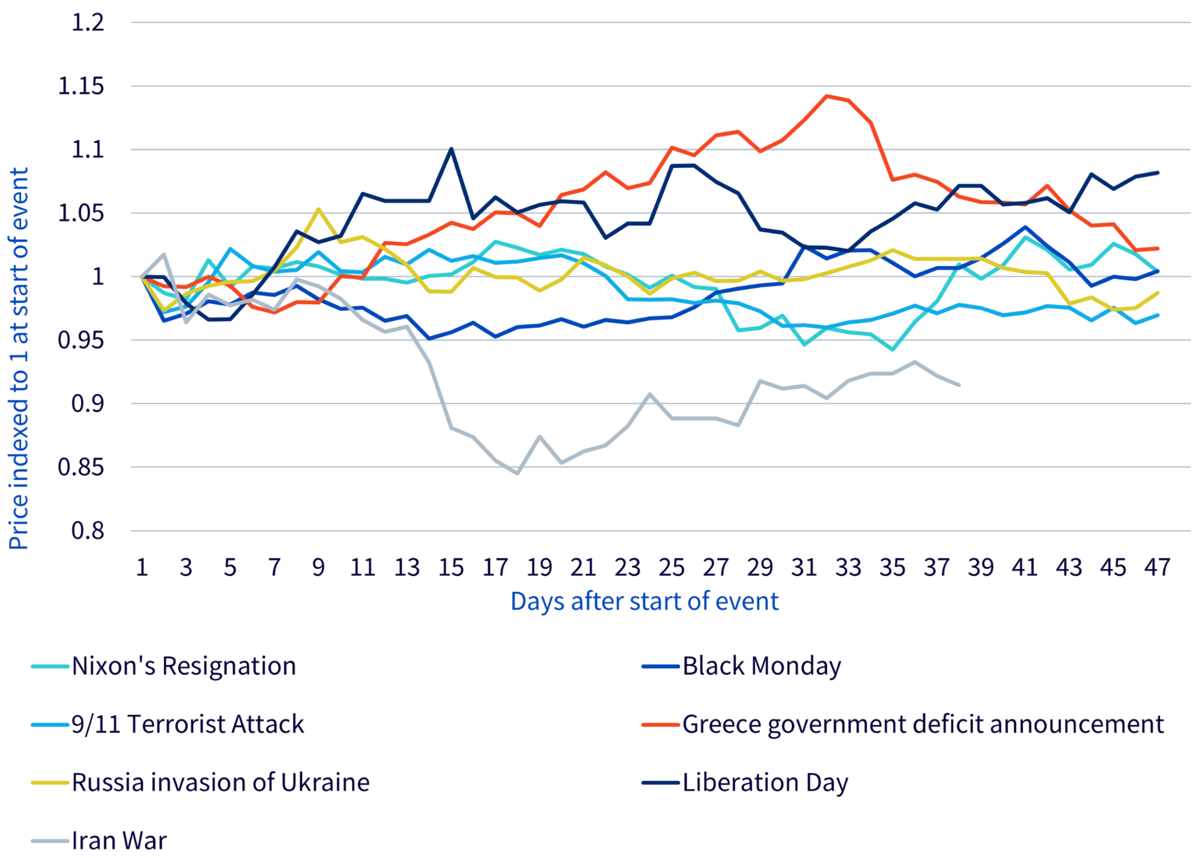
The underlying mechanism is relatively consistent. A geopolitical shock typically triggers declines in risk assets such as equities, leading to margin calls and a scramble for liquidity. Gold, as a highly liquid asset, is often sold to meet these obligations, creating temporary downward pressure on prices.

Importantly, this should not be interpreted as a loss of confidence in gold. Rather, it reflects gold’s role as a source of liquidity in times of stress. Historically, once these forced-selling dynamics subside, gold prices tend to recover as the geopolitical risk premium becomes the dominant driver.

Following the recent escalation in tensions involving Iran, gold came under pressure from liquidation flows. The drawdown was sharper than in many previous geopolitical episodes, partly because prices were already correcting from elevated levels reached in January. By late March, a turning point appeared to have been reached, with gold posting relatively consistent gains over the past month.

The fragile ceasefire extended, as of 22 April 2026, providing some relief to risk markets. However, the broader situation remains uncertain. Limited escalation does not yet imply meaningful de-escalation, and ongoing tensions, particularly around the Strait of Hormuz, are likely to sustain geopolitical and inflationary concerns, which could remain supportive for gold.

Figure 1: Gold price performance after geopolitical events



Source: Bloomberg Finance L.P, WisdomTree, 1974-2026. **Historical performance is not an indication of future performance and any investments may go down in value.**

Gold as a source of liquidity in times of stress for central banks

It is not only investors who sell gold in times of stress; central banks can behave similarly. Turkey provides a clear example. In March 2026, the central bank mobilised approximately 58–60 tonnes of gold over a two-week period to support the Turkish lira.

Importantly, part of this activity involved gold swaps rather than outright sales. These are effectively collateralised foreign exchange (FX) operations, meaning the gold remains on the balance sheet. The timing of these swaps is not publicly disclosed.

While such actions may initially appear negative for gold prices, they reinforce gold’s role as a highly liquid and trusted reserve asset. Both investors and central banks turn to gold in times of stress, not as a rejection of the asset, but as validation of its utility.

Historical precedent supports this interpretation. Following significant gold sales in 2023 to stabilise domestic markets after an earthquake, Turkey subsequently rebuilt its gold reserves over the following months. A similar pattern may emerge over time.

While most central banks have yet to report March 2026 activity to the IMF, February purchases were strong, following a lull in January when prices were elevated. Poland was the largest reported buyer, adding 20 tonnes, which is its highest monthly purchase since February 2025. This brings its total gold reserves to 570 tonnes (31% of total reserves), with a stated target of 700 tonnes.

Uzbekistan added eight tonnes, bringing reserves to 407 tonnes (88% of total reserves), while the People's Bank of China extended its buying streak to 16 consecutive months, with holdings reaching 2,308 tonnes (around 10% of total reserves).

Recent discussions in Poland have also highlighted the potential use of gold reserves as a financial tool. Policymakers have explored the possibility of leveraging gold holdings to support defence spending, although proposals remain controversial and lack full government approval. Details remain unclear, particularly regarding whether this would involve outright sales or more complex financial operations.

Asia is dominating ETP Flows

Gold exchange-traded products (ETPs) have been led by Asia so far this year, with inflows exceeding US$14bn. That demand represents more than 20% of Asian gold ETP holdings, highlighting the rapid pace of gold accumulation in the region. In 2025, gold assets under management (AUM) in Asia doubled. As mentioned earlier Chinese Insurance companies and Indian pension funds have recently become new eligible buyers of the gold ETPs.

North American gold ETP demand started the year strongly, with more than $11.5bn of inflows in January and February combined. By the end of March, those gains had been fully reversed. As of 17 April, the region was back in positive territory, with year-to-date net inflows of more than $2bn. By contrast, Europe had a relatively quiet start to the year, with January and February both subdued and March seeing only modest outflows. April, however, is shaping up to be a stronger month, with close to $3bn of inflows recorded by 17 April.

	AUM (US$bn)	Fund Flows (US$mn)	Holdings (tonnes)	Demand (tonnes)	Demand (% of holdings)
North America	329.8	2,055.8	2,106.2	11.1	0.5%
Europe	224.6	2,941.2	1,434.2	14.9	1.0%
Asia	82.8	14,869.5	527.1	89.0	20.3%
Other	11.8	367.1	75.6	2.4	3.3%
Total	649.0	20,233.6	4,143.2	117.4	2.9%

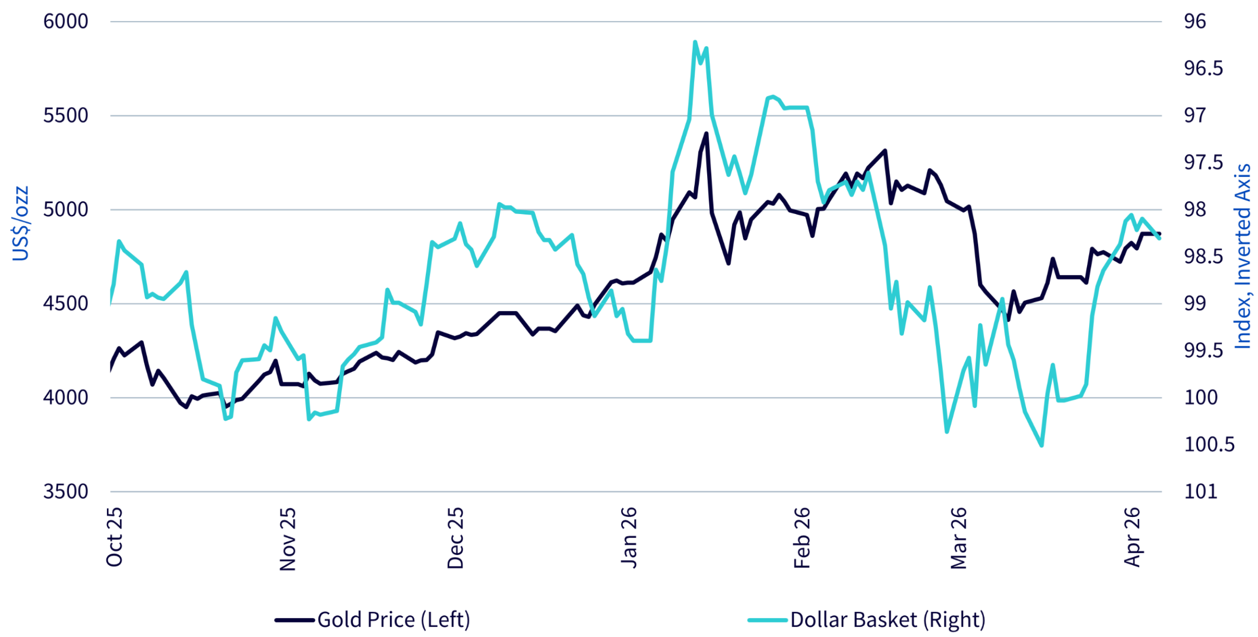
Source: World Gold Council, 01 January 2026 – 17 April 2026. **Historical performance is not an indication of future performance and any investments may go down in value.**

Dollar depreciating once again

In February and March, gold came under pressure from a strengthening US dollar. As a net energy exporter, the United States has been relatively insulated from recent geopolitical tensions compared to many other economies. As a result, the US dollar outperformed other traditional haven assets such as the Swiss franc, Japanese yen, and gold during this period.

However, the US dollar has resumed its depreciating trend in April, providing support for gold prices. Widening twin deficits are likely to drive structural dollar weakness over time, although US energy strength may partially offset this dynamic.

Figure 2: Gold and US dollar basket



Source: Bloomberg, WisdomTree, October 2025-April 2026. **Historical performance is not an indication of future performance and any investments may go down in value.**

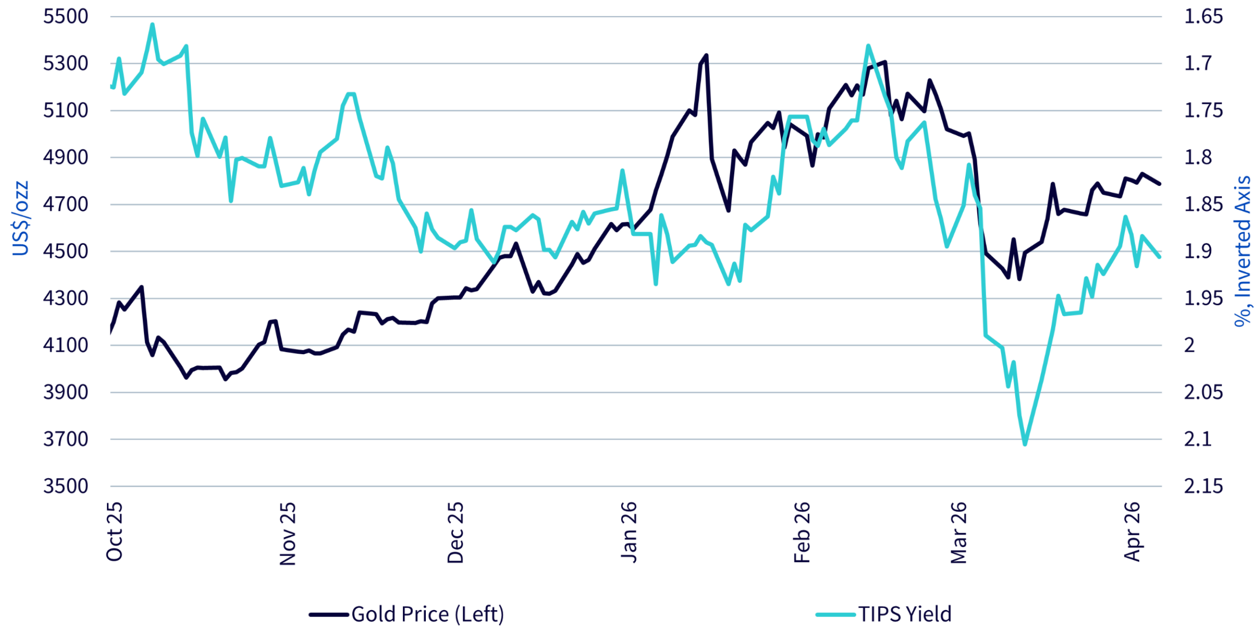
Bond headwinds ease

While the relationship between gold and bond yields has appeared more unstable in recent years, a short-term inverse relationship remains observable.

The rise in bond yields in March 2026 once again weighed on gold prices, with weak Treasury auctions reflecting supply-related pressures. In April, demand at both 3-year and 10-year auctions has been closer to expectations, contributing to a moderation in yields.

This easing in yields has supported gold's recovery in April.

Figure 3: Gold versus real rates (Treasury Inflation-Protected Securities yield)



Source: Bloomberg, WisdomTree, October 2025-April 2026. **Historical performance is not an indication of future performance and any investments may go down in value.**

Conclusion

Gold's recent correction appears to have been driven more by liquidity pressures than by any meaningful shift in fundamentals. As these pressures fade, the underlying drivers of demand are reasserting themselves.

We see a supportive backdrop emerging: structural demand is broadening across regions and investor types, central banks remain engaged, and macro conditions, ranging from geopolitical uncertainty to a softer US dollar, are increasingly aligned with higher gold prices.

While volatility is likely to remain elevated, we view this as a feature of transition rather than a sign of fragility. In our view, gold is in the process of establishing a higher trading range, with pullbacks likely to be met by renewed demand.

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