OANDA
SMARTER TRADING

Gold

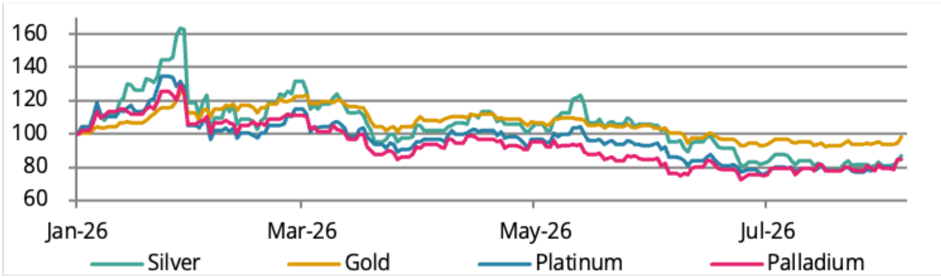
MONTHLY

HIGHLIGHTS

- Gold has broken out of its recent trading range amid softer US monetary conditions, but it isn't clear whether gold can overcome the Wall of Worry (page 3).
- While gold mine production remains robust, slowing recycling points to steady supply at about 5,154t (+0.2%YoY) this year (page 4).
- The high gold price, Chinese VAT and Indian excise duty continued to weigh on jewellery demand in Q2 (page 4).
- Official Sector demand for gold rebounded strongly in Q2 (page 5).
- Over the past forty years, the Mint Ratio has averaged 69.9:1. While we are close to this level (69.3:1) scarcity of unallocated silver bullion points to downside risk (page 6).

Figure 1: Precious metals price indices (1 Jan 2026 = 100)

After trading in tight ranges through June-July, precious metals have broken higher.



Source: LSEG

A tentative recovery

Over the past two months, precious metals traded in tight ranges amid subdued investor activity with option pricing skewed to the downside.

This negative environment was largely driven by tightening US monetary and credit conditions with robust US economic activity and rising cost pressure leading to a steady upward re-appraisal of US monetary conditions, strengthening the US dollar. Higher short-term rates coupled with robust demand for credit from the US Treasury and US IT firms saw a steady rise in US long-term bond yields, placing downward pressure on all duration assets, including gold.

However, despite hawkish rhetoric the US Federal Reserve refrained from tightening monetary policy in July and when coupled with renewed optimism surrounding a peace agreement in the Middle East, we've seen an easing in US monetary conditions and stabilisation in long-term bond yields, triggering a rebound in gold and precious metals.

Subdued trading activity, low lease rates on silver and platinum, and negative option volatility skew all point to limited investor participation. This suggests that at least part of the recovery seen in early August may simply be investor short covering and/or stop-loss activity.

For gold and other precious metals to climb the Wall of Worry, we need to see either a pivot towards easier US monetary conditions, a weaker US dollar, or a re-focusing on geopolitical and economic policy uncertainty. In the current backdrop, as we approach the US mid-term election, this is entirely plausible.

Figure 2: Price snapshot (6 Aug 26)

Price, USD/oz	Aug-26	%MoM	%YoY
Gold	4,268	2.5%	26.7%
Silver	61.62	-0.7%	62.8%
Platinum	1,753	7.5%	31.4%
Palladium	1,383	9.0%	22.2%

Source: LSEG

Figure 3: Pricing and indicators (6 Aug 26)

Related indicators	Aug-26	%MoM	%YoY	Price in key currencies, /oz	Aug-26	%MoM	%YoY
S&P 500 Index	7,724	2.5%	21.7%	Gold / CNY	28,800	1.8%	19.0%
USD index (5-country)	125.80	-1.2%	-1.5%	Gold / INR	405,883	2.2%	37.4%
WTI Crude oil, USD/bbl	75.83	10.6%	17.8%	Gold / EUR	3,694	1.5%	27.9%
Copper, USD/MT	14,219	6.5%	47.9%	Gold / AUD	6,046	0.9%	16.7%
Bloomberg Comm. Index	129.70	3.2%	29.1%	Gold / CAD	5,977	1.1%	29.1%

Source: LSEG

Climbing the *Wall of Worry*

After trading in a tight range from mid-June, precious metals broke higher in early August, led by palladium (+9.0%MoM) and platinum (+7.5%MoM). Gold (+2.5%MoM) has also strengthened, breaking out of its USD 3,950-4,200/oz trading range with momentum indicators pointing to strength, but gold remains below its 200-day moving average (USD 4,490/oz). Meanwhile, silver (-0.7%MoM) has also rallied, but it is yet to break out of its recent USD 54-64/oz trading range. While the move higher in precious metals is positive, it is not clear that the uptrend has resumed.

US monetary conditions...

From the beginning of 2026 through to the July 28-29 US Federal Reserve Open Market Committee (FOMC) meeting, we saw a steady tightening in US monetary conditions with the two-year bond yield climbing 85bps while the ten-year bond yield rose 49bps and our 5-country US dollar index rose 0.6%. Over this period, gold has been highly correlated on a daily basis with the US ten-year bond yield (-0.8) and the US dollar index (-0.79), consistent with gold weakening 8% in the year to July 29.

…have softened…

While US Federal Reserve Chairman Warsh spoke about his determination to target 2.0% inflation, the Committee's unwillingness to hike at the July 28-29 meeting when the OIS market had priced about a 35% probability of a 25bps rate hike, effectively eased monetary conditions. But while there appears to be a credibility gap between Chairman Warsh's rhetoric and his actions, the US fixed income market appears willing to give the Chairman the benefit of the doubt. Since his term commenced on May 22, the ten-year inflation swap has fallen 17bps and at 2.29% it is consistent - once one accounts for the differential between CPI and PCE inflation - with the Federal Reserve achieving its 2.0% PCE inflation target. So, in the wake of the FOMC meeting, we've seen a bull steepening in the US Treasury bond yield curve, with the two-year bond rallying 14bps and the 2s10s spread steepening 11bps, stabilising the real US ten-year bond yield at around 2.40% and leading to a 1.2% fall in the US dollar index. This easing in monetary conditions has been associated with a 6% surge in gold since July 28.

…sparking investor interest

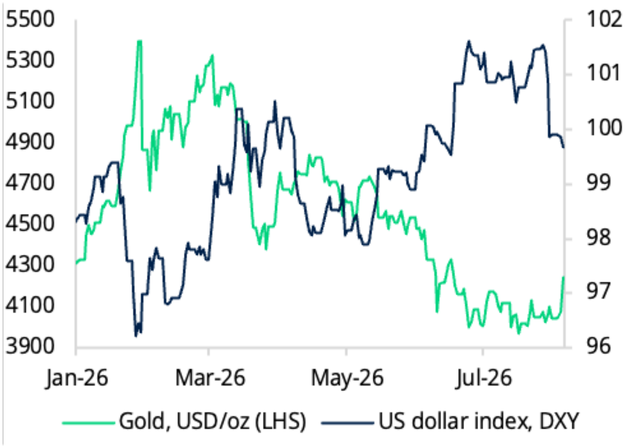
The decision of the Chicago Mercantile Exchange (CME) to shift precious metals margin requirements to a percentage of notional means that the fall in the price of gold since early February and the decline in margin requirement has significantly lowered the cost of holding gold futures. On February 6, margin was 9% of notional and the margin requirement associated with holding one 100oz futures contract was USD 44,600. With the CME cutting the margin requirement to 5% and gold falling 14%, margin is now USD 21,300 (-52%). Despite this substantial decline in cost associated with trading, daily turnover remains subdued at just 207.6k lots/day in the past fortnight, down 59% from the buoyant trading conditions that existed in the last fortnight of January.

While we have yet to see a significant improvement in futures trading volume, gold-backed ETF demand appears to be stabilising. The World Gold Council (WGC) reported gold-backed ETF holdings rose to 23.5t in July, to 4,068t. In the month, gains were driven by Europe (+17.3t) and Asia (+4.8t) with North America (+0.3t). We've also seen a significant improvement in option volatility skew, with the one-month 25-delta risk reversal rising from -2.4% on July 28 to +0.5% currently, indicating increased demand for out-of-the money gold call options.

For gold to continue to climb the Wall of Worry, we need to see it break above its 200-day moving average, CME trading volume rise, and further ETF demand.

Figure 4: USD index & Gold price, USD/oz

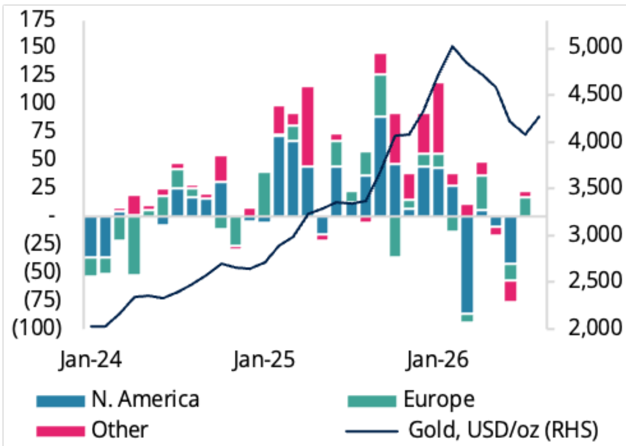
Gold has been strongly correlated with the US dollar index (-0.79) this year, with recent US dollar weakness lifting the gold price.



Source: LSEG, Redward Associates

Figure 5: ETFs (tonnes) & Gold price, USD/oz

Stabilisation in the price of gold in July occurred in tandem with renewed investor demand for gold-backed ETFs.



Source: WGC, LSEG, Redward Associates

Reduced recycling to constrain gold supply

The World Gold Council (WGC) report that relative to Q2 2025, gold supply increased just 300kg, to 1,268.9t. Mine production increased to 965.6t (+1.9%YoY) with net producer hedging -22.8t, but gold recycling slowed to 326.1t (-5.9%YoY). We expect these trends to persist with total supply steady this year at 5,154t (+0.2%YoY), based on mine supply of 3,887t (+1.9%YoY), producer hedging of -68t, and gold recycling of 1,335t (-4.9%YoY).

Mine supply rises…

While capture of mine production from publicly listed companies and national champions is relatively straightforward, much of the production in Emerging and Frontier countries takes place at the Artisanal level. Metals Focus, who provide the data used in the World Gold Council's Global Demand Trends continue to make progress in capturing this small scale supply, with their latest estimates boosting their estimate of cumulative gold mined since 2013 by 117t. Production in Canada (+29%YoY), Chile (+24%YoY), Burkina Faso (+17%YoY), and Ghana (+8%YoY) increased solidly in Q2, supported by the ramping up of new operations and increased mill throughput. Meanwhile, safety stoppages at mines in Shandong Province in China saw production slip (-8%YoY) while the US (-12%YoY), and Mexico (-23%YoY) saw reduced mine production owing to lower grade ore.

The WGC estimates that All-In Sustaining Cost (AISC) rose to USD 1,785/oz (+16%YoY) in Q1, boosted by increased royalty payments tied to the price of gold, and operational cost increases. While the rise in AISC and the fall in the price of gold since its peak in January has reduced profitability, profit margins remain healthy.

…as recycling declines

Recycling came under pressure in the second quarter, with India (-17%YoY), China (-15%YoY), and the Middle East (-13%YoY) all experiencing significant declines. Weakness in supply from these countries appears to be due to a combination of factors including increased exchange of old gold jewellery for new, the ongoing depressing impact of VAT changes in China, and the decline in the price of gold, reducing the incentive of gold owners to sell.

Steady industrial demand

Demand for gold used in industry was steady at 80.4t (+2.2%YoY) in Q2, with electronics demand solid at 68.5t (+3.9%YoY) while use in other industry slipped to 10.1t (-6.6%YoY) and dentistry fell to just 1.9t (-5.9%YoY). The rapid build-out of AI data centres continues to underpin demand for gold used in the electronics sector, with solid demand for use in semiconductors, memory chips, printed circuit boards, and wireless communication devices. Industrial demand for gold, typically used in gold plating, leaf, and thread, remains subdued, while ceramics continue to displace gold in dentistry applications.

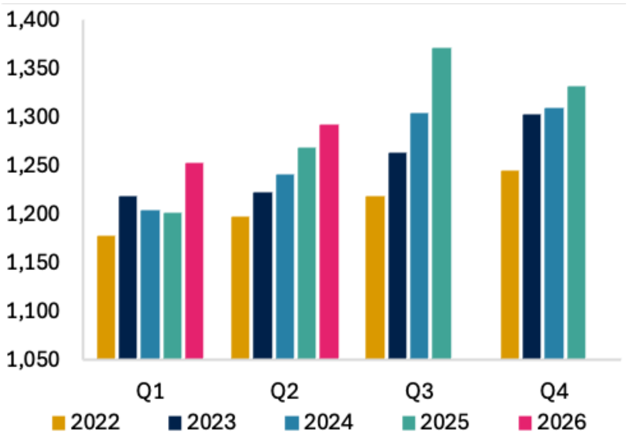
Jewellery under pressure

Jewellery fabrication absorbed 310t (-12.4%YoY) of gold in Q2, with consumers purchasing 278.2t (-17%YoY) while jeweller inventories absorbed 32.1t (+70%YoY). On an annual basis, jewellery fabrication fell to just 1,501.3t (-19.2%YoY), a level not seen since the end of 2020. While sentiment around jewellery demand remains poor, the correction in the price of gold is likely to see at least a partial rebound in demand and we project jewellery fabrication may rise to 1,667.4t (+1.2%YoY) this year.

The decline in jewellery demand in the first half of this year largely reflects the impact of surging prices through late 2025, encouraging consumers to switch to lighter weight and/or lower carat jewellery options, while increasing the attractiveness of exchanging old gold for new, and substituting towards platinum and silver. In addition to these headwinds, jewellery demand in China and India was hit, with Chinese demand falling …PTO…

Figure 6: Gold supply, tonnes

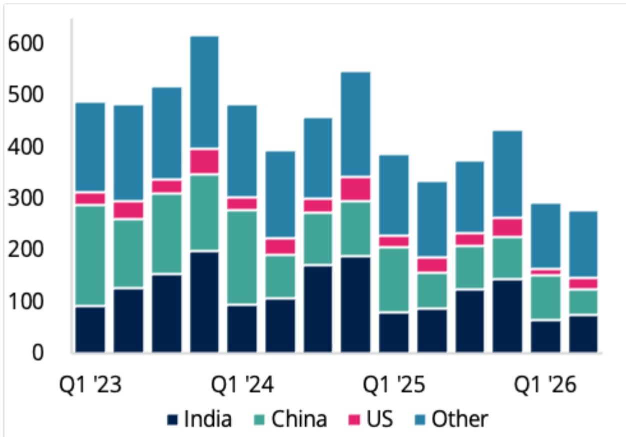
Gold supply growth has been supported by mine production and recycling, but slowing recycling looks set to curb supply this year.



Source: WGC, Redward Associates

Figure 7: Jewellery demand, tonnes

Jewellery buyers have been crowded by investors, but the correction in the gold price points to partial recovery in the second half.



Source: WGC, Redward Associates

Central Bank buying of gold rebounds

Continued from page 4

…-28.7%YoY, and India's down 15.4%YoY. In China, consumers continue to adapt to VAT changes, which improved the attractiveness of investment in bar and coin relative to jewellery, while in India the decision to raise the excise duty from 6% to 15%, coupled with attempts to moderate demand for gold, impacted sales.

Since the end of March, we've seen the price of gold slide 8.6%. When coupled with a stronger CNY (+2.0%) and a weaker INR (-1.8%), the price of gold in local currency terms has declined 10.6% and 6.8%, respectively. Given the historical correlation between the price of gold and jewellery demand, this suggests that we're likely to see at least a partial rebound in demand in the second half.

Bar and coin buying slows…

Bar and Coin demand surged in late 2025/early 2026, with demand averaging 452.5t over both quarters. However, demand corrected sharply in the second quarter, falling to 307.1t (-2.7%YoY). The WGC notes that *"Q2's weakness appears more a normalisation from elevated levels than a deterioration in underlying investment demand"* with buying over the quarter occurring in conjunction with bouts of risk aversion associated with the Iran war. Reflecting this, we have lowered our estimate of full year demand for bar and coin to 1,482t (+5.4%YoY).

…and ETF holdings fall…

Gold-backed ETF holdings fell 47t in Q2, bringing holdings down to 4,044.8t. The decline was led by the US (-44.4t) and China (-21.8t) while we saw buying from the UK (+14.5t) and Hong Kong (+4.9t). Flows into gold backed ETFs tend to be highly sensitive to returns, so with the gold price stabilising since late June, it appears like that gold-backed ETF holdings may turn positive in the second half of this year. Consequently, while we have revised down our estimate of net inflows into gold-backed ETFs to reflect weakness in the first half, we continue to expect full year inflows, in the region of 230t

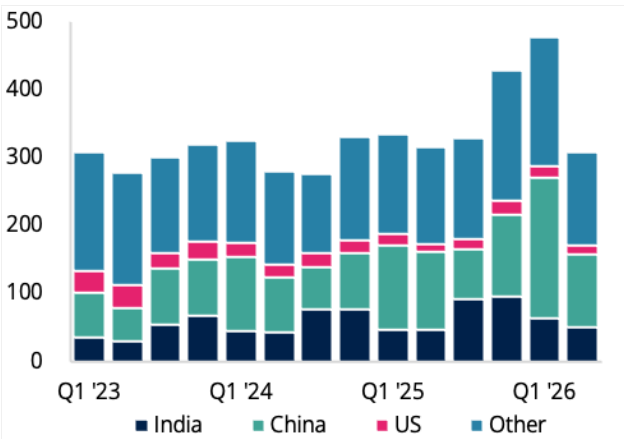
…but Central Banks step up

After increasing by just 56.5t in the first quarter, Central Bank purchases strengthened in Q2, rising 288.9t (+62.4%YoY). The key factor driving weakness in demand in the first quarter was balance of payments pressure associated with the Iran war. This led to significant sales from the Central Bank of the Republic of Türkiye (-78.8t), the State Oil Fund of Azerbaijan (-21.9t), and the Bank of Russia (-21.8t). While the Bank of Russia (-22t) continued to sell gold in Q2, sales from Türkiye slowed (-4t) while we saw solid buying from the National Bank of Poland (+51t), the People's Bank of China (+33t), and the National Banks of Uzbekistan (+16t) and Kazakhstan (+15t). As with previous reports, a considerable portion of official sector buying was not reported, reflecting demand from Sovereign Wealth Funds and government agencies.

While gold holdings represent a significant percentage of Central Bank reserves in developed countries (USA (83.1%), Germany (82.8%), France (80.5%)), they represent a considerably lower percentage of reserves in many developing countries; China (8.8%), India (18.4%), Brazil (6.8%), Indonesia (8.8%), Korea (3.5%), suggesting ample scope for reserves to be rebalanced from the US dollar. Consistent with this, the Bank of Korea announced in early August that it would resume buying gold after a 13 year hiatus, albeit only about 4t per annum. With balance of payments pressure easing and gold trading well below its January high, it's likely we will see further Official Sector buying, and we project purchases may total around 895.4t (+5.6%YoY) this year.

Figure 8: Bar and coin demand, tonnes

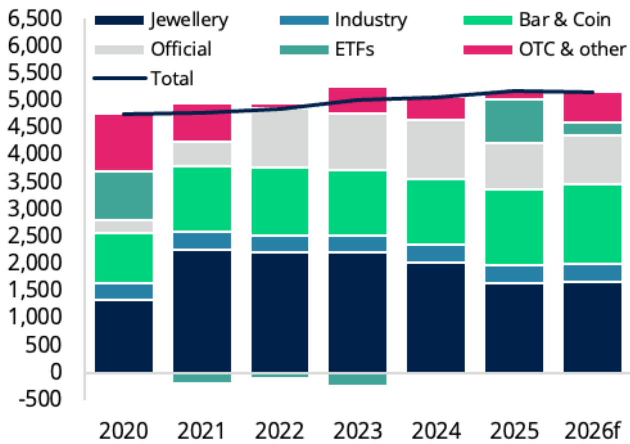
After surging in late 2025/early 2026, easing investment demand has seen bar and coin purchases fall back to its previous range.



Source: WGC, Redward Associates

Figure 9: Gold supply and demand, tonnes

Gold held on exchanges and elsewhere (e.g. by miners) looks set to increase this year, consistent with recent subdued investor demand.



Source: WGC, Redward Associates

The world's oldest exchange rate

On July 24, the Silver Institute published an article *Is the Gold:Silver Ratio Relevant Today*. The Silver Institute noted that this ratio, commonly referred to as the Mint Ratio, is arguably the world's oldest exchange rate and *"from at least 3000 BCE through well into the 19th century it was arguably the single most important financial indicator."* With both gold and silver now officially de-monetised, the Mint Ratio is arguably much less important, but as neither metal has truly given up its position as a monetary asset, the Mint Ratio remains relevant, at least as a relative price.

The Silver Institute cites records indicating that the Mint Ratio hovered around 2.5:1 in ancient Egypt, reflecting the relative abundance of gold-to-silver, and the lack of knowledge of smelting processes allowing for the extraction of silver from silver-lead deposits. By the time of the Roman Empire, smelting processes and mine discoveries had increased the abundance of silver, with Julius Caesar setting the Mint Ratio at 12:1, a figure that would remain more-or-less intact until Sir Isaac Newton's Royal Mint (1717) set the 15:1 Gold Standard ratio.

The Silver Institute estimates that historical mine production through 2025 was 58.6 billion ounces of silver and 7.1 billion ounces of gold (8.25:1). This ratio is very similar to the US Geological Survey's estimate of underground reserves (9:1) while owing largely to irrecoverable loss of silver through industrial processes, above ground stocks are currently around 2.87:1. However, since Britain suspended the Gold Standard in August 1914, we've seen violent swings in the Mint Ratio, but its scarcity has ceased to be a key driver of value.

Relative bullion demand…

Econometric analysis conducted by the Silver Institute leads to the following conclusions: i) fluctuations in both gold and silver tend to be highly correlated (0.795 daily over the past 20 years), ii) there is evidence of mean reversion in the Mint Ratio with the Silver Institute estimating a co-integrating vector on data from 1970 with a mean value of 59.65:1, iii) in the short-term, fluctuations in the Mint Ratio tend to be driven by silver's relative illiquidity compared with gold, but in the longer-term, it's investor demand for gold that drives mean reversion, iv) the Mint Ratio doesn't appear to be sensitive to fluctuations in key macroeconomic variables, and: v) industrial demand for silver appears to play only a modest part in determining the Mint Ratio.

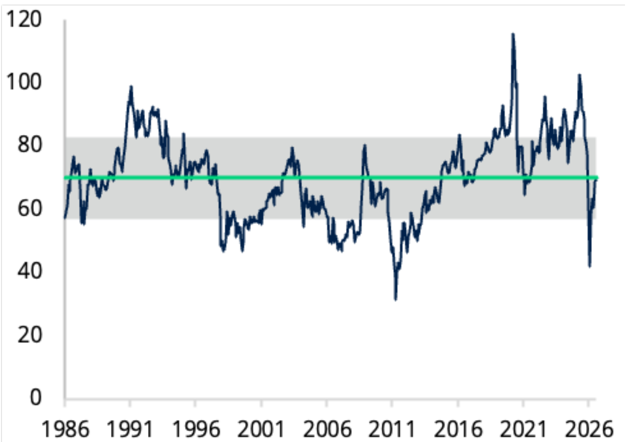
As gold and silver are assets with an infinite investment horizon, denominated in US dollars, subject to similar macroeconomic shocks and at least partial substitutes, it's not surprising they move together. Given distortion caused by the end of the Bretton Woods system in the 1970's, our preference is to look at the Mint Ratio over the past forty years (1986-2026). We find that the series average is significantly higher (69.9:1), the series is non-stationary, and that there is an upward trend of 0.5% per annum. Given the relatively flat slope and the fact it explains only 2% of the Mint Ratio's variance, reversion to a mean value of 69.9:1 is a reasonable approximation.

…points to silver strength

Post millennium, investor gold demand has been driven in large part by Central Banks, with buying especially strong during periods of economic and/or geo-political uncertainty (e.g. the Global Financial Crisis, Russo-Ukrainian war). This accords with our analysis finding that spikes in the Mint Ratio tend to be associated with a surge in risk indexes, and this appears to have been the case since the commencement of the Iran War in February. However, with ample gold available to lease, but limited unallocated silver bullion in London, renewed investor interest in silver may rapidly absorb this free float, pushing up the silver lease rate. This would likely spill-over into a rise in the price of silver and a decline in the Mint Ratio from its current level of 69.3:1.

Figure 10: Mint Ratio

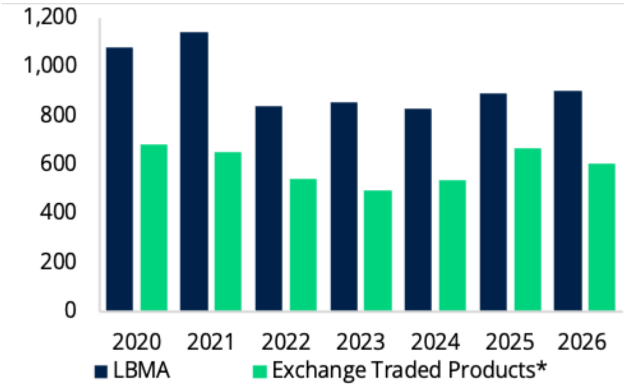
The Mint Ratio has rebounded to 69.3:1 since the end of January, driven by rising geo-political risk associated with the Iran war.



Source: LSEG, Redward Associates

Figure 11: Silver bullion in London, Moz

Unallocated bullion held in loco London has recently increased, easing pressure on lease rates, but conditions could easily reverse.



** Estimate, ** iShares Silver Trust, iShares Physical Silver ETC, ABRDN SLVR, ABRDN GLTR, WisdomTree, Invesco, Xtrackers Hedged, Xtrackers ETC (EUR)*

Source: Company Reports, LSEG, Redward Associates

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