

# Gold Market Commentary

## When the dollar turns on itself

### Dip buyers emerge

Gold gained another 5% in February to reach US\$5,222/oz; it is now up 20% y-t-d. Performance in other currencies, however, was mixed: a sharp Indian rupee appreciation following tariff relief with the US, saw local prices drop 3.5%; likewise, a surge in the renminbi saw local prices fall.

Our Gold Return Attribution Model (GRAM) suggests that contributions to the positive return came from a weaker US dollar, particularly against EM currencies (**Chart 1**). A lower 10-year US Treasury yield also helped. But the model missed the positive return with a large positive residual. A sharp drop in implied volatility following the surge in January could have dragged gold down further in the first half of the month, but it was likely held up by strong Asian buying – evidenced both by gold returns during Asian trading hours and high volumes on the Shanghai Futures exchange. This is not explicitly captured in our model.

Gold ETFs added US\$5.3bn to assets in February (+26t), led by North America and Asia, with Europe seeing outflows of US\$1.8bn (-13t). Managed money net long positions on COMEX contracted sharply in early February, before picking up a little steam towards the end of the month.

### Highlights

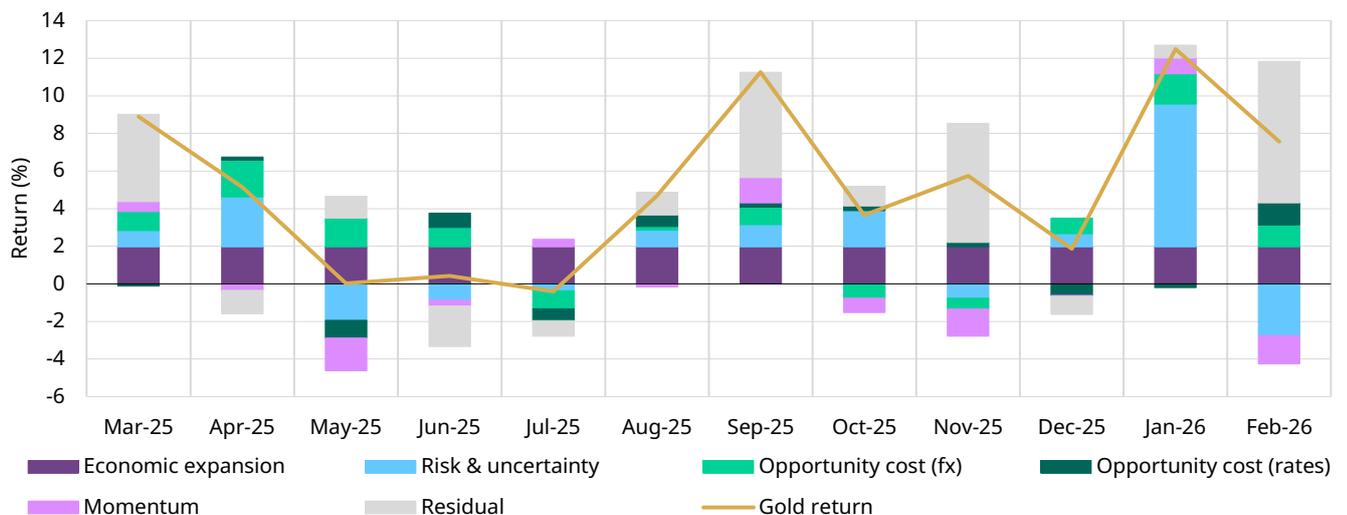
#### February review

Gold gained 5% in February on dip buying, dollar weakness and softer US Treasury yields.

#### Looking forward

Medium-term downtrend in the US dollar is likely to resume – post some near-term respite – and provide further support for gold prices.

**Chart 1: Strong Asian hours buying in early February likely prevented a bigger dip; a weaker dollar and yields helped too**



\*Data to 27 February 2026. Our Gold Return Attribution Model (GRAM) is a multiple regression model of monthly gold price returns, which we group into four key thematic driver categories of gold's performance: economic expansion, risk & uncertainty, opportunity cost, and momentum. These themes capture motives behind gold demand; most importantly, investment demand, which is considered the marginal driver of gold price returns in the short run. The 'residual' represents the percentage change in the gold price that is not explained by factors already included. Results shown here are based on analysis covering a five-year estimation period using monthly data. Alternative estimation periods and data frequencies are available on Goldhub.com. Source: Bloomberg, World Gold Council



Table 1: Currency strength saw local gold prices drop in India and China; elsewhere, gold returns were positive

	USD (oz)	EUR (oz)	JPY (g)	GBP (oz)	CAD (oz)	CHF (oz)	INR (10g)	RMB (g)	TRY (oz)	AUD (oz)
February price*	5,222	4,421	26,201	3,874	7,123	4,018	158,585	1,145	229,476	7,337
February return*	4.8%	5.2%	5.7%	6.4%	5.0%	4.3%	-3.5%	-1.3%	5.9%	2.6%
Y-t-d return*	19.6%	18.8%	19.0%	19.3%	18.9%	15.9%	19.6%	17.6%	22.3%	12.1%
Record high price*	5,405	4,521	26,570	3,917	7,305	4,143	175,231	1,248	234,639	7,701
Record high date*	29-Jan-26									

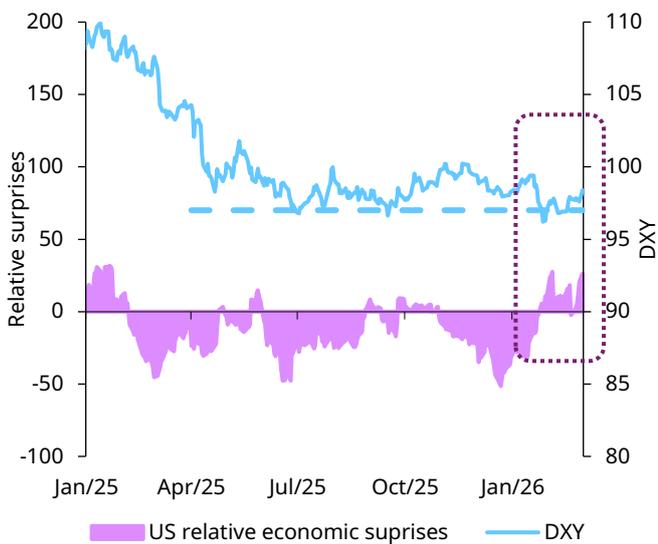
\*As of 27 February 2026. Based on the LBMA Gold Price PM in USD, expressed in local currencies, except for India and China where the MCX Gold Price PM and Shanghai Gold Benchmark PM are used, respectively.  
Source: Bloomberg, World Gold Council

## When the dollar turns on itself

The downward trend in the US dollar index (DXY) is likely to resume post this near-term bounce and is, in our view, a key positive force for gold prices going forward.

Chart 2: The dollar avoided a breakdown in January

US dollar index (DXY) and relative US economic surprises\*



\*Data to 27 February 2026. Relative economic surprises calculated as US economic surprise index less the average of Eurozone and Japan surprises.  
Source: Bloomberg, World Gold Council

The DXY avoided a technical downside breakdown in January, helped by positive economic surprises and supportive futures positioning (Chart 2). But we view this as a temporary respite. The case for medium-term dollar weakness rests on these factors:

- Relative to history and to other countries, the US dollar and US equities remain expensive
- The "double reward" for foreign investors (strong US equities + strong dollar) is fading, with Europe and Japan in particular offering genuine alternatives
- Previous dollar bear markets have also seen relative equity market weakness, and the initial currency falls have been steep, possibly due to the reinforcing loop of investor outflows

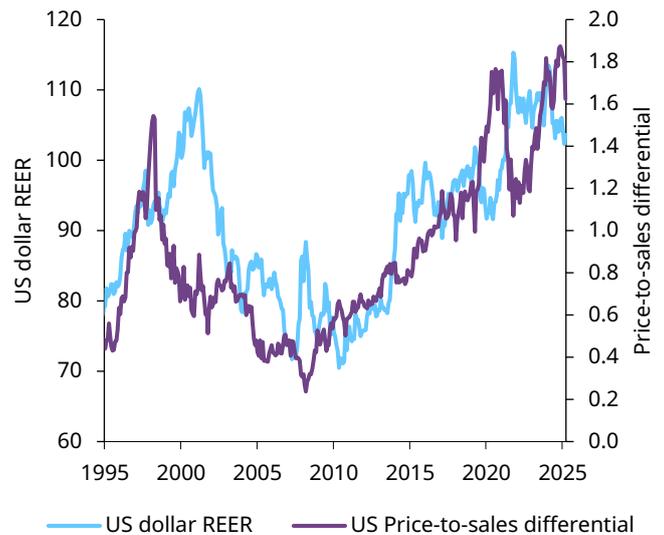
- A weak dollar is more consistent with the current US administration’s policy of encouraging reshoring
- Weaponisation of the US dollar after the onset of the Ukraine invasion has made central banks and other investors more cautious about US exposure.

### The US remains expensive

Both on a Real Effective Exchange Rate (REER) basis and price to sales – a number that is a little harder to adjust than earnings – the US remains expensive (Chart 3).

Chart 3: The US remains expensive

US dollar (REER) and US Price-to-Sales differential\*



\*Data to 27 February 2026. Real Effective Exchange Rate (REER) on CITI narrow trade-weighted US dollar index. Price-to-sales differential shows US less the average of Eurozone and Japan.  
Source: Bloomberg, World Gold Council

### The “double reward” may be fading

Foreign investors have been facing a choice: hedge US exposure (and accept lower returns) or rotate elsewhere (Chart 4). There are tentative signs that this is happening and the rationale is quite strong: fiscal headroom in Germany, better valuations, reform momentum in Japan, and political and concentration risks in the US.



Chart 4: Is the “double reward” fading for foreign investors?

Equity returns for EU investors in the US and at home\*



\*Data from January 2021 to February 2026. Home = MSCI Europe total return in EUR, Unhedged = MSCI USA TR in EUR. Hedged index is MSCI USA TR hedged in EUR. Results are equivalent for Japan. Source: Bloomberg, World Gold Council

To boot, European and Japanese markets are considerably smaller than the US so shifts could move markets meaningfully, reinforcing the trend.

Previous dollar bear markets were long and front-loaded

Should these outflows continue, they could amplify the trajectory of a weaker currency and poorer prospective returns. Previous major US dollar bear markets experienced large initial drops, possibly a function of this vicious circle (Chart 5), which coincided with equity underperformance.

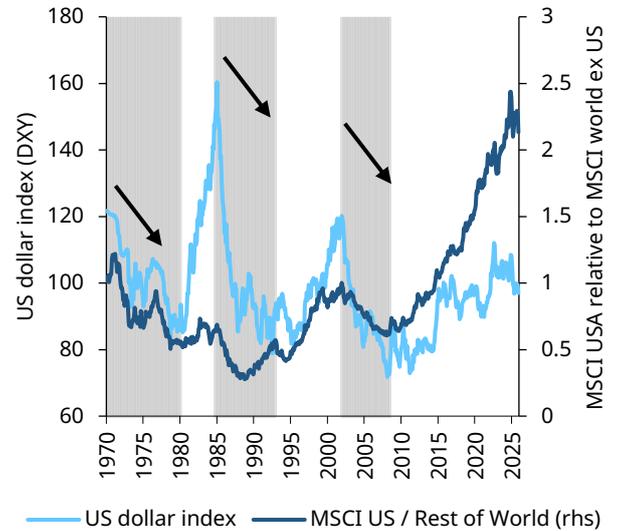
So far, however, this marginal rotation is focused more on equities than bonds, with US Treasuries still attracting inflows. With interest rate differentials arguing that the dollar is fairly valued, equity flows may become more important in dictating where the dollar goes from here.

What it means for gold

Dollar weakness, high policy and geopolitical uncertainty, and more volatile capital flows are conditions that favour gold. And continued central bank diversification into gold provides further support.

Chart 5: Dollar bear markets, front loaded, long and bad for equities’ relative performance

US dollar (DXY) index and US relative equity performance\*



\*Data from January 1970 to February 2026. Source: Bloomberg, World Gold Council

But there are risks for gold too:

- High prices will likely be of continued concern to some investors
- Should financial flows help drive stronger growth in Europe, Japan and elsewhere, gold in those countries may become relatively less attractive in an environment of strong domestic equity markets and growth. We have already seen some European gold ETF outflows in February as the January price surge prompted profit taking.

Conflict arises

The Middle East conflict that erupted at the end of February saw an immediate and unsurprising reaction from asset prices on Monday 2 March. Oil prices climbed, the dollar rallied, and yields softened somewhat. Gold also bounced, up almost 5% across two trading sessions. Historically it has responded positively in about two-thirds of instances in which geopolitical tension has spiked significantly. But the next two weeks are less certain, with gold showing a broader range of returns (+8% to -3%) and a hit rate that falls to 57%.

Bottom line: the dollar bounce - boosted by the current conflict - is likely short-lived, and a resumption in the downtrend should be supportive for gold.



## World Gold Council

We are a membership organisation that champions the role gold plays as a strategic asset, shaping the future of a responsible and accessible gold supply chain. Our team of experts builds understanding of the use case and possibilities of gold through trusted research, analysis, commentary and insights.

We drive industry progress, shaping policy and setting the standards for a perpetual and sustainable gold market.

### Lead Author



**Johan Palmberg**  
Senior Quantitative Analyst  
World Gold Council

## Research

**Jeremy De Pessemier, CFA**  
Asset Allocation Strategist

**Johan Palmberg**  
Senior Quantitative Analyst

**Kavita Chacko**  
Research Head, India

**Krishan Gopaul**  
Senior Analyst, EMEA

**Louise Street**  
Senior Markets Analyst

**Marissa Salim**  
Senior Research Lead, APAC

**Ray Jia**  
Research Head, China

**Taylor Burnette**  
Research Lead, Americas

**Juan Carlos Artigas**  
Global Head of Research

## Market Strategy

**John Reade**  
Senior Market Strategist,  
Europe and Asia

**Joseph Cavatoni**  
Senior Market Strategist,  
Americas

Further information:

**Data sets and methodology visit:**  
[www.gold.org/goldhub](http://www.gold.org/goldhub)

**Contact:**  
[research@gold.org](mailto:research@gold.org)



### **Important information and disclosures**

© 2026 World Gold Council. All rights reserved. World Gold Council and the Circle device are trademarks of the World Gold Council or its affiliates.

Reproduction or redistribution of any of this information is expressly prohibited without the prior written consent of World Gold Council or the appropriate copyright owners, except as specifically provided below. Information and statistics are copyright © and/or other intellectual property of the World Gold Council or its affiliates or third-party providers identified herein. All rights of the respective owners are reserved.

The use of the statistics in this information is permitted for the purposes of review and commentary (including media commentary) in line with fair industry practice, subject to the following two pre-conditions: (i) only limited extracts of data or analysis be used; and (ii) any and all use of these statistics is accompanied by a citation to World Gold Council and, where appropriate, to Metals Focus or other identified copyright owners as their source. World Gold Council is affiliated with Metals Focus.

The World Gold Council and its affiliates do not guarantee the accuracy or completeness of any information nor accepts responsibility for any losses or damages arising directly or indirectly from the use of this information.

This information is for educational purposes only and by receiving this information, you agree with its intended purpose. Nothing contained herein is intended to constitute a recommendation, investment advice, or offer for the purchase or sale of gold, any gold-related products or services or any other products, services, securities or financial instruments (collectively, "Services"). This information does not take into account any investment objectives, financial situation or particular needs of any particular person.

Diversification does not guarantee any investment returns and does not eliminate the risk of loss. Past performance is not necessarily indicative of future results. The resulting performance of any investment outcomes that can be generated through allocation to gold are hypothetical in nature, may not reflect actual investment results and are not guarantees of future results. The World Gold Council and its affiliates do not guarantee or warranty any calculations and models used in any hypothetical portfolios or any outcomes resulting from any such use. Investors should discuss their individual circumstances with their appropriate investment professionals before making any decision regarding any Services or investments.

This information may contain forward-looking statements, such as statements which use the words "believes", "expects", "may", or "suggests", or similar terminology, which are based on current expectations and are subject to change. Forward-looking statements involve a number of risks and uncertainties. There can be no assurance that any forward-looking statements will be achieved. World Gold Council and its affiliates assume no responsibility for updating any forward-looking statements.

### **Information regarding the LBMA Gold Price**

The LBMA Gold Price is administered and published by ICE Benchmark Administration Limited (IBA). The LBMA Gold Price is a trademark of Precious Metals Prices Limited and is licensed to IBA as administrator of the LBMA Gold Price. ICE and ICE Benchmark Administration are registered trademarks of IBA and/or its affiliates. The LBMA Gold Price is used by the World Gold Council with permission under license by IBA and is subject to the restrictions set forth [here](http://www.gold.org/terms-and-conditions) ([www.gold.org/terms-and-conditions](http://www.gold.org/terms-and-conditions)).

### **Information regarding Qaurum<sup>SM</sup> and the Gold Valuation Framework**

Note that the resulting performance of various investment outcomes that can be generated through use of Qaurum, the Gold Valuation Framework and other information are hypothetical in nature, may not reflect actual investment results and are not guarantees of future results. Neither World Gold Council (including its affiliates) nor Oxford Economics provides any warranty or guarantee regarding the functionality of the tool, including without limitation any projections, estimates or calculations.

### **Information from ICRA Analytics Limited**

All information obtained from ICRA Analytics Limited contained in this document is subject to the disclaimer set forth [here](http://www.icraanalytics.com/terms-of-use/disclaimer) ([www.icraanalytics.com/terms-of-use/disclaimer](http://www.icraanalytics.com/terms-of-use/disclaimer)).