# GOLD

## *What You Need To Know About Gold As An Inflation Hedge*

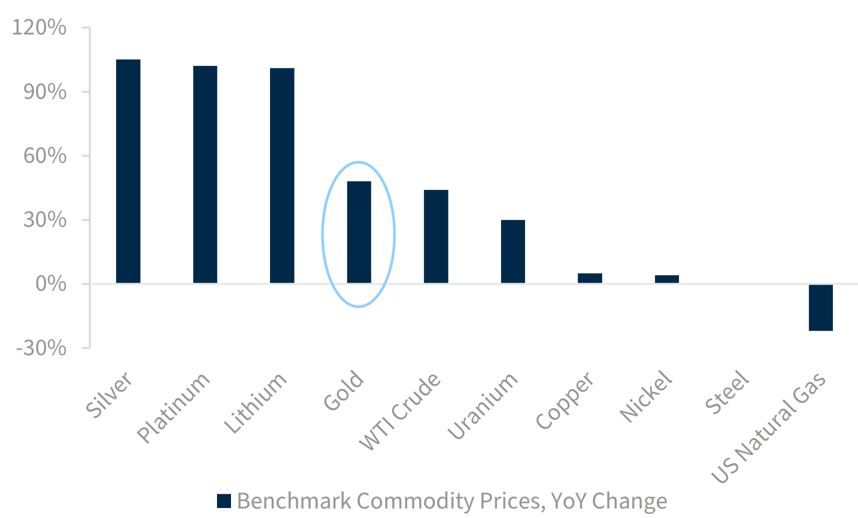
*Larry Adam, Chief Investment Officer*
*Pavel Molchanov, Senior Investment Strategist*
*Matt Barry, Senior Investment Strategist*

Gold is a commodity like no other. In contrast to other hard assets, gold plays a unique role in the global monetary system—simply put, gold is perceived as money. Gold's function as a store of value makes it arguably the world's most popular hedge against inflation. However, gold has its risks: it is prone to short-term swings in sentiment, on the way up as well as the way down, and the correlation to inflation is by no means exact. In this report, we provide an overview of what investors need to know about the gold market while also explaining why we do *not* set a price target for gold—in contrast to most other asset classes.

### What Has Driven Gold To All-Time Highs?

Gold has been one the better-performing commodities (+48%) over the 12 months through March 20, 2026, though it's been outpaced by other precious metals (silver and platinum) as well as a few of the industrial metals. The past year's rally in gold—en route to a record high in January 2026—has been fueled by investors seeking perceived safe havens amid an unusually intense confluence of geopolitical risks: Iran, Russia/Ukraine, Venezuela, Greenland, and more. That said, we note that gold actually posted a steep decline during the US-Iran conflict. This may be counterintuitive, but it appropriately reflects the dynamic that rising bond yields have made it less attractive to hold gold (and zero-yielding assets more generally).

**Sharp Swings in Commodity Returns YoY**




### Gold Prices Outpace Inflation Over The Long Run But Also Swing With Sentiment

The vast majority of commodity markets reflect physical supply and demand. What makes gold different is that demand for it is difficult to define. Only 5% of gold demand is attributable to industrial applications. Another 35% of gold is used to make jewelry, but that gold does not "disappear" in the way that a barrel of oil or a bushel of corn does. The remaining 60% is used for gold bullion: bars and coins. Here is an amazing statistic to keep in mind: an estimated 90% of all gold ever mined continues to exist to this day.

While gold generally outpaces inflation over the long run, short-term trading dynamics are tricky. Since 2000, gold is up ~16x, while the US CPI has doubled. Gold gained during the global financial crisis (2008-2009) and the early part of the COVID pandemic (2020). On the other hand, after gold overshot to the upside in the wake of the financial crisis, it went into a bear market (2013-2015). Gold underperformed as inflation peaked in 2022 but then outperformed as inflation slowed and bond yields subsided. Sentiment is a major factor over shorter time periods, and it is difficult to predict which way it will move prices. Accordingly, we do *not* provide a price target for gold—as it is more driven by sentiment rather than fundamental analysis.

Source: FactSet. Data as of 3/20/2026.

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March 2026

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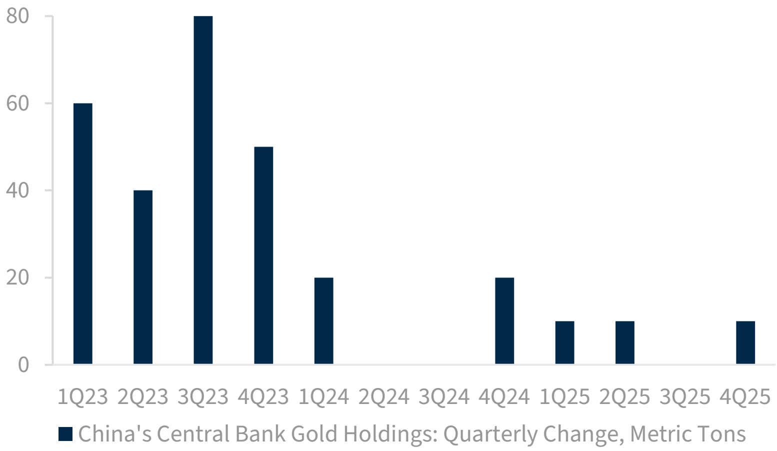
**Gold's Monetary Attributes Are Seen In Hefty Ownership By Central Banks**

For centuries, gold had been the basis of money supply, with wars fought and colonies established in order to secure control over gold resources. In the 21st century, there are no governments that retain the gold standard, but gold is still a store of value—which, as we learn in Economics 101, is one of the basic attributes of money. The US government holds more official gold than any other country—a whopping 8,100 metric tons, equating to nearly 3x the world's annual mine production—followed by Germany, Italy, France, Russia, and China. Looking at incremental purchases, China's central bank is the most active, though its purchases can be lumpy from quarter to quarter, as shown below. An important reason for China's accumulation of gold is to reduce dependence on the US dollar. In other words, China has a strategy of gradually shifting from US dollar reserves toward gold.

Most of us, of course, will never be invited to Fort Knox or the world's other gold vaults. The decisions about when central bank gold is bought and sold are made by the same policymakers who set interest rates. While central banks have been net buyers in recent years, that trend may eventually subside and perhaps even reverse, as happened during the period of low inflation in the 1990s and 2000s.




**Gold Mine Production (metric tons)**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|
| Australia | 330 | 328 | 330 | 314 | 310 | 290 | 280 |
| Canada | 180 | 170 | 170 | 206 | 200 | 200 | 200 |
| China | 420 | 365 | 370 | 372 | 370 | 380 | 380 |
| Russia | 310 | 305 | 300 | 310 | 310 | 310 | 310 |
| South Africa | 90 | 96 | 100 | 89 | 100 | 100 | 90 |
| US | 200 | 193 | 180 | 173 | 170 | 160 | 160 |
| All Other | 1,770 | 1,573 | 1,550 | 1,596 | 1,540 | 1,860 | 1,880 |
| **World** | **3,300** | **3,030** | **3,000** | **3,060** | **3,000** | **3,300** | **3,300** |
| % Change | 0% | -8% | -1% | 2% | -2% | 10% | 0% |

**Gold Output Is Broadly Stable From Year To Year**

While gold demand can be hard to gauge, the supply side of the equation is much more straightforward. There is no mystery about how much gold is mined from year to year. As shown above, global mine production has been flattish from pre-COVID levels, bouncing around 3,000 metric tons per year. Perhaps surprisingly, the world's largest producer of gold is China, albeit with a modest 12% of the volumes in 2025. Some of our readers might be thinking of the famous Witwatersrand gold field near Johannesburg, but gold mining in South Africa peaked all the way back in 1970. In any case, volumes since 2019 are down in Australia, China, and the US; and they are flattish in Russia and South Africa.

If you are investing in gold as a commodity, of course you welcome the fact that annual mine production is stable. There are metals where the market can occasionally be in oversupply mode—for example, lithium is a case study of that—whereas that is *not* an issue for gold. On the other hand, if you own shares in gold mining companies, be aware that overall industry volumes are essentially flat. This is the result of geological and operational constraints at mining sites—if companies were able to produce more, they would. Also, approximately one-quarter of the gold supply—above and beyond what's mined each year—comes from recycled sources, mainly jewelry.

Source: World Gold Council, US Geological Survey. Data as of 3/20/2026.

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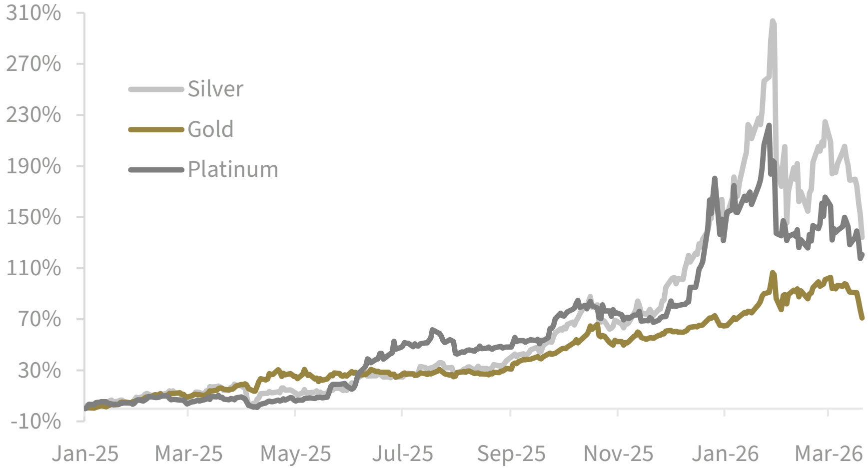
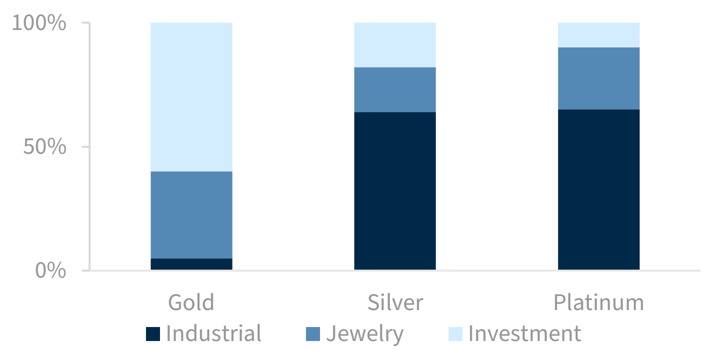
**How Does The Gold Market Differ From Silver And Platinum?**
As we noted earlier, gold prices are inextricably linked to investor sentiment—hence our reluctance to set a price target. By contrast, nearly two-thirds of silver is used in industrial products, notably solar panels and electronics. In other words, this is "physical" demand. Reflecting these industrial growth drivers, global silver demand has been running ahead of supply in each of the past five years. Amid market fear of an outright shortage, silver prices have been propelled upwards, significantly outpacing gold over the past 12 months. The platinum market resembles silver more than it does gold, with a similar share of demand (two-thirds) tied to industrial applications, notably catalytic converters in auto engines. Platinum's performance has also outpaced gold over the past 12 months.

Given that most industrial products are relatively high-volume / low-margin, rapid escalation in input costs can create serious margin pressure. We are already seeing evidence of solar manufacturers starting to redesign their hardware to use copper in place of silver. Platinum is also vulnerable to commodity substitution, though to a lesser extent than silver. Catalytic converters are more highly engineered products than solar panels, so redesign efforts are likely to take longer.




Performance Since 1/1/2025, as of 3/20/2026




Global Demand for Precious Metals, 2025

**How Can Investors Get Exposure To The Gold Market?**
Investors who are interested in gold as a commodity can hold it in either physical or electronic form. Ownership of physical gold—bars and coins—typically requires ongoing storage costs. To state the obvious, holding such assets at home carries security risks, so it is recommended to pay for storage at a bank vault or a specialized safekeeping facility. Also worth noting: coins involve more processing as compared to bars, so there is a higher markup beyond the value of the gold itself.

Gold can also be purchased as ETFs. The ETF is backed by physical gold that the ETF's issuer has purchased. From the perspective of the investor, there is no storage to worry about, but, as with all ETFs, there is an expense ratio. In the case of gold ETFs, expenses include storage of the underlying gold assets.

Given that ETF fund flows are tracked, we can use this data to get a sense of how sentiment has been shifting over time. World Gold Council data shows that there have been inflows for nine consecutive months, from June 2025 through February 2026. The most recent month of outflows was May 2025, and prior to that, November 2024. While this perspective on the market is interesting, it is entirely backward-looking: it does *not* imply any predictive power for the future.

Source: FactSet, World Gold Council, Silver Institute, World Platinum Investment Council. Data as of 3/20/2026.

The other way to invest in gold is through mining companies, which are found in the Materials sector. Large-caps are often vertically integrated, with mining and processing under the same corporate umbrella. Small-caps—also known as “junior miners”, to use Canadian lingo—are often pre-revenue businesses. In addition to commodity risk, all mining companies face exploration risk (before a resource is developed) and operational risks (after a resource is developed). Given the wide range of geographies where gold is produced, there are also political risks, such as changes in mining taxes or export restrictions. Along these same lines, there is currency risk, especially vis-à-vis operations in emerging markets.

Bearing in mind all of these risks, gold mining stocks tend to be much more volatile than gold itself. Interestingly enough, the opposite is true of integrated oil and gas (Big Oil) companies. Their shares tend to be less volatile than oil itself, due to the fact that these companies have significant operations—such as natural gas and renewables —whose profitability has little to no connection to oil prices.

**Bottom Line**

Precious metals can play a useful role in a diversified portfolio: they tend to have low correlation with traditional assets, can hedge against inflation, and may hold their ground—or even rally—when geopolitical risks intensify. That said, short-term trading dynamics are essentially unpredictable, and this is particularly true of gold. Any time that an asset class soars nearly 50% within a 12-month period—as is currently the case with gold—investors ought to consider whether it’s getting ahead of itself. And keep in mind, there is no objective way to gauge gold’s “fair value”. Gold doesn’t pay dividends or interest, and only 5% of gold demand is tied to industrial applications. Therefore, it just isn’t realistic to apply fundamental analysis to gold. All we can say is that the gold market will continue to be heavily influenced by sentiment, which translates into headline-driven volatility that will ebb and flow without any real predictability.

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Gold, silver, and platinum are subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide fluctuation; the market is relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated.

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**MINING COMMODITIES** | Investing in mining commodities is generally considered speculative, with high levels of volatility, limited market regulation, and emerging markets risk. Prices of precious metals such as gold are influenced by central bank decisions. Prices of industrial metals such as copper tend to be economically sensitive.

**CONSUMER PRICE INDEX** | The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

**S&P 500** | The S&P 500 Total Return Index: The index is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 7.8 trillion benchmarked to the index, with index assets comprising approximately USD 2.2 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

**VIX |** The Chicago Board of Exchange (CBOE) Volatility Index (VIX), also known as the Fear Index, measures expected market volatility using a portfolio of call and put options on the S&P 500.

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880 CARILLON PARKWAY // ST. PETERSBURG, FL 33716 // 800.248.8863