Daily Dose of Macro & Markets 7th August 2025: "Gold: Rotate, Rotate, Rotate"

The 'Daily Dose of Macro & Markets' is our new publication designed to speak to the key global macro debates that matter for markets (with 1 - 3 charts and two paragraphs). This product will be published every Tuesday, Wednesday, Thursday and Friday morning (early London time).

Gold: Rotate, Rotate, Rotate!

From August 2020 through to late (September/October) 2022, gold struggled to make any headway, trading in a reasonably tight range (approx. $1,600 - $2,050, Chart 1). That consolidation phase (lasting approximately two years) occurred as gold priced in the back-up in the US yield curve. Ten year government bond yields troughed in August 2020 (at around 0.52% yield) and moved higher through to October 2022 (reaching 4.25% by 24th October 2022). US 1 and 2 year yields then started backing up in late 2021 (and into 2022) as the rate hiking cycle got underway in earnest (with the Fed hiking by 525bps from March 2022 through to July 2023). Those rising yields (and rates) created a major headwind for the gold price (hence the consolidation).

Once that headwind was priced, though, gold resumed its uptrend. Ten year yields, for example, have basically tracked sideways for the past 3 years (i.e. since late 2022), while 1 and 2 year US yields have softened (as the market, more recently, has been anticipating rate cutting cycles). At the same time, the gold price has rallied by 117% from its lows in September 2022 through to its recent April 2025 highs.

In addition to the removal of those 'rates' headwinds, many other factors have been at work in the gold market: Central bank buying increased (especially post the start of the Ukrainian war); retail flows picked up (particularly from China, where investor psychology in the property market was broken in 2021); while, in recent years, gold lost its 'usual' relationship with certain key macro driven asset prices (including the dollar and TIPS yields).

Since April this year, though, the strong rally in the gold price has stalled, and a consolidation pattern in the price has begun (once again).

That, in our view, primarily reflects the fact that global rate cutting cycles are now mostly priced in, coupled with the market now beginning to think about a forthcoming cyclical economic upswing (re-acceleration). Or, in other words, with rate cuts either enacted by most of the world's major central banks – or largely priced into the curve (in the case of the Fed) – a cyclical upswing is brewing in the global economy. If correct, then **the rally phase in gold is likely complete**.

Consistent with that, gold is expensive relative to key cyclical commodities. Relative to oil and copper, for example, gold is stretched (see Chart 2). Similarly against lumber, silver and other key commodities, the message is the same – gold is expensive. Indeed, having been one of the best performing commodities in the past two and a half years (see Table 1), the history of rotation within the commodity space suggests that gold is due a period of underperformance.

In that sense, and as we outlined yesterday, it's time for more industrial commodities, like copper for instance, to move towards the top end of that table and start to deliver outperformance (for detail see yesterday's Daily Dose of Macro & Markets, 6th August 2025: "Copper –> Tariffs out the Way. Fundamentals Supportive.").

Chart 1: Gold futures with 50 & 200 day moving averages (USD/lb)

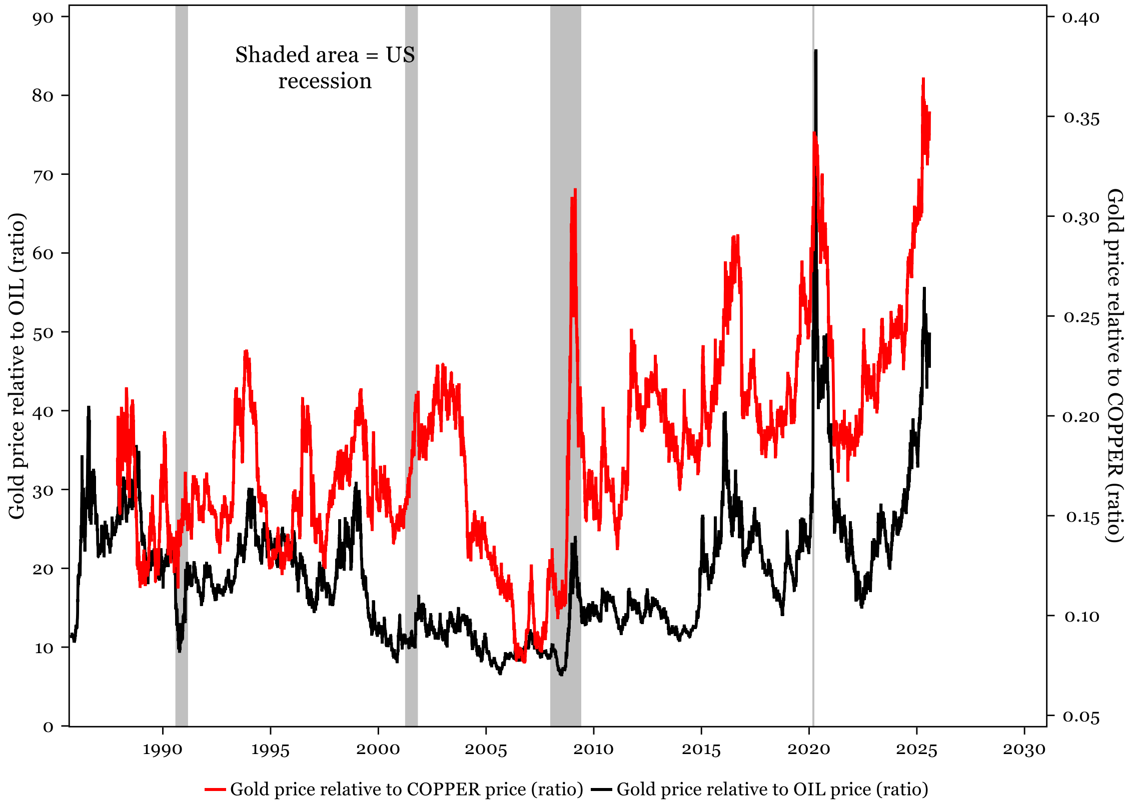
Source: Longview Economics, Macrobond

Table 1: Annual commodity price returns (2020 – 2025, %)

2025 (YTD)		2024		2023		2022		2021		2020	
Platinum	43	Cocoa	178	Cocoa	61	Nickel	44	Brent Crude	50	Silver	47
Palladium	29	Natural Gas	45	Gold	15	Natural Gas	20	Natural Gas	47	Soybeans	37
Gold	28	Gold	26	Sugar	3	Corn	14	Cotton	44	Palladium	26
Silver	26	Silver	21	Copper	2	Soybeans	14	Aluminium	42	Copper	26
Copper	10	Zinc	12	Aluminium	0	Brent Crude	10	Zinc	30	Corn	25
Aluminium	1	Aluminium	8	Silver	0	Platinum	8	Nickel	26	Gold	25
Nickel	0	Copper	2	Cotton	-3	Sugar	6	Copper	25	Zinc	20
Soybeans	-2	Corn	-3	Platinum	-3	Cocoa	3	Corn	23	Nickel	18
Cotton	-2	Brent Crude	-3	Brent Crude	-10	Silver	3	Sugar	22	Platinum	17
Zinc	-6	Sugar	-6	Zinc	-11	Wheat	3	Wheat	20	Natural Gas	16
Wheat	-7	Nickel	-8	Soybeans	-15	Gold	0	Soybeans	2	Sugar	15
Brent Crude	-11	Platinum	-9	Wheat	-21	Palladium	-10	Cocoa	-3	Wheat	15
Corn	-17	Wheat	-12	Corn	-31	Copper	-14	Gold	-4	Cotton	13
Natural Gas	-18	Cotton	-16	Palladium	-36	Aluminium	-16	Platinum	-10	Aluminium	10
Sugar	-18	Palladium	-20	Natural Gas	-44	Zinc	-16	Silver	-12	Cocoa	2
Cocoa	-25	Soybeans	-22	Nickel	-45	Cotton	-26	Palladium	-16	Brent Crude	-22

***Source:** Longview Economics, Macrobond*

Chart 2: Gold price relative to COPPER & OIL (price ratios)



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