

Global Markets Daily: Still Structurally Bullish Gold (Thomas/Struyven)

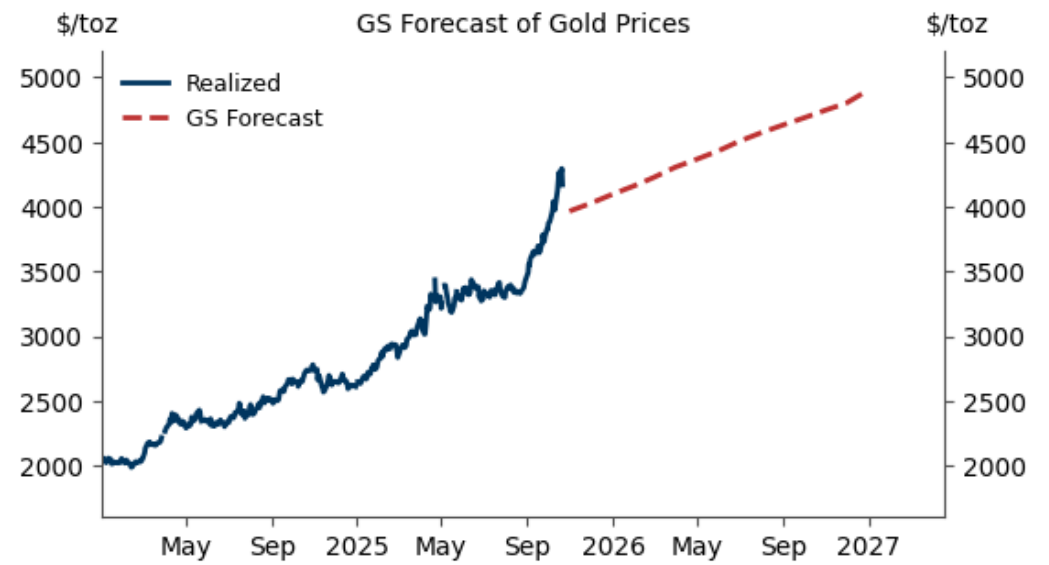
- Gold rose 26% since September through Monday, reaching a record \$4,378/toz, before retracing 6% on Tuesday to now \$4,100/toz. While a correction in speculative upside call options structures likely contributed to the selloff, we believe sticky, structural buying will continue further, and still see upside risk to our \$4,900 end-2026 forecast from growing interest in gold as a strategic portfolio diversifier.
- Specifically, we think sticky inflows continued in September-October as 1) central bank buying likely picked up seasonally, 2) the Fed rate cuts and diversification themes boosted ETF holdings and likely ultra-high-net-worth physical buying (based on our client conversations) — flows not all captured in ETFs but typically slow-moving.
- Despite this structurally strong demand backdrop, gold retraced 6% on Tuesday. While CFTC net speculative data are unavailable beyond September 23 due to the US government shutdown, daily COMEX open interest data — a proxy for managed money longs — and call option pricing suggest that speculators likely trimmed some exposure during the reversal.
- We think this pullback partly reflects a spillover from silver, down 11% since Friday. A sharp decline in silver lease rates in London over the past days suggests that the locational squeeze in London (which had amplified silver's prior rally) is being resolved, with regional price differences attracting more metal to London. Silver prices reversed sharply, likely prompting cross-metal unwinds that pulled gold lower.
- We maintain our \$4,900/toz target by end-2026, supported by continued central bank demand and renewed investment inflows as the Fed cuts. The speed of recent ETF inflows and client feedback suggest many long-term capital allocators — including sovereign wealth funds, central banks, pension funds, and both private wealth and asset managers — are planning to increase their exposure to gold as a strategic portfolio diversifier. These investors typically operate on multi-quarter approval cycles and multi-year horizons, implying upside risk to our forecast. If such private investors were to seek stores of value outside the financial system amid global macro uncertainty — including fiscal concerns —, even modest reallocations from global bond and equity portfolios could substantially raise prices in the relatively small gold market.

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We Remain Structurally Bullish Gold, And Still See Upside Risk to Our 4,900/toz End-2026 Forecast from Growing Interest in Gold as a Strategic Diversifier



Source: LBMA , Goldman Sachs Global Investment Research

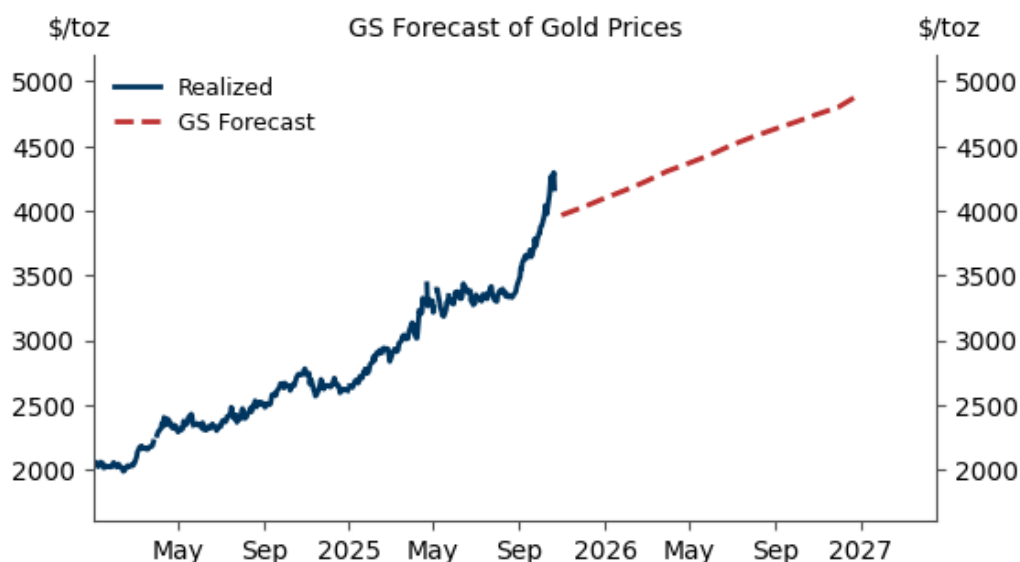
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Still Structurally Bullish Gold (Thomas/Struyven)

We refer to our recently published [Gold Market Primer](#) for clients interested in learning more about the drivers of the gold market.

Gold rose 26% since September through Monday, reaching a record \$4,378/toz, before retracing 6% on Tuesday to now \$4,100/toz. While a correction in speculative upside call options structures likely contributed to the selloff, we believe sticky, structural buying will continue further, and still see upside risk to our \$4,900 end-2026 [forecast](#) from growing interest in gold as a strategic portfolio diversifier ([Exhibit 1](#)).

Exhibit 1: We Remain Structurally Bullish Gold, And Still See Upside Risk to Our 4,900/toz End-2026 Forecast from Growing Interest in Gold as a Strategic Diversifier

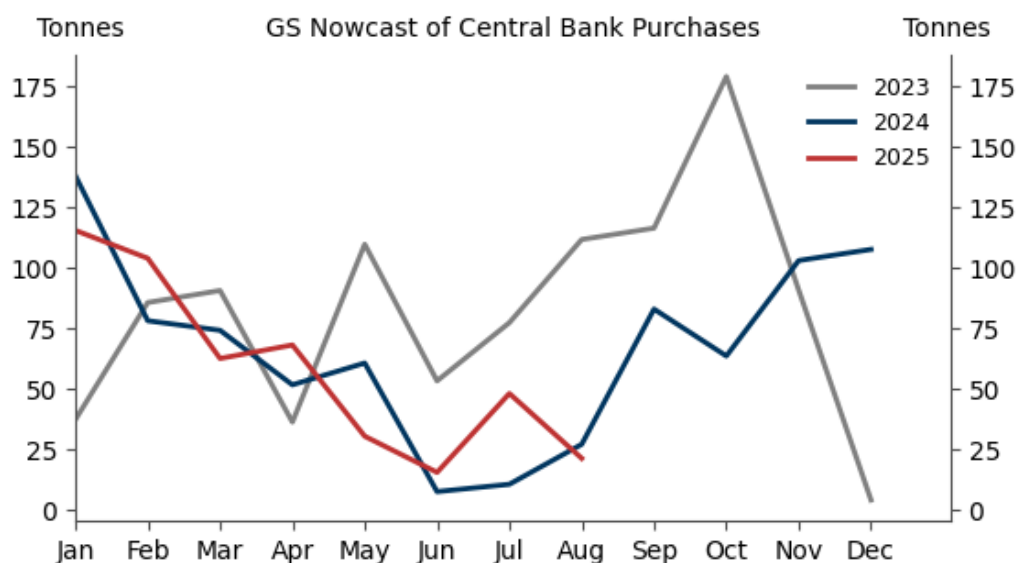


Source: LBMA, Goldman Sachs Global Investment Research

Specifically, we think sticky inflows continued in September–October. After a quiet summer, we think central bank buying may have picked up in September and October (vs. our nowcast of 21 tonnes in August, with China accounting for 10 tonnes)¹ — consistent with the post-summer [seasonal](#) acceleration in prior years — and coincided with renewed ETF inflows as Fed cuts and diversification themes gained traction ([Exhibit 2](#)). From recent client meetings, we think ultra-high-net-worth physical buying may have also picked up through September and October — flows not all captured in ETFs but typically slow-moving and long term. We also note growing institutional interest in gold as a strategic portfolio diversifier. If such institutional investors proceed, allocations would likely materialize only after a few quarters, given lengthy internal approval cycles. A [study](#) of 13F filings showed that as of 2020 roughly 70% of US institutional investors had no gold exposure, and among those that did, average allocations were below 2%.

¹ The ~3% August price increase is consistent with our [model](#), which estimates that 100 tonnes of conviction buying (central banks, ETFs, net managed money) lifts gold prices by 1.5 – 2%. August saw a 154-tonne increase across these holders, aligning with the upper end of this range.

Exhibit 2: After a Quiet Summer, We Think Central Bank Buying May Have Picked Up in September and October— Consistent With the Post-Summer Seasonal Acceleration

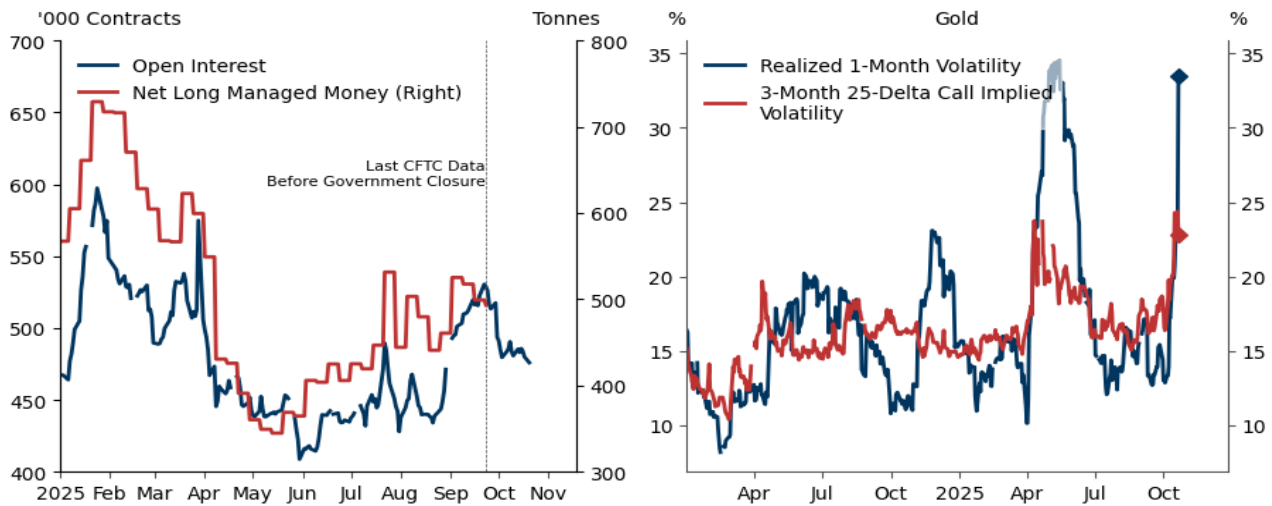


Source: Goldman Sachs Global Investment Research

Despite this structurally strong demand backdrop, gold retraced 6% on Tuesday — mostly during Western hours.² While CFTC net speculative data are unavailable beyond September 23 due to the US government shutdown, the decline in daily COMEX open interest data — a proxy for managed money longs — ([Exhibit 3, Left Panel](#)) and some correction in call option pricing ([Exhibit 3, Right Panel](#)) (even as realized volatility moved sharply higher) suggest that speculators likely trimmed some exposure during the reversal ([Exhibit 3](#)). Many traders expressed bullish gold views through leveraged exotic call structures designed to profit from a gradual grind higher, rather than sharp, volatile moves. For example, some near-term calls were cheaper because they included knockout barriers — clauses that void the option if volatility or price swings exceed a set threshold. The violent price action over the past few days likely triggered many of those knockouts. As a result, dealers — who had sold calls to meet the earlier wave of call demand and hedged by buying gold futures — may have started to sell those futures, amplifying the gold price pullback.

² SHFE announced that it will adjust the margin ratios and day limit for gold and silver futures trading starting from the settlement after market close on October 21. Yet, the gold price pullback did not occur during Asian hours, and the SGE premium in fact spiked on October 21.

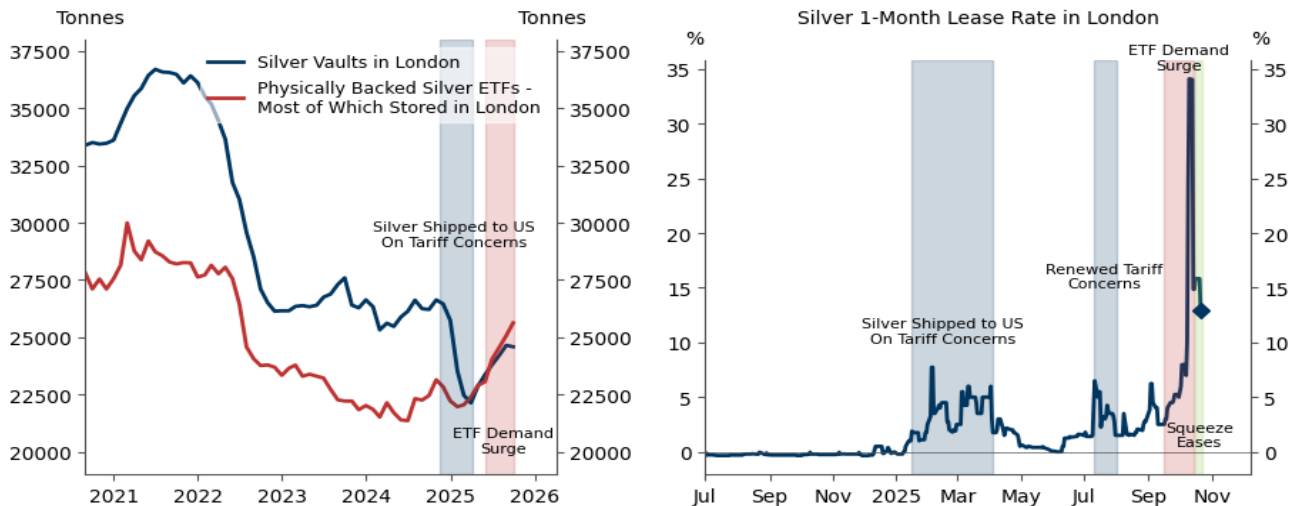
Exhibit 3: Daily COMEX Open Interest Data and Call Option Pricing Suggest that Speculators Likely Trimmed Some Exposure During the Reversal



Source: Bloomberg, Goldman Sachs Global Investment Research

We think this pullback partly reflects a spillover from silver, down 11% since Friday. A sharp decline in silver lease rates in London over the past few days suggests that the locational squeeze in London (which had amplified silver's prior rally) is being resolved, with regional price differences attracting more metal to London (Exhibit 4). Silver prices reversed sharply, likely prompting cross-metal unwinds that pulled gold lower — both through a pullback in speculative positions and retail ETF holdings.³

Exhibit 4: A Sharp Decline in Silver Lease Rates in London Over the Past Few Days Suggests that the Locational Squeeze in London (Which Had Amplified Silver's Prior Rally) Weeks Is Being Resolved



Source: LBMA, Bloomberg, Goldman Sachs Global Investment Research

While Bloomberg's aggregate physically backed Western gold ETF index (ETFGTOTL on Bloomberg) shows an increase on October 21, we caution that this may reflect reporting

³ This potentially also triggered dealers — who had sold calls to meet the earlier wave of call demand and hedged by buying gold futures — to sell the futures into a falling market, making the drop sharper.

minutia in the underlying data rather than actual inflows. A closer look at individual ETFs shows that SPDR Gold Shares (GLD) — which accounts for roughly one-third of total holdings — reported zero change, an unlikely outcome on any trading day. Anecdotally, reports of some selling pressure on the ETF side were made, suggesting that a modest drawdown in total gold ETF holdings is plausible.

We maintain our \$4,900/toz target by end-2026, supported by continued central bank demand and renewed investment inflows as the Fed cuts. The speed of recent ETF inflows and client feedback suggest many long-term capital allocators — including sovereign wealth funds, central banks, pension funds, and both private wealth and asset managers — are planning to increase their exposure to gold as a strategic portfolio diversifier. These investors typically operate on multi-quarter approval cycles and multi-year horizons, implying upside risk to our forecast. If such private investors were to seek stores of value outside the financial system amid global macro uncertainty — including fiscal concerns —, even modest reallocations from global bond and equity portfolios could substantially raise prices in the relatively small gold market.

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Reg AC

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