CIO Insights

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Lights at the End of the Tunnel

Finding the Next Catalysts for Gold

17 July 2026

A Recent Survey by the World Gold Council

The Survey Was Conducted Between February 5 and May 19

- **Central Bank Reserves** (Record High): 45% of the 76 central banks surveyed plan to increase their institution's gold holdings over the next year. This is the highest percentage since the survey began in 2018 (up from 43% in 2025).
- **Global Reserves**: 89% of respondents expect total global central bank gold reserves to increase over the next 12 months.
- **Decreasing Holdings**: Only 1% of central banks intend to decrease their gold holdings, while the remaining 54% expect their reserves to stay the same.
- **Crisis Performance** (90%): A near-unanimous majority views gold's lack of default risk and strong performance during crises as primary drivers for holding the asset.
- **Inflation & Value Storage** (84%): Gold is evaluated as a reliable long-term store of value and an effective hedge against inflation.
- **Portfolio Diversification** (83%): Gold is actively used to balance risk, especially as interest rate policies fluctuate globally.
- **Geopolitical Hedging**: Sanctions exposure and escalating global tensions are steering reserve managers away from single-currency vulnerabilities.

Source: KGI

Gold Was Risky Due to Heavy Retail Involvement

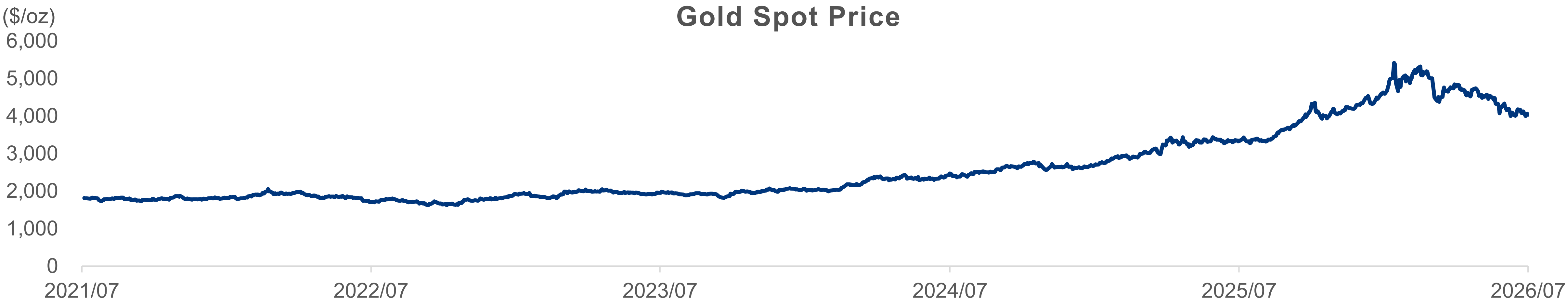
However, the Focus of Retail Investors Has Shifted

- The previously risky nature of gold was driven by heavy retail participation. **Retail investors have now shifted their focus toward global AI trades.** As a **hedge against any potential correction in the financial markets**, **there could be a flight to safety in gold**, especially if the Federal Reserve needs to lower interest rates to maintain market liquidity. Consequently, a weaker US dollar would benefit the demand for gold.
- **There is potential for the revaluation of US gold reserves to partially back US Treasuries**. While it is impractical to assume all US Treasuries can be backed by gold, the mere option of doing so provides long-term demand support for the metal.
- **After a nearly 20% correction in gold prices year-to-date, China has accelerated its gold purchases.** It is also implementing measures to restrict speculative activities, allowing the market to reveal a 'clean price' signal for gold.
- Conclusion: We believe gold prices will undergo a period of consolidation in the short term, driven by rising inflationary pressures and a strong US dollar in 2026. However, once we enter the CPI normalization phase in the **first quarter of 2027**, the precious metal should begin to perform strongly.

Source: KGI

Heavy Retail Participation Has Shifted from to AI Trades

This Has Partially Restored the Safe-Haven Nature of Gold



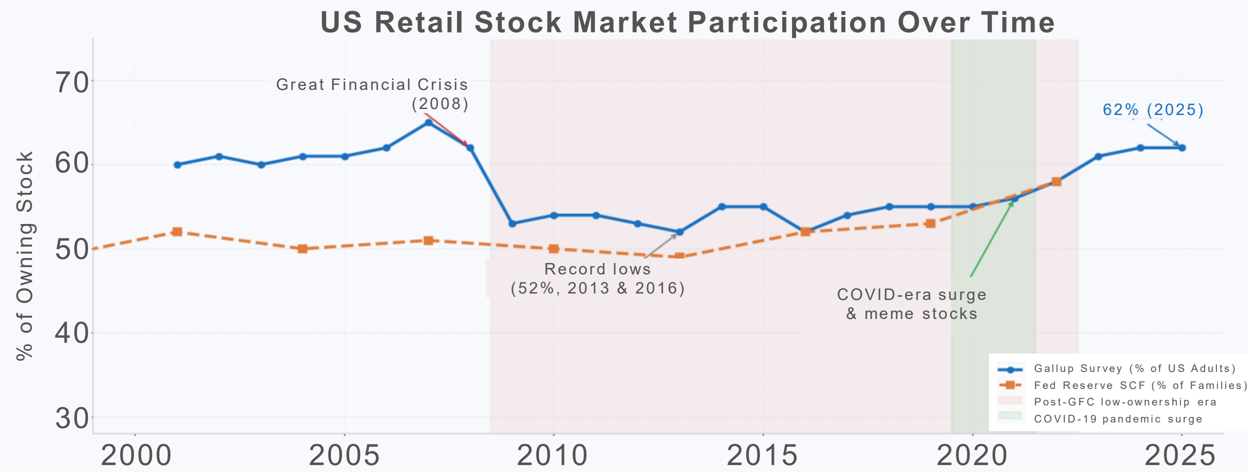
- Gold experienced unprecedented volatility between 2025 and 2026, transitioning from a traditional safe-haven asset to a highly correlated risky asset. After surging from $3,500 in mid-2025 to an all-time high of $5,589 in January 2026, the metal has since corrected sharply to the $4,000 level.
- We analyze the drivers behind this volatility and the systemic risks posed by: 1) the concentrated AI trade; 2) the theoretical framework for US gold revaluation; and 3) the divergent gold policies emerging from China.
- The Core Thesis: Any correction in the leveraged AI trade and the resulting lower interest rate environment will restore gold's primary role as the ultimate safe-haven asset.

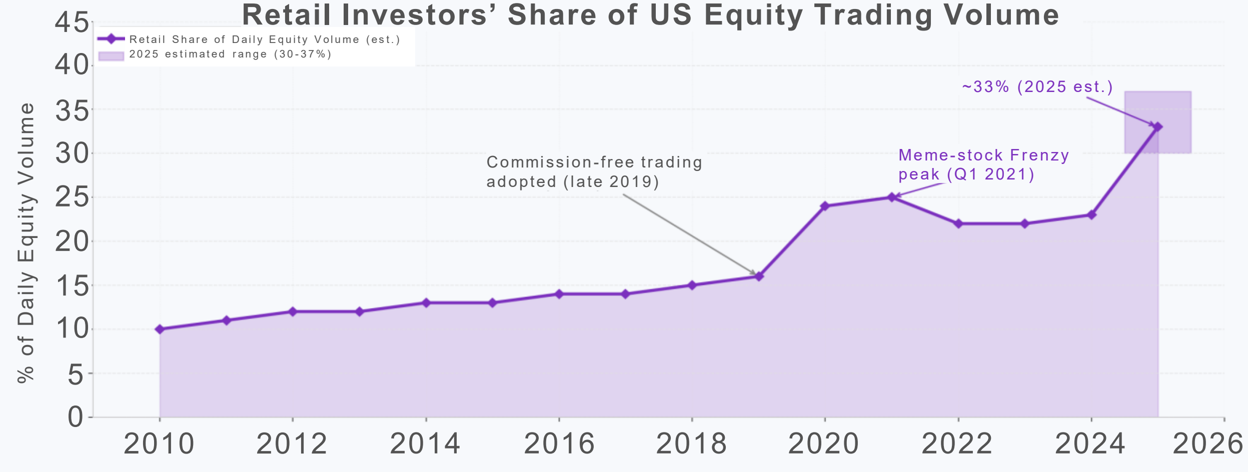
Source: Bloomberg, KGI

Crowded Trade in AI and “Deep-Pocket” for Profit-Take

Flight to Hard Commodities as Safe-Haven Assets

- Markets have become highly concentrated around AI-related leaders; in 2025 and 2026, the top 10 S&P 500 stocks accounted for approximately 38% of the index.
- This concentration increases systemic vulnerability—a sharp correction could trigger broad risk repricing and widespread asset reallocation.
- Any major corrections in the financial markets would destabilize the banking system and undermine confidence in financial instruments.
- A flight to hard commodities is expected during any major market correction. While this is not the base-case scenario, it is considered a potential catalyst for a revival in demand, particularly from retail investors.





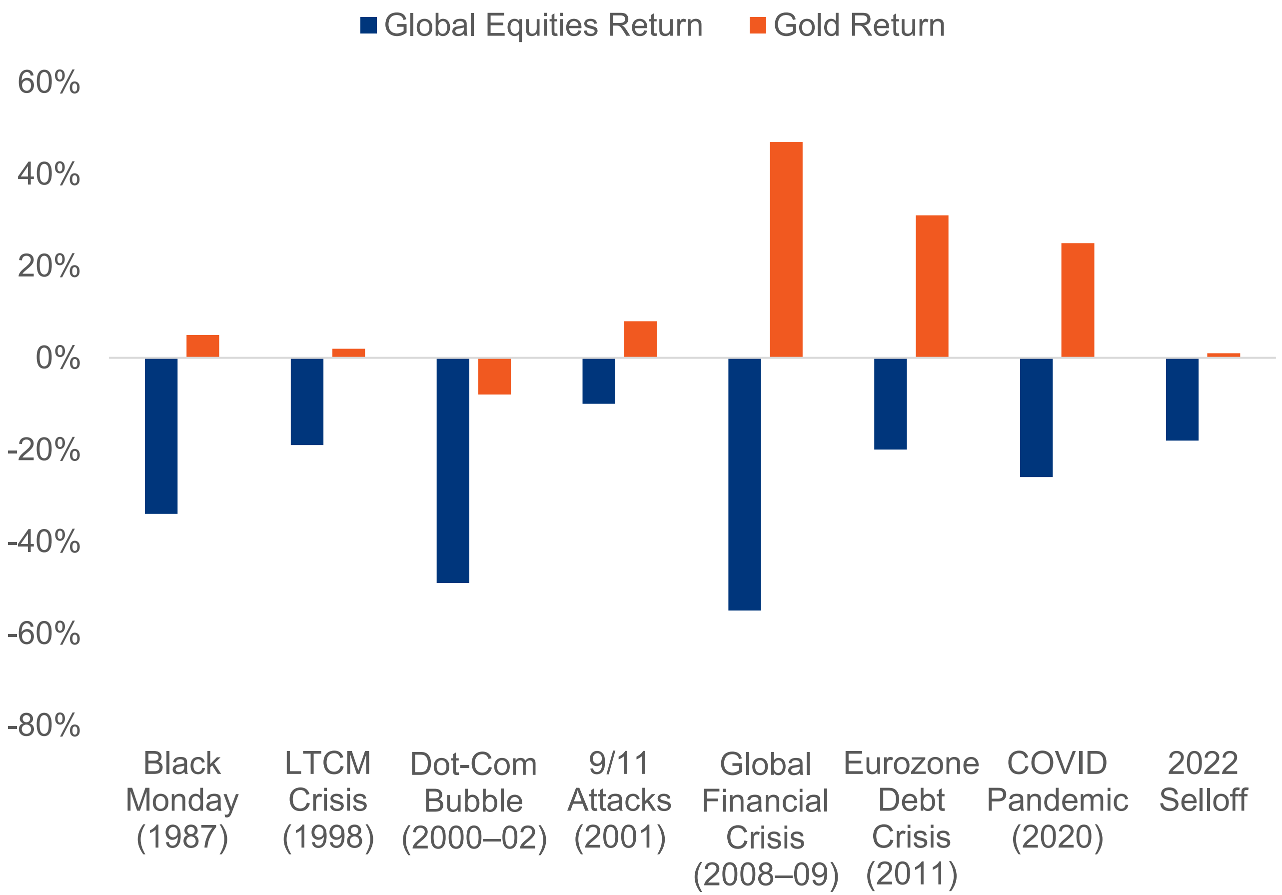
Sources: Gallup Economy & Personal Finance Survey (2001–2025) | Federal Reserve Survey of Consumer Finances (1989–2022) | MEMX Retail Trading Insights (2025) | Cboe Market Analysis (2024) | Einhorn, Fisch et al. 'The Retail Investor Report' | Barclays Private Bank (2026)

Source: KGI

Historical Precedent: Crises and the Flight to Gold

Key Assumption: The Fed is Willing to Lower Interest Rates to Maintain Market Liquidity

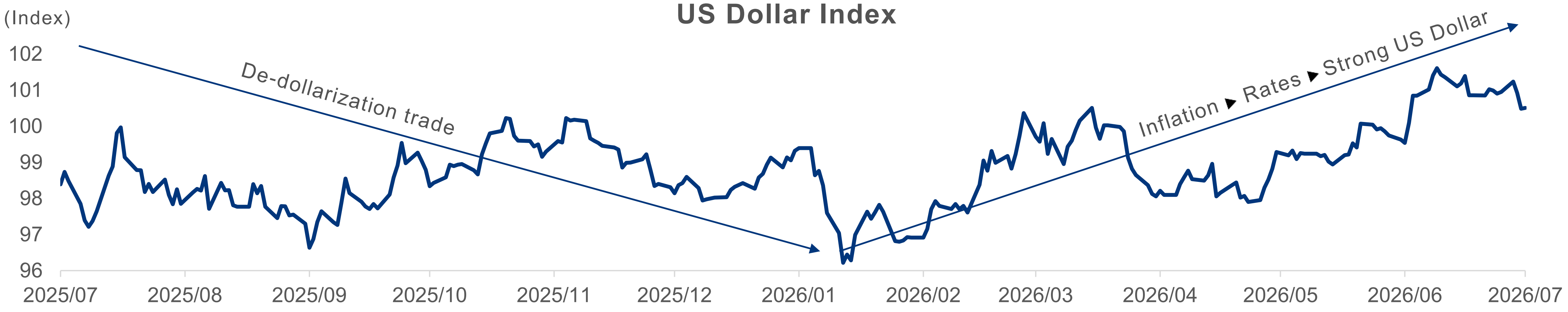
- During periods of acute financial distress, capital consistently seeks refuge in gold. Although brief, liquidity-driven drawdowns can initially occur, gold typically recovers quickly and outperforms equities.
- During the 2008–2009 GFC, global equities plummeted by over 50%, while gold surged by 47%. Similar outperformance was observed during the Eurozone debt crisis and the COVID-19 pandemic.
- The most important transmission mechanism is through interest rates. The Federal Reserve is likely to lower interest rates to maintain sufficient liquidity and keep the market afloat. Lower interest rates will, in turn, lead to a weaker US dollar, which is positive for gold.

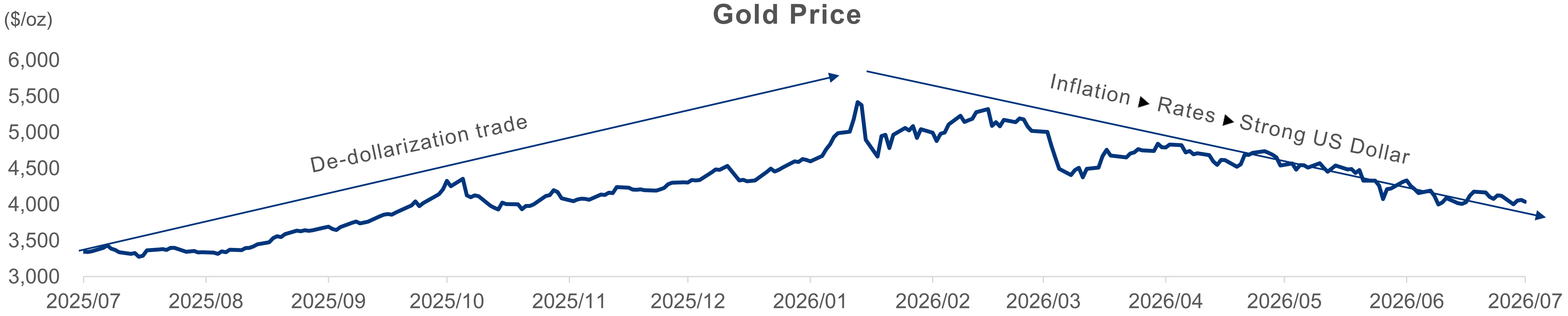


Source: KGI

Interest Rates and the US Dollar Are Crucial to Gold

Lower Rates Reduce the Cost of Holding Non-Yielding Assets Like Gold

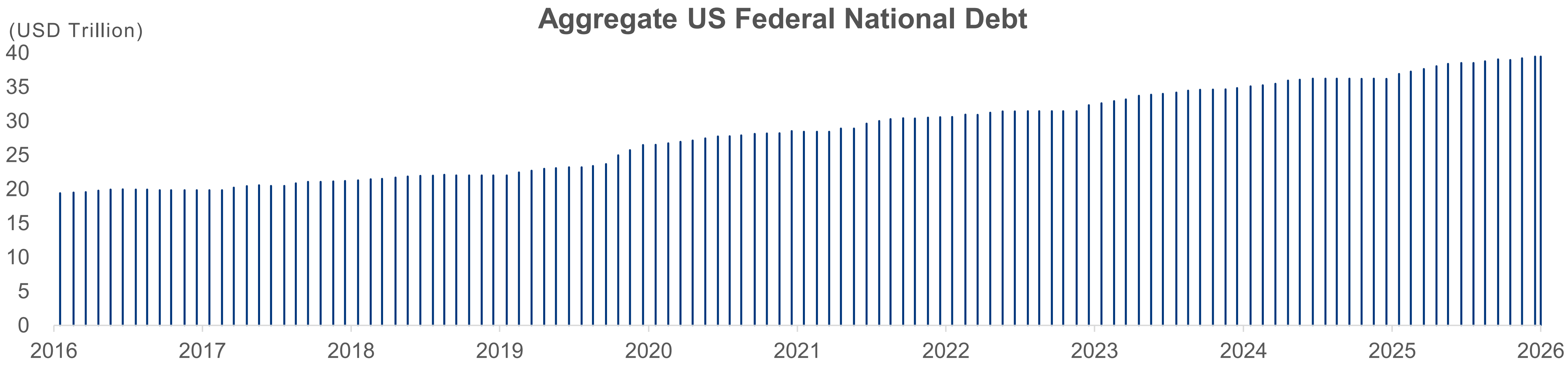




Source: Bloomberg, KGI

The US Debt Challenge

The Concept of Gold Revaluation to Back US Treasuries



- As of May 2026, the total outstanding national debt of the United States reached approximately $39.2 trillion. The US holds the world's largest official gold reserves, totaling 261.5 million troy ounces, primarily stored at the Fort Knox bullion depository. Currently, these reserves are held on the Treasury's balance sheet at a statutory book value of just $42.22 per ounce—a price set in 1973 that remains unchanged despite decades of market appreciation—amounting to a total value of $1.1 billion.
- A potential solution to partially address the US debt issue is the revaluation of US gold reserves to partially back outstanding Treasuries, generate accounting capital, and restore confidence in the sovereign balance sheet.

Source: Bloomberg, KGI

The Mechanics and Legal Basis of Gold Revaluation

- There is clear historical and legal precedent for the US government utilizing gold revaluation to manage its balance sheet. **The Gold Reserve Act of 1934 allowed the government to revalue gold** from \$20.67 to \$35 per ounce. The resulting accounting increment was used to capitalize the Exchange Stabilization Fund (ESF), demonstrating how revaluation can create usable sovereign capital.
- Under current law, the Treasury Secretary cannot unilaterally change the statutory price of gold; **such a move requires Congressional action.** If authorized, a revaluation to current market prices would instantly increase the stated value of the Treasury's assets. The mechanism involves the Treasury issuing new gold certificates to the Federal Reserve at the higher valuation, with the Fed subsequently crediting the Treasury's general account with the difference.
- At the statutory book value of \$42.22/oz, US gold reserves are valued at only about \$11 billion. This highlights the significant gap between book accounting and market realities. **Even when valued at current market prices (~\$4,100/oz), the reserves amount to approximately \$1.1 trillion.** To fully cover a \$39.2 trillion debt with existing reserves would require an unrealistic gold price of around \$149,000/oz.
- Conclusion: While revaluing gold to \$149,000/oz is highly unrealistic**, the option for the US government to partially back US Treasuries with gold provides long-term bullish support for the metal.**

Source: KGI

China is Curbing Excessive Speculation in Gold

Aiming to Reveal the True Value of Gold Beyond Speculative Activities

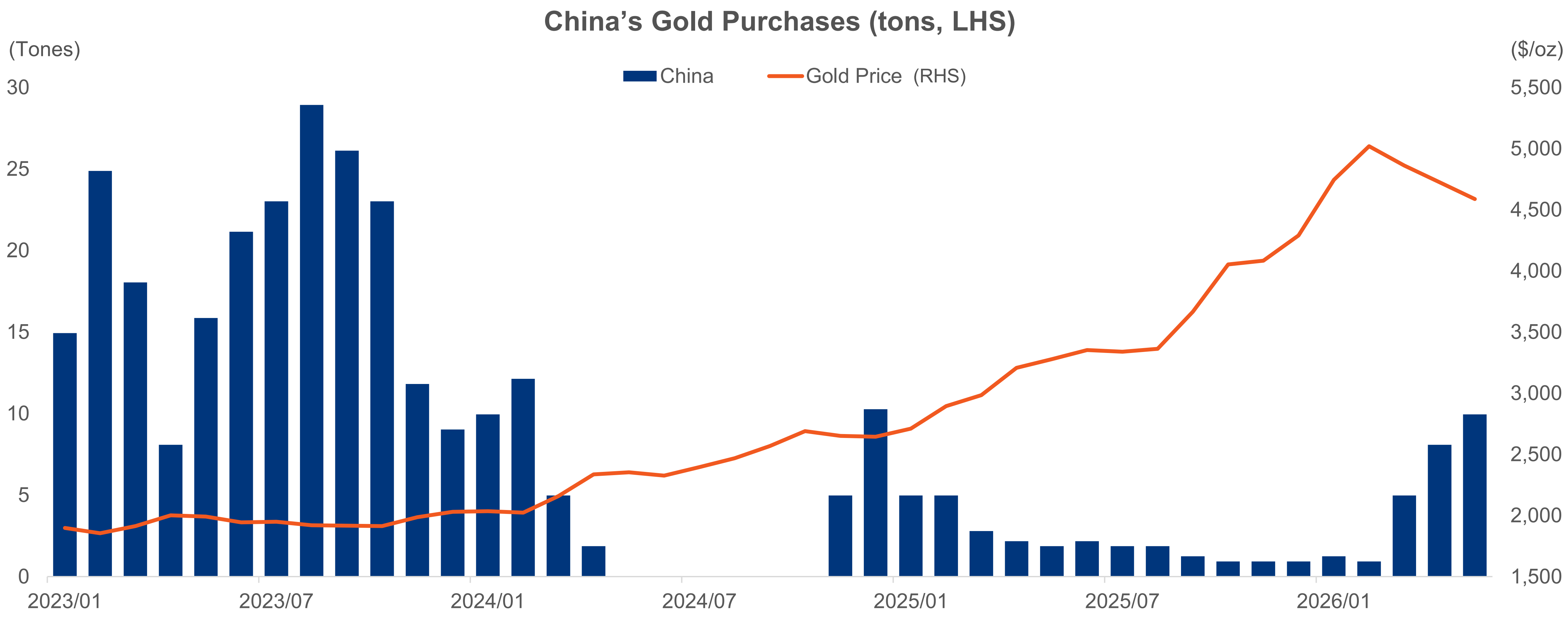
- In mid-2026, several of China's largest state-owned banks simultaneously raised the margin requirements for personal gold and silver deferred trading contracts, signaling a coordinated effort to manage market behavior.
- Margin requirements were aggressively hiked from standard levels of 10%–20% to punitive levels between 120% and 140%.
- This coordinated policy action effectively makes retail participation in paper gold trading prohibitively difficult, forcing speculators out of leveraged positions and driving a shift toward physical price discovery.
- The government claims this measure is primarily intended to protect retail investors from excessive speculation, but it also enables the market to reveal the true underlying value of gold.

Source: KGI

KGI

The Central Bank is Buying on Clearer Market Signals

Without the Interference of Speculative Activities



Source: Bloomberg, KGI

Should You Take Risks with Your Gold ETF?

- Executive Order 6102 (1933) – The Great Gold Seizure: This is the most significant instance of civilian gold confiscation in US history. On April 5, 1933, during the depths of the Great Depression, President Roosevelt signed Executive Order 6102. The Mandate: The order criminalized the "hoarding" of gold coins, gold bullion, and gold certificates within the continental United States. Citizens were given until May 1, 1933, to deliver all but a small amount of their gold to a Federal Reserve bank. The Price: In exchange for their gold, citizens were paid the official state price of $20.67 per troy ounce in paper currency. The Catch: Less than a year later, via the Gold Reserve Act of 1934, the government devalued the US dollar by legally changing the official price of gold from $20.67 to $35.00 per ounce. This effectively meant the government wiped out over 40% of the purchasing power of the paper money it had just forced citizens to accept, while instantly increasing the value of the gold on the government’s balance sheet.

- To achieve true jurisdictional diversification from the US system, an asset must pass three filters: 1. Non-US Vaulting: The gold must physically sit in a stable sovereign territory outside the US (e.g., Switzerland, Singapore, or the UK). 2. Non-US Fund Domicile: The ETF itself should be incorporated outside the US (e.g., Ireland, Jersey, or Switzerland), meaning it answers to local foreign regulators, not the SEC or the US Treasury. 3. Non-US Custodian Bank: The bank guarding the assets should not be a US institution (e.g., utilizing UBS or Zürcher Kantonalbank instead of JPMorgan).

Source: KGI

Selected Gold ETF Out of the US Jurisdiction

Name	Ticker	Exchange	Domicile	Vault Location	Vault Provider(s)	Custodian Bank	Custodian Nationality
ChinaAMC Digital Gold ETF	3418.HK	HKEX	Hong Kong	Hong Kong	HKIA Precious Metals Depository + Malca-Amit Far East	Standard Chartered	UK
CSOP Gold ETF	3030.HK	HKEX	Hong Kong	Hong Kong	HKIA Precious Metals Depository + Brink’s HK	HSBC	UK
Hang Seng Gold ETF	3170.HK	HKEX	Hong Kong	Hong Kong	HKIA Precious Metals Depository + Brink’s HK	HSBC	UK
Value Gold ETF	3081.HK	HKEX	Hong Kong	Hong Kong	HKIA Precious Metals Depository	HKIA Depository / HSBC	HK / UK
LionGlobal SG Physical Gold ETF	GLS.SI	SGX	Singapore	Singapore	Le Freeport, Singapore	Standard Chartered	UK
Swisscanto (CH) Gold ETF	ZGLD.SW	SIX	Switzerland	Switzerland	Zürcher Kantonalbank (ZKB) vault, Zurich	Zürcher Kantonalbank	Switzerland

Source: KGI

Investment Strategies

- **KGI View:** We expect limited upside for gold over the next few months, as the US dollar is likely to remain strong ahead of anticipated elevated inflation numbers and potential increases in the Fed Funds Rate. Upside is expected to materialize in the first quarter of 2027 as CPI inflation begins to normalize.

- **Implementation Strategy 1: Covered-Call Strategy.** This strategy is applicable to investors who already hold gold or a gold ETF. Given the limited near-term upside potential, but assuming gold remains a core portfolio holding, we recommend investors write the same notional amount of calls against their core position. This yield-enhancing strategy involves sacrificing short-term upside potential on gold.

- **Implementation Strategy 2: Fixed Coupon Note (FCN) on a Gold ETF.** While there is little debate regarding the role of gold in a core portfolio, a discounted entry price should provide a better upside profile over the long term. Are there potential external factors that could make gold unattractive at lower prices? Yes – if inflation becomes a sustainable phenomenon for at least the next few years (which is not our house view), it would erase the positive catalysts for gold. Assuming we do not hold this view, we believe an FCN on gold is a solid strategy to implement our outlook on the metal.

Source: KGI

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