Enhancing gold exposure for non-USD investors

Published 11 June 2025

Nitesh Shah
Head of Commodities and Macroeconomic Research, WisdomTree Europe

Key Takeaways

- The US dollar has weakened after a period of strong appreciation.
- Dollar movements significantly impact gold prices in USD terms.
- Non-USD investors may miss gains due to adverse currency effects.
- Currency hedging gold can help EUR and GBP investors boost returns.

After a prolonged appreciation comes a depreciation phase for the US dollar

The US dollar basket appreciated significantly between May 2021 and September 2022, rising by 25% as the Federal Reserve (Fed) led the global monetary tightening cycle. However, from September 2022 to October 2024, the dollar mostly depreciated within a range, falling around 10%. A sharp rebound followed, with the dollar gaining 10% between October 2024 and January 2025. This surge was driven by the perception that the US economy was on a stronger footing than its peers, reducing expectations of imminent monetary easing by the Fed—supporting dollar strength.

The appreciation accelerated following Donald Trump's victory in the November 2024 US presidential election. Markets anticipated pro-growth, low-tax policies would further boost the economy. However, since January 2025, the dollar has weakened considerably, with the dollar basket now trading well below its October 2024 trough. Much of the earlier optimism surrounding Trump's policies has eroded, particularly amid rising concerns about demand destruction stemming from an escalating trade war. The dollar basket is now down nearly 10% from its January 2025 peak.

Figure 1: US dollar basket (DXY)



Source: WisdomTree, Bloomberg. January 2020 – April 2025. Monthly data. Dollar Basket (DXY) is a measure of the value of the US dollar against a basket of currencies (Euro, Swiss franc, Japanese Yen, Canadian Dollar, British Pound and Swedish krona). **Historical performance is not an indication of future performance and any investments may go down in value.**

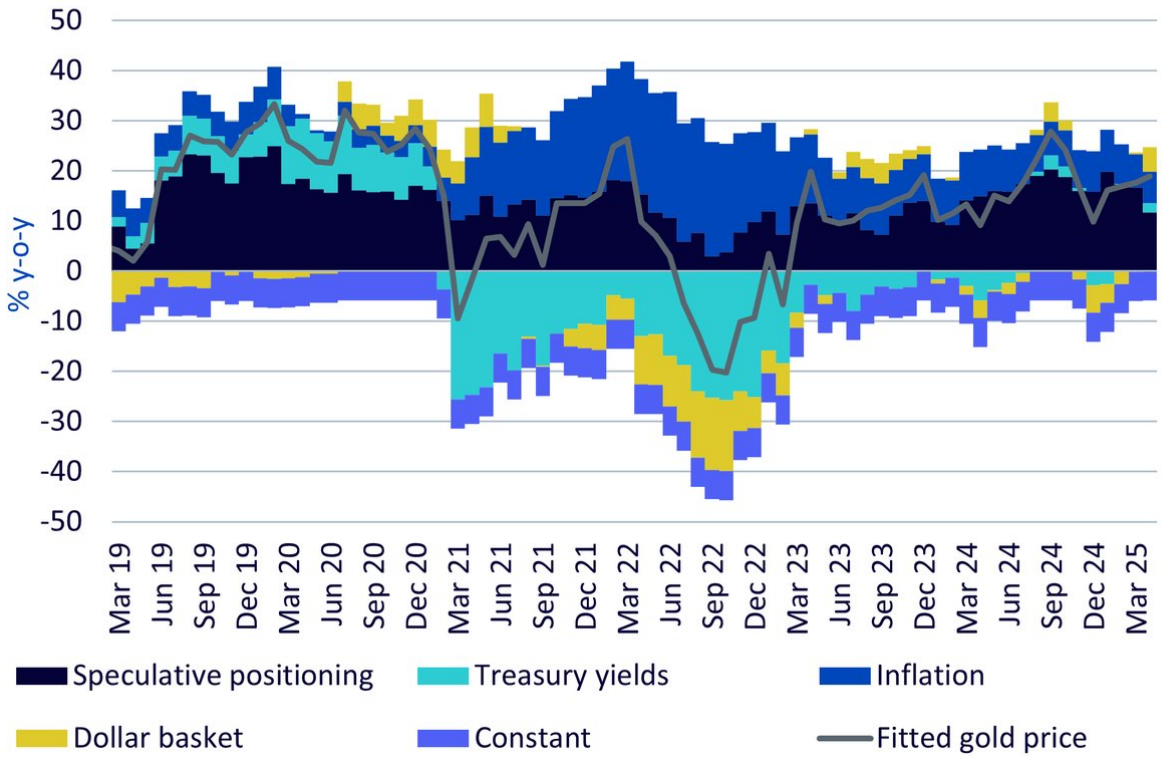
Market outlook: further dollar weakness expected

Market sentiment suggests further dollar weakness. According to Bloomberg's survey of foreign exchange analysts, the dollar basket is expected to decline from its current level of 100 to 97.6 by Q1 2026. Forward markets also indicate euro appreciation against the dollar, with the EUR/USD exchange rate projected to rise from 1.13 to 1.16 over the same period.

US dollar and gold

The US dollar exchange rate is a key driver of gold price behaviour in dollar terms. Our proprietary gold model shows that the dollar's appreciation during 2021–2022 significantly weighed on gold performance. In contrast, dollar depreciation in 2023 contributed positively to gold prices. More recently, in March and April 2025, renewed dollar weakness once again supported gold gains.

Figure 2: Gold price attribution

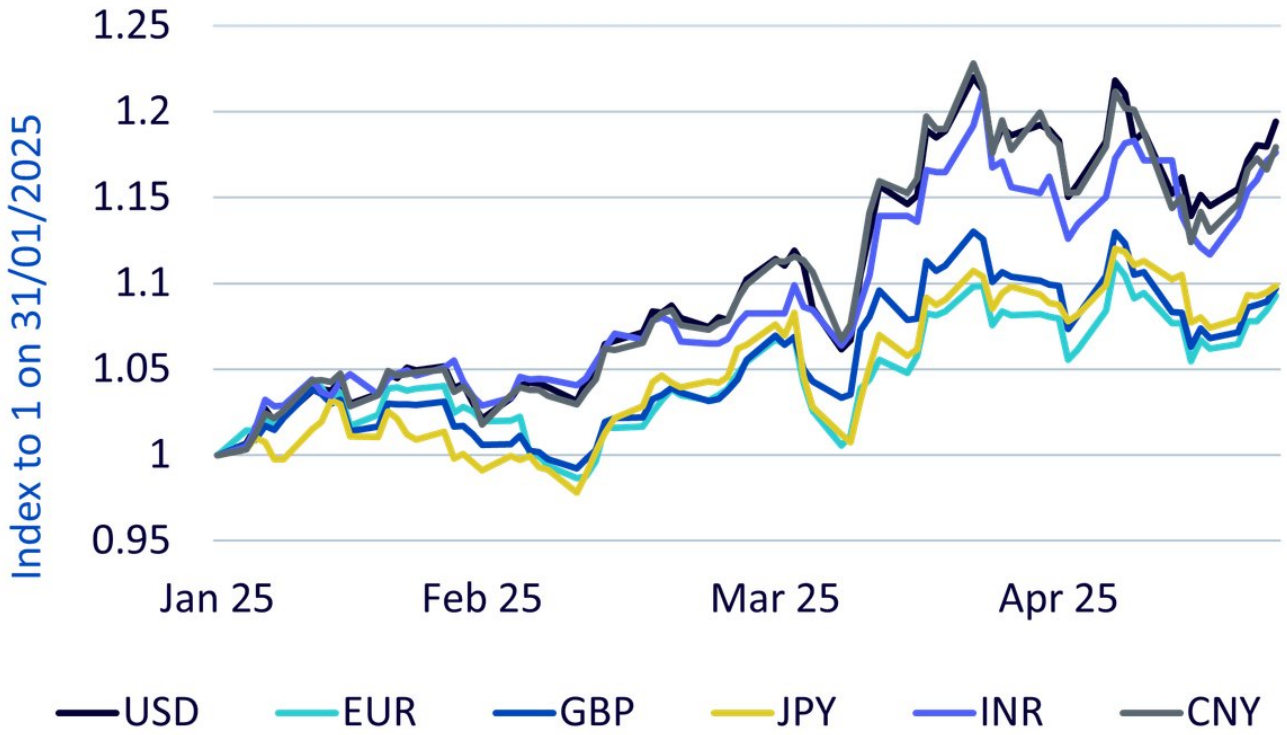


Source: Bloomberg, WisdomTree price model, data as of April 2025. Fitted gold price is growth in gold price (year-on-year) expected by the model. The bars represent the components of the model. Speculative positioning is net non-commercial positioning in gold futures markets (that is, netting shorts away from long positions as reported by the Commodity Futures Trading Commission). Treasury yields is the nominal yield to maturity on a 10-year US Treasury Bond. Inflation is the annual growth of the US Consumer Price Index. **Historical performance is not an indication of future performance and any investments may go down in value.**

Capturing all gold gains for a non-USD investor

For investors managing portfolios in non-USD currencies, gains from gold's appreciation due to dollar depreciation can be elusive—especially if the dollar is weakening against their home currency. As illustrated in the chart below, gold's strongest performance has been in USD terms. In contrast, gold priced in EUR and GBP has appreciated only about half as much.

Figure 3: Gold performance in various currencies



Source: WisdomTree, Bloomberg. 1 January 2025 – 23 May 2025. Daily data. **Historical performance is not an indication of future performance and any investments may go down in value.**

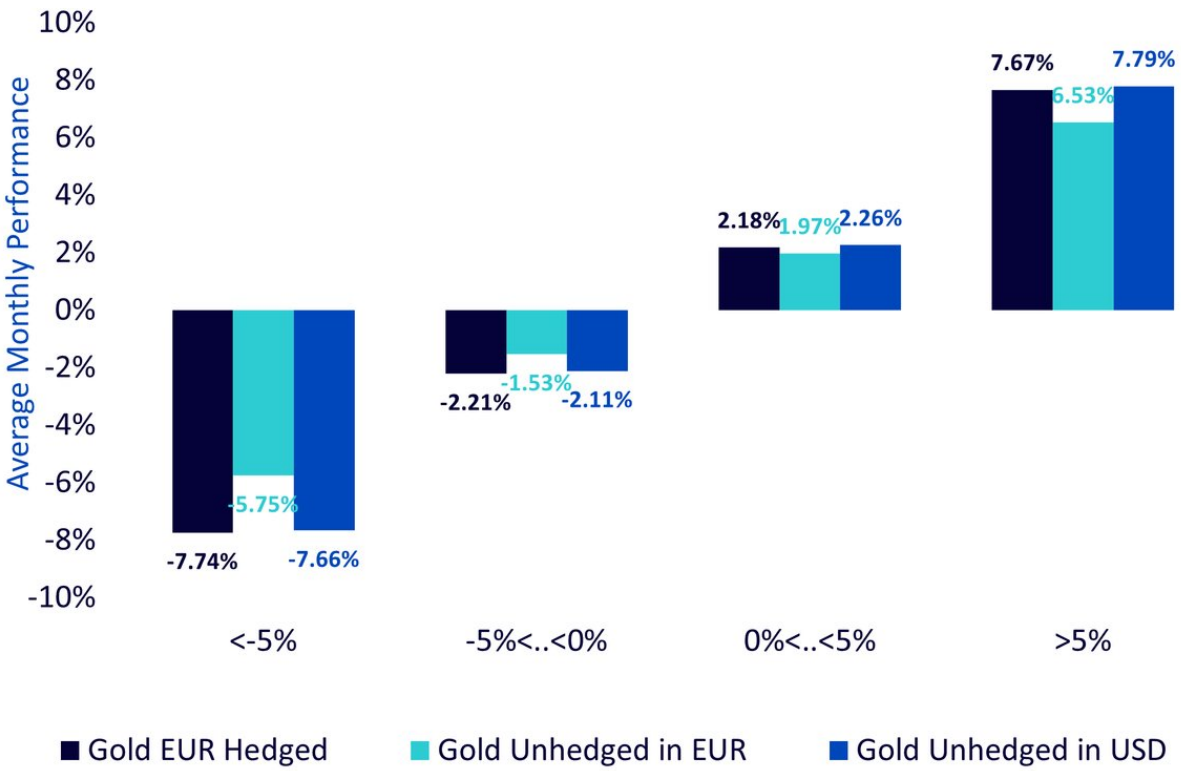
Investors managing portfolios in EUR or GBP can enhance returns by using currency-hedged gold products. Currency hedging allows them to benefit more directly from gold price movements, without the drag from adverse currency shifts.

Historically, currency hedging has helped investors capture more of gold's upside:

In EUR terms, since 2004, during months when gold prices rose more than 5%:

- Unhedged EUR gold exposure increased by 6.53% on average.
- USD gold increased by 7.79%, creating a gap of 1.26%.
- Currency-hedged EUR gold exposure rose 7.67%, narrowing the gap to just 0.12%.

Figure 4: Historic performance of gold, hedged and unhedged, EUR

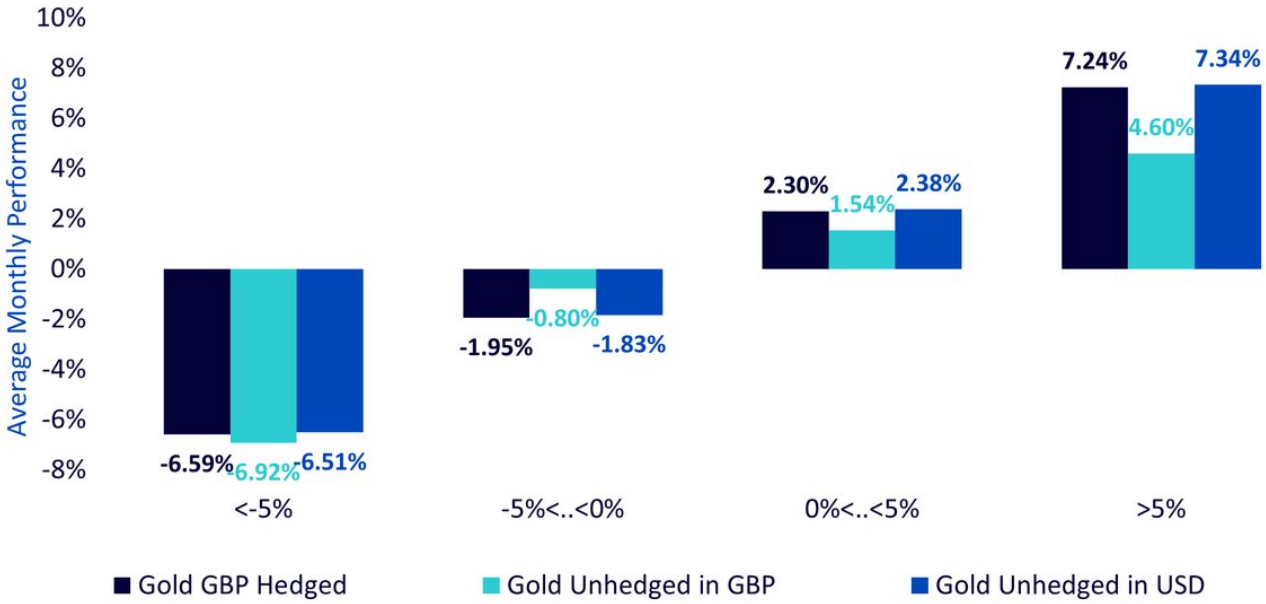


Source: WisdomTree, Bloomberg. December 2003 – April 2025. Monthly data. **Historical performance is not an indication of future performance and any investments may go down in value.**

In GBP terms, since 2016, during similar gold surges:

- Unhedged GBP gold exposure increased by 4.60% on average.
- USD gold rose by 7.34%, a gap of 2.74%.
- Currency-hedged GBP gold exposure gained 7.24%, reducing the gap to just 0.10%.

Figure 5: Historic performance of gold, hedged and unhedged, GBP



Source: WisdomTree, Bloomberg. December 2016 – April 2025. Monthly data. **Historical performance is not an indication of future performance and any investments may go down in value.**

Important Risks Related to this Article

IMPORTANT INFORMATION

Marketing communications issued in the European Economic Area ("EEA"): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland. **Marketing communications issued in jurisdictions outside of the EEA:** This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority. WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as "WisdomTree" (as applicable). Our Conflicts of Interest Policy and Inventory are available on request. This marketing communication has been prepared for professional investors, but the WisdomTree products set out in this document may be available in some jurisdictions to any investors, subject to applicable laws and regulations. As the product may not be authorised or its offering may be restricted in your jurisdiction, it is the responsibility of every person or entity to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction. Prior to any application investors are advised to take all necessary legal, regulatory, tax and investment advice on the suitability and consequences of an investment in the products. Past performance is not a reliable indicator of future performance. Any historical performance included in this document may be based on back testing. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested performance is purely hypothetical and is provided in this document solely for informational purposes. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. The value of any investment may be affected by exchange rate movements. Any decision to invest should be based on the information contained in the appropriate prospectus and affer seeking independent investment, tax and legal advice. These products may not be available in your market or suitable for you. The content of this document does not constitute investment advice nor an offer for sale nor a solicitation of an offer to buy any product or make any investment. An investment in exchange-traded products ("ETPs") is dependent on the performance of the underlying index, less costs, but it is not expected to match that performance precisely. ETPs involve numerous risks including among others, general market risks relating to the relevant underlying index, credit risks on the provider of index swaps utilised in the ETP, exchange rate risks, interest rate risks, inflationary risks, liquidity risks and legal and regulatory risks. The information contained in this document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares in the United States or any province or territory thereof, where none of the issuers or their products are authorised or registered for distribution and where no prospectus of any of the issuers has been filed with any securities commission or regulatory authority. No document or information in this document should be taken, transmitted or distributed (directly or indirectly) into the United States. None of the issuers, nor any securities issued by them, have been or will be registered under the United States Securities Act of 1933 or the Investment Company Act of 1940 or qualified under any applicable state securities statutes. This document may contain independent market commentary prepared by WisdomTree based on publicly available information. Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or

guarantee its accuracy or correctness. Any third party data providers used to source the information in this document make no warranties or representation of any kind relating to such data. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents. This document may contain forward looking statements including statements regarding our belief or current expectations with regards to the performance of certain assets classes and/or sectors. Forward looking statements are subject to certain risks, uncertainties and assumptions. There can be no assurance that such statements will be accurate and actual results could differ materially from those anticipated in such statements. WisdomTree strongly recommends that you do not place undue reliance on these forward-looking statements. Jersey ETCs Issuer The products discussed in this document are issued by WisdomTree Hedged Metal Securities Limited (the "Issuer"). The Issuer is regulated by the Jersey Financial Services Commission. Investors should read the prospectus of the Issuer before investing and should refer to the section of the prospectus entitled 'Risk Factors' for further details of risks associated with an investment in the securities offered by the Issuer. WisdomTree Hedged Metal Securities Limited

Securities issued by the Issuer are direct, limited recourse obligations of the Issuer alone and are not obligations of or guaranteed by any of Morgan Stanley & Co International plc, Morgan Stanley & Co. LLC and JP Morgan Chase Bank, N.A. any of their affiliates or anyone else or any of their affiliates. Each of Morgan Stanley & Co International plc, Morgan Stanley & Co. LLC and JP Morgan Chase Bank, N.A. disclaims all and any liability whether arising in tort, contract or otherwise which it might have in respect of this document or its contents otherwise arising in connection herewith. The Morgan Stanley Indices are the exclusive property of Morgan Stanley & Co. LLC ("Morgan Stanley"). Morgan Stanley and the Morgan Stanley index names are service mark(s) of Morgan Stanley or its affiliates and have been licensed for use for certain purposes by WisdomTree Management Jersey Limited in respect of the securities issued by the Issuer. The securities issued by the Issuer are not sponsored, endorsed, or promoted by Morgan Stanley, and Morgan Stanley bears no liability with respect to any such financial securities. The prospectus of the Issuer contains a more detailed description of the limited relationship Morgan Stanley has with the Issuer and any related financial securities. No purchaser, seller or holder of securities issued by the Issuer, or any other person or entity, should use or refer to any Morgan Stanley trade name, trademark or service mark to sponsor, endorse, market or promote this product without first contacting Morgan Stanley to determine whether Morgan Stanley's permission is required. Under no circumstances may any person or entity claim any affiliation with Morgan Stanley without the prior written permission of Morgan Stanley. For Investors in Switzerland This document constitutes an advertisement of the financial product(s) mentioned herein. In Switzerland, this communication is only targeted at Qualified Investors. The prospectus and the key investor information documents (KID) are available from WisdomTree's website: https://www.wisdomtree.eu/en-ch/resource-library/prospectus-and-regulatory-reports For investors in Monaco This communication is only intended for duly registered banks and/or licensed portfolio management companies in Monaco. This communication must not be sent to the public in Monaco.