Market Insight

Gold Outlook to Q2 2027: A healthy reset provides a constructive backdrop

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WisdomTree.eu
+44 (0) 207 448 4330

Gold has undergone a remarkable reversal during the first half of 2026. After reaching an intraday record high of US$5,595/oz on 29 January, prices corrected sharply and, at the time of writing in early July, are trading below where they began the year.

While the magnitude of the correction has unsettled investors, we view it as a healthy reset rather than the end of the structural bull market. The extraordinary valuation premium that developed during the 2025–26 rally has largely been unwound, leaving gold much closer to our estimate of fair value. Consequently, we expect the next phase for gold to be driven primarily by macroeconomic fundamentals rather than exceptional investor demand.

Applying Bloomberg consensus forecasts for inflation, Treasury yields and the US dollar to our valuation model indicates a gold price of approximately US$4,563/oz by Q2 2027.

Gold has undergone a healthy reset

Gold experienced one of its sharpest reversals in recent years during the first half of 2026. After climbing to successive record highs through January, the market corrected aggressively over the following months. Although the decline has been substantial, we believe it represents a normalisation of valuations following an exceptional rally.

Several factors contributed to the correction.

First, the nomination of Kevin Warsh as the next Chair of the Federal Reserve (Fed) restored confidence in the independence of US monetary policy. Earlier concerns that the White House would appoint a more politically aligned Chair had supported a significant risk premium in gold. As those fears subsided, part of that premium unwound.

Second, the outbreak of conflict with Iran initially generated selling pressure in gold as the metal was used as a highly liquid source of cash to meet emergency funding requirements. Although geopolitical uncertainty often supports gold over the medium term, acute liquidity events can temporarily produce the opposite effect.

Third, demand from several of the new structural buyers that had driven the previous rally moderated noticeably. Purchases through Chinese and Indian exchange-traded products (ETPs) slowed, while our estimates suggest that Tether's accumulation of gold also eased significantly.

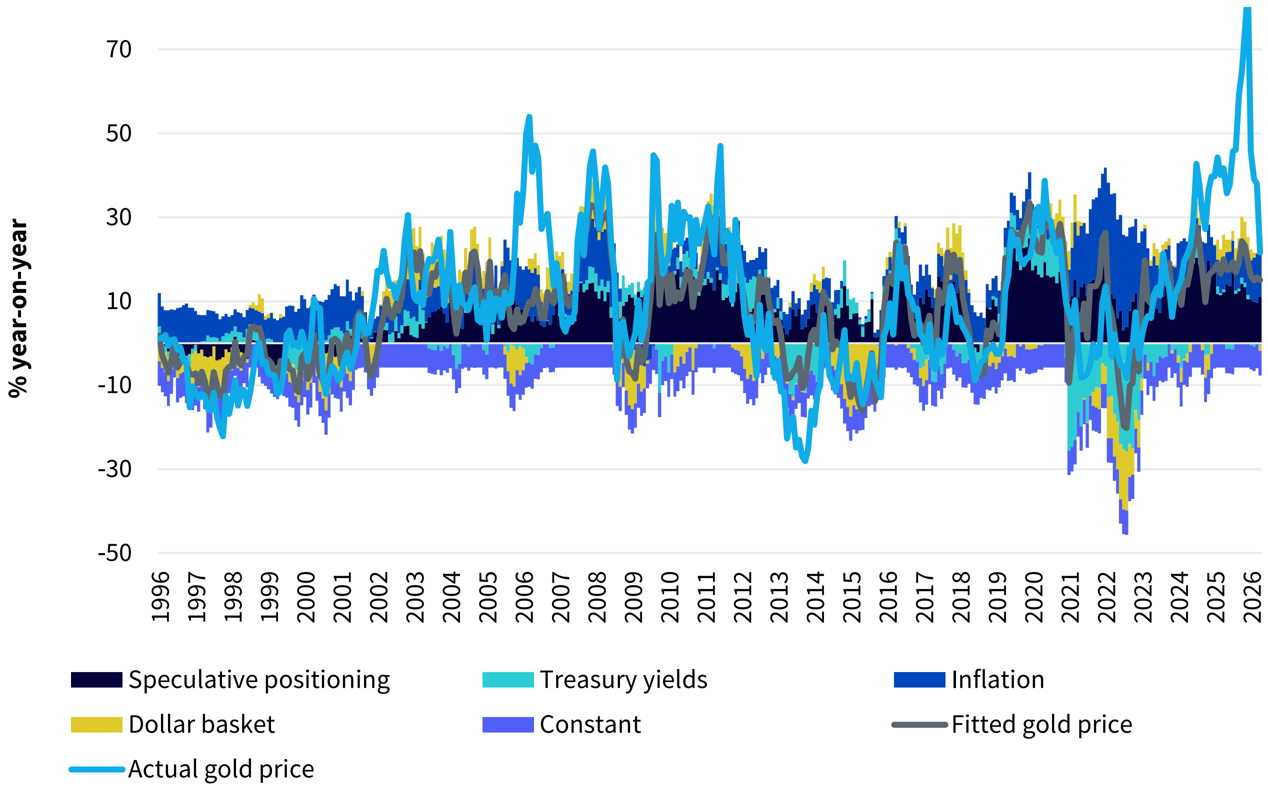
The valuation premium has largely disappeared

In our previous outlooks we highlighted the unusually wide gap that had opened between our model-implied fair value for gold and the observed market price[1]. We argued that the divergence reflected demand from a new cohort of buyers, including Asian investment vehicles and Tether, whose purchases were sufficiently large to move prices beyond what could be explained by traditional macroeconomic variables.

Following the correction in the first half of 2026, that valuation premium has largely disappeared.

1. For a description of our model please refer to The investment case for gold.

Figure 1: Gold price attribution



Source: Bloomberg, WisdomTree Gold Price Model, data as of June 2026.The fitted gold price is the price the model would have forecast. The constant does not have economic meaning but is used in econometric modelling to capture other terms. It can be thought of as how much gold prices would change if all other variables are set to zero (although that would be unrealistic). **Historical performance is not an indication of future performance, and any investments may go down in value.**

The narrowing of this gap materially increases our confidence that gold is once again trading close to fair value. While prices can always deviate from fundamentals for extended periods, the excess valuation that characterised much of the 2025–26 rally has largely been eliminated.

This is an important change. Rather than relying on further expansion of valuation multiples, future returns are now more likely to depend on the evolution of macroeconomic fundamentals.

Gold returns to being a macro story

With valuations normalised, our outlook once again centres on the macroeconomic variables that have historically explained most of the variation in gold prices.

Gold may face intermittent headwinds in the near term as markets continue to reassess the outlook for US monetary policy. The latest Federal Open Market Committee (FOMC) projections and accompanying communications were interpreted as signalling a somewhat more hawkish Fed, leading futures markets to price rate hikes as early as September.

In our view, that repricing appears somewhat overdone.

Assuming the memorandum of understanding between the United States and Iran holds and tensions continue to ease, energy market pressures should gradually diminish. This would reduce inflationary pressures and most likely keep inflation from moving away from the Fed's target.

While the labour market remains a supportive force for the economy, it appears less robust than implied by the latest FOMC projections. Recent non-farm payroll data showed more moderate employment gains alongside downward revisions to previous months, suggesting that economic momentum is not in danger of overheating.

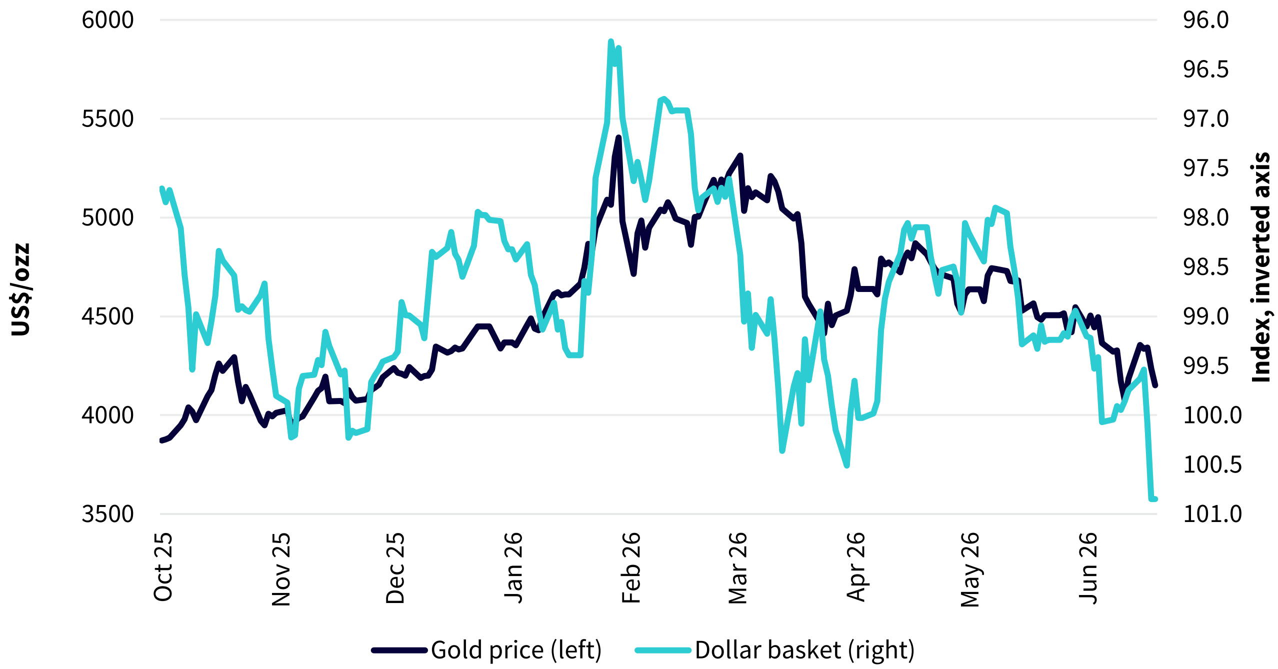
Bloomberg's survey of professional economists illustrates this expected moderation. Consensus forecasts anticipate US PCE[2] inflation falling from around 3.9% in Q2 2026 to approximately 2.2% by Q2 2027. If realised, such an environment would be considerably more supportive for gold than current market pricing for monetary policy suggests.

The US dollar remains an important driver

Our attribution analysis indicates that much of gold's weakness during 2026 can be explained by the appreciation of the US dollar.

The dollar strengthened to its highest level in more than a year, benefiting from the United States' relative energy security during the Iran conflict and outperforming many other traditional safe-haven currencies.

Figure 2: Gold and US dollar basket

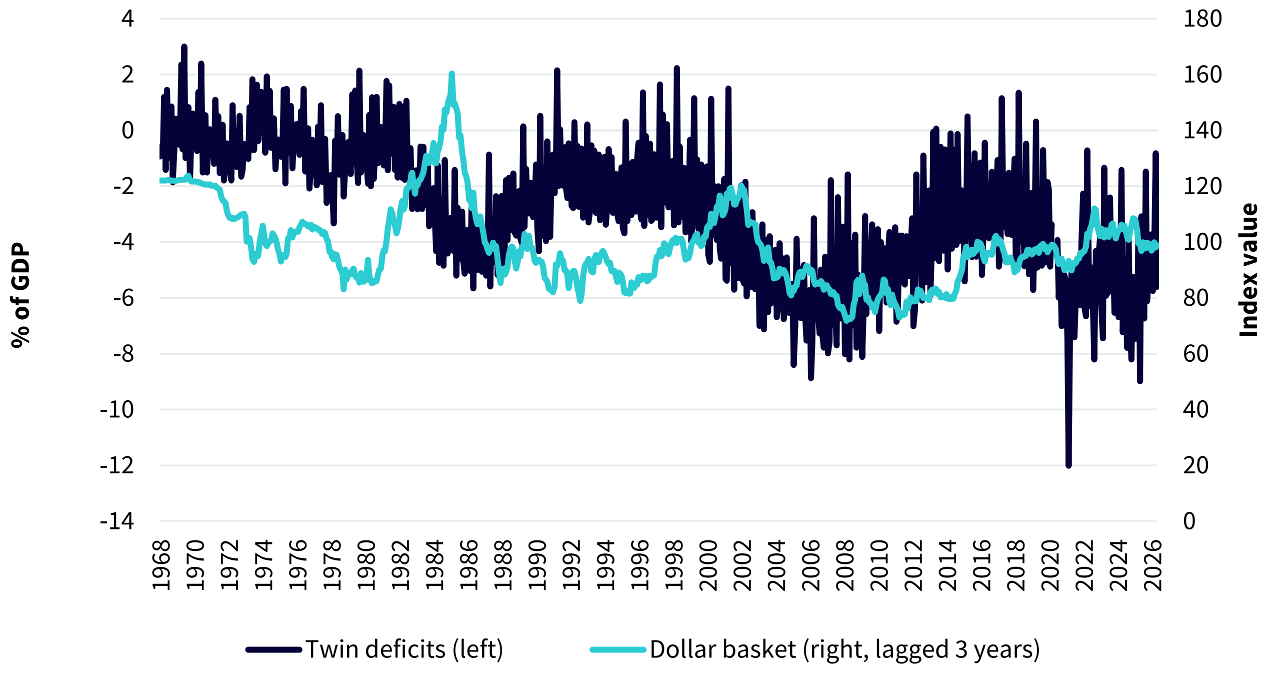


Source: Bloomberg Finance LP. WisdomTree, October 2025 – June 2026. **Historical performance is not an indication of future performance, and any investments may go down in value.**

2. Personal Consumption Expenditures index.

Assuming geopolitical tensions continue to ease and energy markets normalise, some of this support for the dollar could fade. Over the medium term, the structural arguments for a weaker US dollar, including persistent fiscal and current account deficits, remain intact and could once again become more influential.

Figure 3: US dollar and US twin deficits



Source: Bloomberg Finance LP. WisdomTree, 1968-2026. **Historical performance is not an indication of future performance, and any investments may go down in value.**

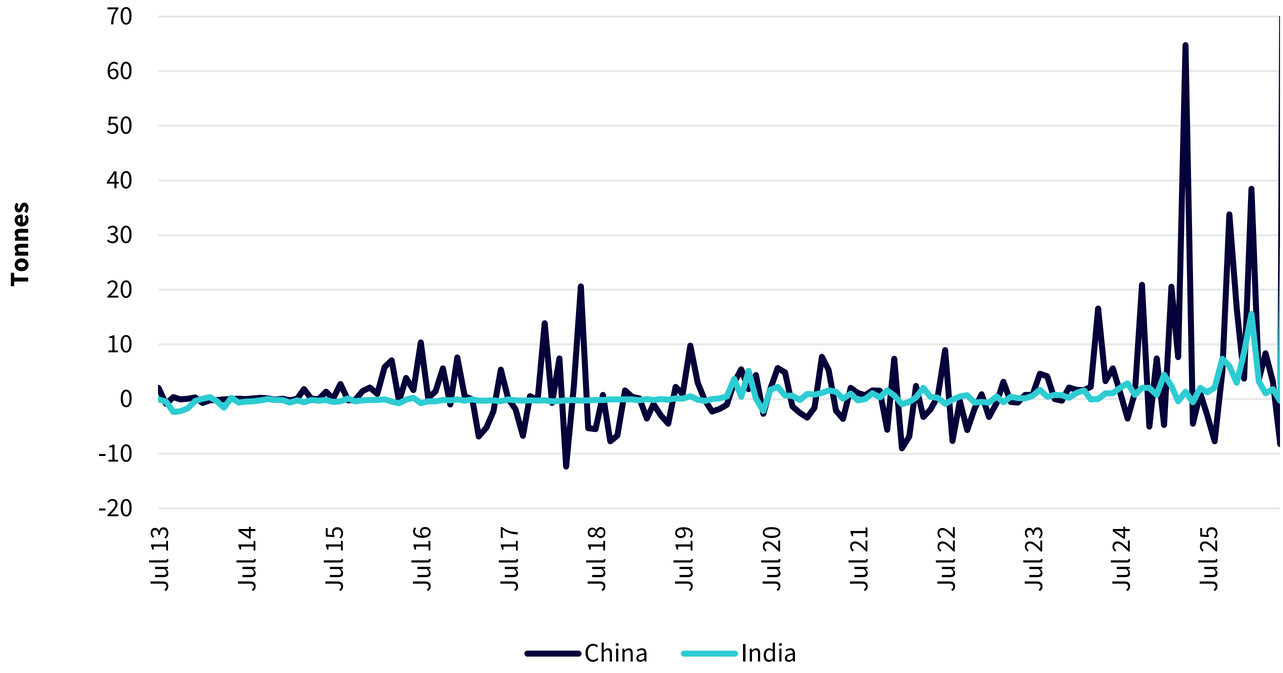
Structural demand has normalised rather than disappeared

The exceptional pace of buying from several important new sources has moderated considerably.

Chinese ETP demand accelerated sharply following the decision to allow insurance companies to invest in gold. Although inflows cooled during the second half of 2025, they strengthened again early in 2026 before turning to net outflows from May onwards.

Similarly, Indian investment demand surged following regulatory changes allowing pension funds to allocate to gold but has since moderated.

Figure 4: Monthly India and China ETP demand



Source: World Gold Council, WisdomTree. July 2013 to May 2026. **Historical performance is not an indication of future performance, and any investments may go down in value.**

The timing of these slower inflows has broadly coincided with the correction in gold prices, suggesting that the marginal impact of these new buyers has diminished.

A similar pattern can be observed in Tether's purchases.

Figure 5: Estimated Tether quarterly gold purchases (2025 and 2026)

Quarter	Estimated Tether gold purchases (tonnes)
Q1 2025	11t
Q2 2025	12t
Q3 2025	26t
Q4 2025	27t
Q1 2026	6t

Source: WisdomTree estimates based on Tether quarterly attestation reports and LBMA gold price. **Historical performance is not an indication of future performance, and any investments may go down in value.**

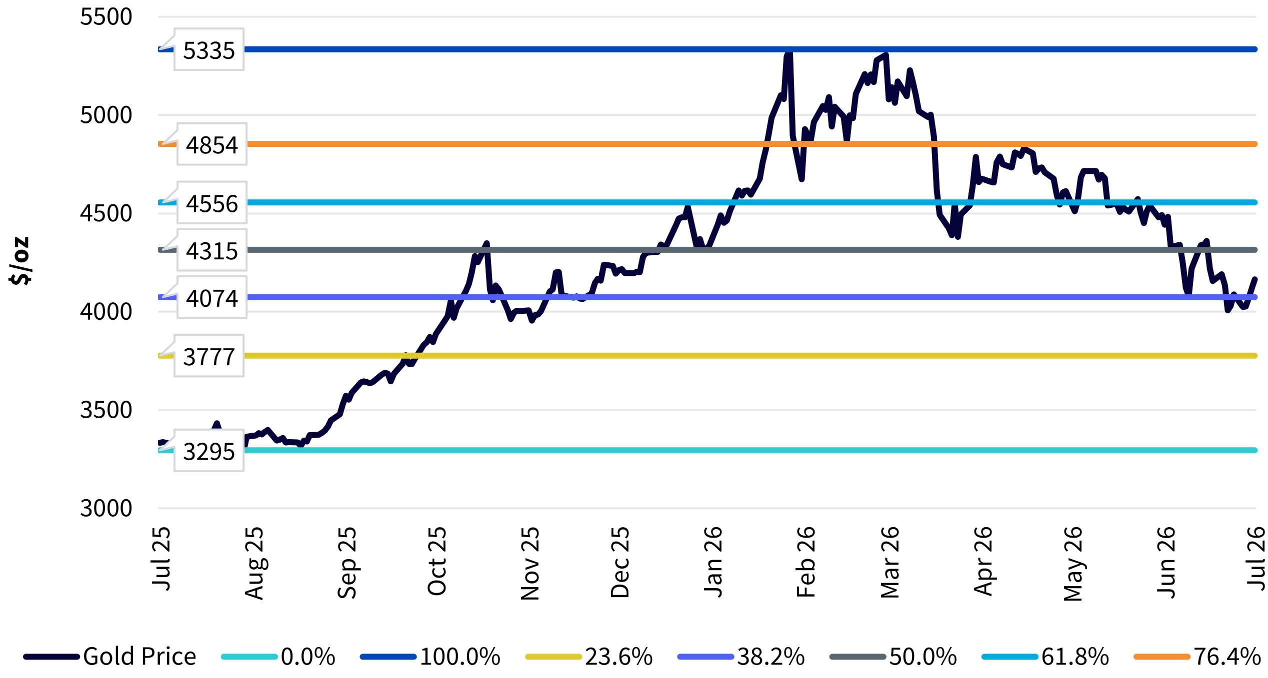
Although these buyers remain structurally supportive for gold over the longer term, the extraordinary pace of accumulation that contributed to the previous valuation premium has clearly eased.

Positioning

Investor positioning also appears considerably less stretched than earlier in the year.

Net speculative positioning in COMEX gold futures remains subdued relative to recent peaks. From a technical perspective, however, gold price appears to be establishing a base after retracing beyond the 38.2% Fibonacci level. A recovery in investor sentiment could therefore provide an additional tailwind should macroeconomic conditions become more supportive.

Figure 6: Gold price with Fibonacci retracement lines



Source: WisdomTree. Bloomberg Finance LP. July 2025 - July 2026. Fibonacci retracement levels measure the extent of a price correction relative to a preceding move. Common retracement levels include 23.6%, 38.2%, 50%, 61.8% and 78.6%, which some market participants use to identify potential support and resistance. **Historical performance is not an indication of future performance, and any investments may go down in value.**

Outlook

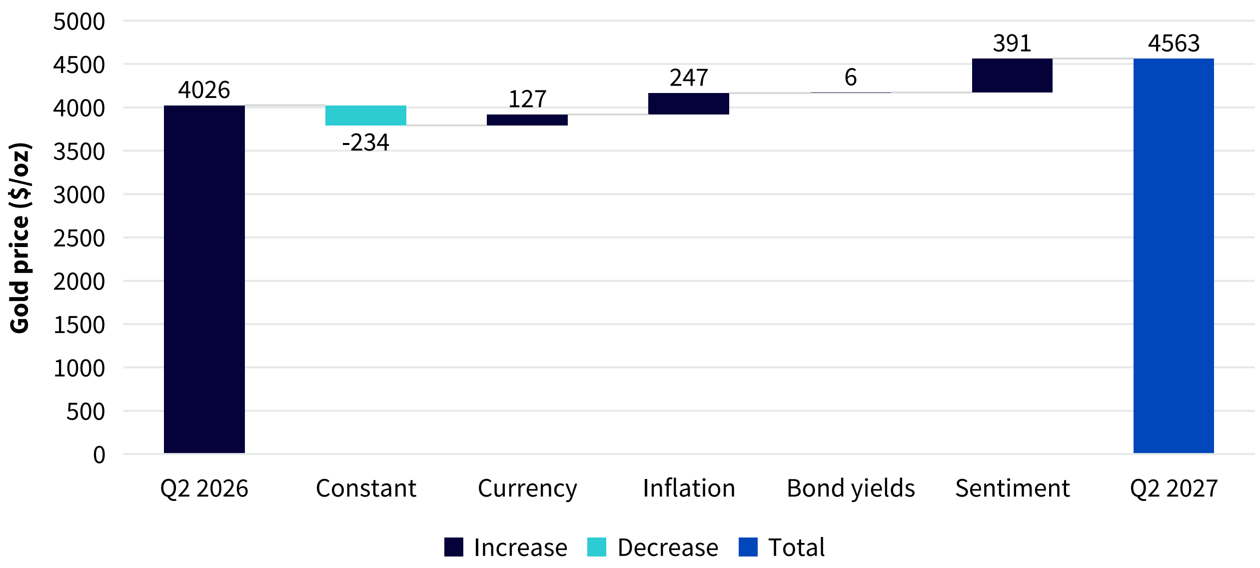
With the valuation premium largely eliminated, our forecast once again relies primarily on the macroeconomic variables that have historically explained gold prices.

Applying Bloomberg consensus forecasts for inflation, Treasury yields and the US dollar, while assuming net speculative positioning stabilises around 150,000 contracts, generates a model-implied gold price of **US$4,563/oz by Q2 2027.**

This represents a recovery of more than US$500/oz from end-Q2 2026 levels, although it remains well below the record intraday high reached in January 2026.

Consensus	Q1 2027
Inflation forecast	2.2%
Nominal 10-year yields forecast	4.33%
US$ exchange rate forecast (DXY)	97.1
Speculative positioning forecast	150,000
Gold price forecast (US$/oz)	4,563

Forecast attribution



Source: WisdomTree. Bloomberg Survey of Professional Economists. June 2026. **Forecasts are not an indicator of future performance, and any investments are subject to risks and uncertainties.**

Sensitivity analysis

Rather than presenting conventional bull and bear scenarios, we provide a series of sensitivity analyses around our central forecast.

Given the unusually uncertain macroeconomic environment, we believe this approach is more informative because it allows readers to apply their own assumptions regarding inflation, interest rates, the US dollar and investor positioning while holding all other variables constant.

For example, if the US dollar were to appreciate to 104 and nominal 10-year Treasury yields were to rise to 5.24%, while inflation remained at 2.2% and speculative positioning at 150,000 contracts, our model would imply a gold price of approximately **US$4,209/oz.**

The tables below illustrate how changes in combinations of macroeconomic variables affect our forecast, allowing investors to map their own macroeconomic views directly into an implied gold price.

US exchange rate (DXY) level

Nominal yields (%)	89	92	95	98	101	104	107	110	113
1.75	5185	5093	5001	4909	4817	4725	4633	4541	4449
2.19	5120	5028	4936	4844	4752	4660	4568	4476	4384
2.62	5056	4964	4872	4780	4688	4596	4504	4412	4320
3.06	4991	4899	4807	4715	4623	4531	4439	4347	4255
3.50	4927	4835	4743	4651	4559	4467	4375	4283	4191
3.93	4862	4770	4678	4586	4494	4402	4310	4218	4126
4.37	4798	4706	4614	4522	4430	4338	4246	4154	4062
4.81	4733	4641	4549	4457	4365	4273	4181	4089	3997
5.24	4669	4577	4485	4393	4301	4209	4117	4025	3933
5.68	4604	4512	4420	4328	4236	4144	4052	3960	3868
6.12	4540	4448	4356	4264	4172	4080	3988	3896	3804
6.56	4476	4384	4292	4200	4108	4016	3924	3832	3740
6.99	4411	4319	4227	4135	4043	3951	3859	3767	3675

US exchange rate (DXY) level

Speculative positioning	89	92	95	98	101	104	107	110	113
-50000	4282	4190	4098	4006	3914	3822	3730	3638	3546
-25000	4348	4256	4164	4072	3980	3888	3796	3704	3612
0	4413	4321	4229	4137	4045	3953	3861	3769	3677
25000	4478	4386	4294	4202	4110	4018	3926	3834	3742
50000	4543	4451	4359	4267	4175	4083	3991	3899	3807
75000	4608	4516	4424	4332	4240	4148	4056	3964	3872
100000	4673	4581	4489	4397	4305	4213	4121	4029	3937
125000	4739	4647	4555	4463	4371	4279	4187	4095	4003
150000	4804	4712	4620	4528	4436	4344	4252	4160	4068
175000	4869	4777	4685	4593	4501	4409	4317	4225	4133
200000	4934	4842	4750	4658	4566	4474	4382	4290	4198
225000	4999	4907	4815	4723	4631	4539	4447	4355	4263
250000	5064	4972	4880	4788	4696	4604	4512	4420	4328
275000	5130	5038	4946	4854	4762	4670	4578	4486	4394
300000	5195	5103	5011	4919	4827	4735	4643	4551	4459
325000	5260	5168	5076	4984	4892	4800	4708	4616	4524

US exchange rate (DXY) level

CPI inflation (%)	89	92	95	98	101	104	107	110	113
-1.0	4445	4353	4261	4169	4077	3985	3893	3801	3709
-0.5	4501	4409	4317	4225	4133	4041	3949	3857	3765
0.0	4557	4465	4373	4281	4189	4097	4005	3913	3821
0.5	4613	4521	4429	4337	4245	4153	4061	3969	3877
1.0	4669	4577	4485	4393	4301	4209	4117	4025	3933
1.5	4725	4633	4541	4449	4357	4265	4173	4081	3989
2.0	4781	4689	4597	4505	4413	4321	4229	4137	4045
2.5	4837	4745	4653	4561	4469	4377	4285	4193	4101
3.0	4894	4802	4710	4618	4526	4434	4342	4250	4158
3.5	4950	4858	4766	4674	4582	4490	4398	4306	4214
4.0	5006	4914	4822	4730	4638	4546	4454	4362	4270
4.5	5062	4970	4878	4786	4694	4602	4510	4418	4326
5.0	5118	5026	4934	4842	4750	4658	4566	4474	4382
5.5	5174	5082	4990	4898	4806	4714	4622	4530	4438
6.0	5230	5138	5046	4954	4862	4770	4678	4586	4494
6.5	5286	5194	5102	5010	4918	4826	4734	4642	4550

Change in nominal yields (%)

CPI inflation (%)	2.622	3.059	3.496	3.933	4.370	4.807	5.244	5.681	6.118
-1.0	4456	4391	4327	4262	4198	4133	4069	4004	3940
-0.5	4512	4447	4383	4318	4254	4190	4125	4061	3996
0.0	4568	4503	4439	4375	4310	4246	4181	4117	4052
0.5	4624	4560	4495	4431	4366	4302	4237	4173	4108
1.0	4680	4616	4551	4487	4422	4358	4293	4229	4164
1.5	4736	4672	4607	4543	4478	4414	4349	4285	4221
2.0	4792	4728	4663	4599	4535	4470	4406	4341	4277
2.5	4848	4784	4720	4655	4591	4526	4462	4397	4333
3.0	4905	4840	4776	4711	4647	4582	4518	4453	4389
3.5	4961	4896	4832	4767	4703	4638	4574	4509	4445
4.0	5017	4952	4888	4823	4759	4695	4630	4566	4501
4.5	5073	5008	4944	4880	4815	4751	4686	4622	4557
5.0	5129	5065	5000	4936	4871	4807	4742	4678	4613
5.5	5185	5121	5056	4992	4927	4863	4798	4734	4669
6.0	5241	5177	5112	5048	4983	4919	4855	4790	4726
6.5	5297	5233	5168	5104	5040	4975	4911	4846	4782

Source: WisdomTree. **Forecasts are not an indicator of future performance, and any investments are subject to risks and uncertainties.**

Conclusion

The sharp correction in the first half of 2026 has fundamentally changed the investment case for gold. The valuation premium that characterised much of the 2025–26 rally has largely been unwound, bringing prices back into line with our estimate of fair value. While this may reduce the scope for further gains driven purely by investor enthusiasm, it provides a healthier foundation for future performance. From here, the outlook for gold is likely to be determined primarily by macroeconomic fundamentals, particularly the evolution of inflation, interest rates and the US dollar. Based on current consensus expectations, our model points to a recovery towards US$4,563/oz by Q2 2027, although the sensitivity analysis illustrates how different macroeconomic outcomes could materially alter that path.

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