

Gold's Enduring Value in Market Downturns

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Key Takeaways

- Amid U.S. dollar weakness and equity market volatility in 2025, gold has surged 25.86% year-to-date through June, significantly outpacing the S&P 500's 6.20% gain.
- Gold's historical resilience during severe equity downturns—such as its positive performance in 2002 and 2008—reinforces its role as a strategic hedge in periods of market stress.
- Investors can capitalize on gold's defensive qualities and upside potential through capital-efficient strategies such as WisdomTree's [GDE](#) and [GDMN](#), which combine gold exposure with equities.

Over the past four decades, few assets have matched gold's resilience in periods of market stress. While equities remain a cornerstone of long-term portfolio growth, historical evidence shows that gold has consistently served as a defensive asset, delivering positive returns when investors faced heightened uncertainty.

This lack of correlation with traditional assets is far from coincidental. Gold has historically benefited from its role as a safe haven during financial crises, declining interest rates, elevated geopolitical and macroeconomic risks, and periods of U.S. dollar weakness.

In the current period marked by dollar weakness, gold stood out—rising 25.86% year-to-date and 41.96% over the past 12 months through June 30, 2025. In contrast, the S&P 500 Index returned 6.20% and 15.16%, while the U.S. Dollar Index declined 10.70% and 8.49% over the same periods.

Historical Perspective: Gold in Bear Markets

Since December 29, 1989, the S&P 500 has recorded seven down years. In four of those years, gold also declined, highlighting that gold is not immune to short-term sentiment shifts. However, the magnitude and frequency of gold's positive performance during equity downturns reveals its critical role in portfolio risk management.

Consider three of the most severe equity declines in the period:

- In 2008, the S&P 500 fell by 37%, whereas gold rose 5.8%
- In 2002, the aftermath of the tech bubble, the S&P 500 declined by over 22%, while gold soared 24.77%

- Both stocks and bonds incurred significant losses in 2022, yet gold held its ground, declining a mere 0.28%

Year	U.S. Dollar Index	Gold Spot	S&P 500 Index	Bloomberg U.S. Aggregate Index	Bloomberg U.S. Treasury Index
2008	6.01%	5.80%	-37.00%	5.24%	13.74%
2002	-12.76%	24.77%	-22.10%	10.25%	11.79%
2022	8.21%	-0.28%	-18.11%	-13.01%	-12.46%
2001	6.56%	2.46%	-11.89%	8.44%	6.75%
2000	7.55%	-5.47%	-9.10%	11.63%	13.52%
2018	4.40%	-1.56%	-4.38%	0.01%	0.86%
1990	-10.78%	-4.60%	-3.10%	8.96%	8.54%

Sources: Bloomberg, WisdomTree. **You cannot invest directly in an index. Performance is historical and does not guarantee future results.**

Gold in a Weak Dollar Environment

Gold has historically tended to strengthen during periods of U.S. dollar weakness, as demonstrated in the table below. Over the same time frame, beginning on December 29, 1989, the U.S. dollar has posted negative annual returns in 14 calendar years. During those same years, gold declined only twice—underscoring the inverse relationship between the two assets across market cycles.

Consider two of the most pronounced declines in the U.S. dollar during the period:

- In 2002 and 2003, prolonged dollar depreciation coincided with notable gains in gold. The dollar declined 12.76% in 2002 and 14.66% in 2003, while gold advanced 24.77% and 19.37%.

Year	U.S. Dollar Index	Gold Spot	S&P 500 Index	Bloomberg U.S. Aggregate Index	Bloomberg U.S. Treasury Index
2003	-14.66%	19.37%	28.68%	4.10%	2.24%
2002	-12.76%	24.77%	-22.10%	10.25%	11.79%
1990	-10.78%	-4.60%	-3.10%	8.96%	8.54%
2017	-9.87%	13.53%	21.83%	3.54%	2.31%
1994	-8.38%	-1.92%	1.32%	-2.92%	-3.38%
2007	-8.31%	30.94%	5.49%	6.97%	9.01%
2006	-8.25%	23.15%	15.79%	4.33%	3.08%
2004	-6.98%	5.54%	10.88%	4.34%	3.54%
2020	-6.69%	25.12%	18.40%	7.51%	8.00%
1998	-5.50%	-0.28%	28.58%	8.69%	10.03%
1995	-4.46%	1.02%	37.58%	18.47%	18.35%
2009	-4.24%	24.37%	26.46%	5.93%	-3.57%
2023	-2.11%	13.10%	26.29%	5.53%	4.05%
2012	-0.51%	7.06%	16.00%	4.22%	1.99%

Sources: Bloomberg, WisdomTree. **You cannot invest directly in an index. Performance is historical and does not guarantee future results.** For definitions of terms in the table above, please visit the [glossary](#).

Central Banks Turn to Gold amid Global Uncertainty

Central bank demand for gold has risen markedly in recent years, as illustrated in the chart below. Over the past three years, central banks have added more than 1,000 metric tons to their gold reserves—historically elevated pace of accumulation. Looking forward, a recent World Gold Council survey indicates that many central banks plan to continue increasing their gold holdings over the next 12 months.

Annual Gold Demand



Source: World Gold Council. Gold values shown in metric tons.

Portfolio Allocation

While tactical allocations to gold may be appropriate over shorter time horizons, maintaining long-term exposure to equities remains essential for sustained wealth creation and portfolio growth.

The [WisdomTree Efficient Gold Plus Equity Strategy Fund \(GDE\)](#) blends gold and equities, offering a capital-efficient way to gain exposure to uncorrelated asset classes within a single framework. [GDE](#) can serve as a core allocation to improve risk-adjusted returns and enhance portfolio robustness without materially increasing capital deployment.

GDE does not hold physical gold.

[GDE](#) provides exposure to a market capitalization-weighted basket of the largest 500 U.S. equities, and stacks exposure to gold futures

- **Equity exposure:** For every \$100 invested, the Fund seeks to invest approximately \$90 in U.S. equities
- **Cash component:** For every \$100 invested, \$10 is kept in short-term collateral that earns returns comparable to U.S. Treasury bills
- **Gold futures overlay:** To help magnify the benefits of the asset allocation, \$90 in gold futures is layered on top for \$180 of total exposure

For capital-efficient tactical approach, consider the [WisdomTree Efficient Gold Plus Gold Miners Strategy Fund \(GDMN\)](#) with exposure to gold and gold mining equities. Gold miners have benefited from the recent surge in gold prices, as higher spot levels directly enhance margins and earnings potential.

GDMN does not hold physical gold.

GDMN provides exposure to a modified market cap-weighted basket of global gold miners, and stacks exposure to gold futures

- **Cash component:** For every \$100 invested, \$10 is kept in short-term collateral that earns returns comparable to U.S. Treasury bills

Performance (as of 6/30/25)

Name	Cumulative Returns			Average Annual Total Returns		
	1-Month	3-Month	YTD	1-Year	3-Year	Since Inception
GDE (NAV)	4.51%	14.73%	26.93%	49.41%	35.11%	24.31%
GDE (Price)	4.56%	14.41%	27.30%	48.50%	35.26%	24.42%
S&P 500 Index	5.09%	10.94%	6.20%	15.16%	19.71%	13.03%
GDMN (NAV)	2.42%	15.68%	75.24%	92.80%	37.84%	28.40%
GDMN (Price)	2.84%	15.64%	76.05%	94.35%	38.05%	28.57%
NYSE ARCA Gold Miners Index	3.03%	13.58%	53.81%	55.45%	26.48%	20.16%
S&P 500 Index	5.09%	10.94%	6.20%	15.16%	19.71%	9.75%

Sources: WisdomTree, FactSet. Inception dates: GDE 3/17/22; GDMN 12/16/21. Expense Ratios: GDE 0.20%, GDMN 0.45%. You cannot invest directly in an index. **Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. For the most recent month-end and standardized performance, click the respective ticker: [GDE](#), [GDMN](#).** WisdomTree shares are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Total returns are calculated using the daily 4:00pm ET net asset value (NAV). Market price returns reflect the midpoint of the bid/ask spread as of the close of trading on the exchange where Fund shares are listed. Market price returns do not represent the returns you would receive if you traded shares at other times.

Conclusion

In periods of U.S. dollar weakness and equity market volatility, gold has historically served as a valuable portfolio diversifier. Incorporating gold into a portfolio can help balance risk while maintaining exposure to long-term growth assets.

Important Risks Related to this Article

There are risks associated with investing, including the possible loss of principal. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

GDE: The Fund is actively managed and invests in U.S.-listed gold futures and U.S. equity securities. The Fund's use of U.S.-listed gold futures contracts will give rise to leverage, magnifying gains and losses and causing the Fund to be more volatile than if it had not been leveraged. Moreover, the price movements in gold and gold futures contracts may fluctuate quickly and dramatically and have a historically low correlation with the returns of the stock and bond markets. U.S. equity securities, such as common stocks, are subject to market, economic and business risks that may cause their prices to fluctuate. The Fund's investment strategy will also require it to redeem shares for cash or to otherwise include cash as part of its redemption proceeds, which may cause the Fund to recognize capital gains.

GDMN: The Fund is actively managed and invests in U.S.-listed gold futures and global equity securities issued by companies that derive at least 50% of their revenue from the gold mining business ("gold miners"). The Fund's use of U.S.-listed gold futures contracts will give rise to leverage, magnifying gains and losses and causing the Fund to be more volatile than if it had not been leveraged. Moreover, the price movements in gold and gold futures contracts may fluctuate quickly and dramatically and have a historically low correlation with the returns of the stock and bond markets. By investing in the equity securities of gold miners, the Fund may be susceptible to financial, economic, political or market events that impact the gold mining sub-industry, including commodity prices and the success of exploration projects. The Fund may invest a significant portion of its assets in the securities of companies of a single country or region, including emerging markets, and thus, the Fund is more likely to be impacted by events and political, economic or regulatory conditions affecting that country or region, or emerging markets generally. The Fund's investment strategy will also require it to redeem shares for cash or to otherwise include cash as part of its redemption proceeds, which may cause the Fund to recognize capital gains.