

GOLD OUTLOOK TO Q4 2026: Into Uncharted Territory

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Key Takeaways

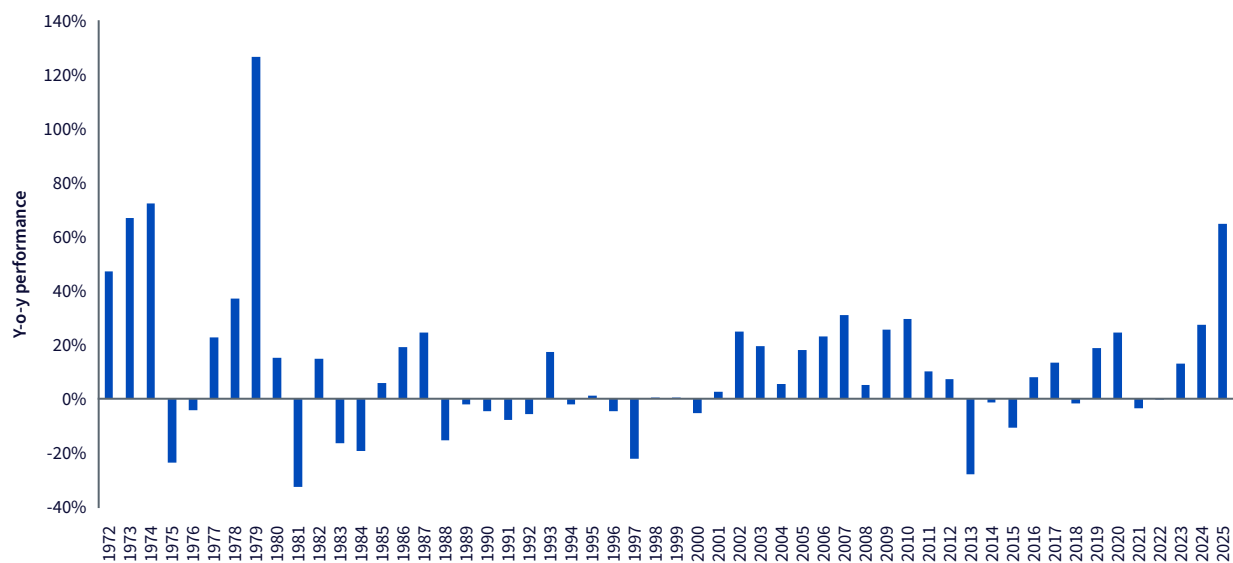
- + Gold's 2025 rally—its strongest since 1979—was fueled by fears of fiscal dominance, trade fragmentation, and waning central bank independence, signaling a possible shift to a new market regime.
- + Structural demand from Chinese insurers, Indian pensions, digital asset issuers like Tether, and central banks is tightening supply and broadening gold's investor base beyond traditional buyers.
- + With monetary policy uncertainty, geopolitical realignments, and rising debt levels intensifying, investors may find gold increasingly attractive as a hedge against systemic and currency risks.

Gold's Exceptional Performance: Echoes of 1979

Gold rose 65% in 2025, marking its strongest annual performance since 1979, when prices surged by 126%. That earlier episode coincided with rampant inflation, the Iranian Revolution following the fall of the Shah, the Three Mile Island nuclear accident, and extraordinary volatility across commodity markets. Inflationary pressures were so severe that the Federal Reserve entered an existential phase, ultimately appointing Paul Volcker, widely regarded as the only figure willing to engineer a recession to restore the credibility of the central bank and ensure the long-term sustainability of the US economy.

While surpassing the 1979 benchmark would always have been a tall order, achieving more than half of that performance is nonetheless remarkable.

Figure 1: Gold Price, 1972-2025



Source: WisdomTree, Bloomberg, 1972-2025. **Historical performance is not an indication of future performance, and any investments may go down in value.**

Trade Fragmentation and the Unravelling of Globalisation

The introduction of 'Liberation Day' tariffs in April 2025 triggered fears of a sharp contraction in global trade and significant disruption to global supply chains. More broadly, concerns have intensified that the globally integrated economic framework, widely seen as a cornerstone of global growth over the past 50 years, is being dismantled in favour of more inward-looking, protectionist policies. This shift has been highly supportive for gold.

Fiscal Dominance and Gold as a Pseudo-Currency

Rising government debt levels are another major source of concern. The higher the stock of public debt, the greater the risk of financial market instability. While central banks are formally mandated to focus on inflation (and, in the case of the US Federal Reserve, employment), the threat of instability can prompt them to act pre-emptively by loosening monetary conditions.

This dynamic encapsulates the concept of fiscal dominance, a regime in which fiscal policy effectively constrains or dominates monetary policy. Fiscal dominance is unequivocally positive for gold. As a pseudo-currency with limited supply growth, gold acts as an antidote to the potential debasement of fiat currencies issued by central banks engaged in monetary expansion.

Importantly, this is not just an investor phenomenon. Central banks holding large reserves of fiat currencies are increasingly turning to gold to mitigate debasement risks and enhance reserve resilience.

Political Pressure on Central Bank Independence

President Trump's repeated attacks on the Federal Reserve have not been helpful to the institution's perceived independence. While we do not believe he will succeed in obtaining the legal authority to dismiss Governor Cook, nor do we expect him to act on his frequent public criticisms of Chair Jerome Powell, the broader implications are noteworthy.

When Powell steps down in May, leading contenders for the Chair position may prove less resistant to political pressure. Although a diverse Federal Open Market Committee, including recent notable dissents, will remain in place, leadership matters both substantively and symbolically. We are not suggesting a return to the pre-Volcker era, but a Federal Reserve more susceptible to fiscal dominance is a plausible risk. Even if that risk is remote, its mere existence has the potential to drive gold prices materially higher.

Is Gold Leaving its 'Steady State'?

WisdomTree's gold model has been calibrated using data from a relatively stable period in gold's modern history (1995–2025). Earlier data are unavailable for some key components, futures market positioning being the primary constraint.

The extreme inflation and volatility of the 1970s coincided with gold's emergence as a fully investable asset class. The collapse of the gold standard frameworks (including Bretton Woods in August 1971) occurred during that decade, while the US ban on private gold ownership (Roosevelt's Executive Order 6102) was repealed on 31 December 1974. Although gold has been valued for millennia, a meaningful influx of private investors only began in the 1970s and 1980s.

In China, the People's Bank of China allowed individuals to purchase gold jewellery in 1982, marking the gradual end of strict state control over gold ownership. Deregulation continued through the 1990s and 2000s, but 1982 arguably represented the most significant step change.

In short, our model may have been calibrated in what could be described as a 'steady state' world. The 65% increase in gold prices during 2025 raises the question of whether gold is transitioning to a new equilibrium. A global trade reset, heightened fears of fiscal dominance, a partial withdrawal of the US security umbrella from Europe (and potentially other regions), and the prospect of new investor cohorts entering the market all point in that direction.

New Structural Sources of Gold Demand

Chinese Insurance Companies

On 7 February 2025, China's National Financial Regulatory Administration approved a pilot programme allowing selected insurers to invest in gold. By March 2025, the first investments had taken place.

Although no official data on purchases have been disclosed, insurers are permitted to allocate up to 1% of assets to gold. Using year-end 2024 asset bases and assuming full utilisation of this cap, potential gold demand could reach approximately ¥200 billion (US\$25–30 billion). If deployed evenly at ¥20 billion per month, this would imply purchases of around 7.83 million troy ounces, or roughly 244 tonnes of gold.

For context, bar and coin demand in mainland China totalled 345.7 tonnes in 2024 (World Gold Council), while total Chinese gold consumption reached 985.3 tonnes (China Gold Association).

Digital Asset Issuers: Tether

In its Q3 attestation report, Tether disclosed holdings of US\$12.9 billion in precious metals, assumed to be entirely gold. At end-September prices, this equates to approximately 115 tonnes, comparable to the official gold reserves of countries such as Greece, Hungary or South Korea.

Tether's pace of accumulation has been rapid, with purchases of 24 tonnes in Q2 2025 and 26 tonnes in Q3 2025. Only around 12 tonnes back its gold-backed token (XAUT), implying that the majority is held as a treasury or reserve asset. Whether intended to facilitate future expansion of XAUT or to strengthen the backing of USDT, Tether has emerged as a significant and unconventional source of gold demand.

Indian Pension Funds

As of December 2025, Indian pension funds are permitted to invest up to 1% of assets in approved gold and silver exchange-traded funds. National Pension System assets exceed US\$177 billion, implying potential allocations of up to US\$1.7 billion. Even partial uptake would represent a meaningful incremental source of demand in an already tight market.

Central Banks

Central banks have become materially larger buyers of gold in recent years. Since 2022, annual purchases have exceeded 1,000 tonnes, more than double the average of the preceding decade. This shift coincided with the onset of the Russia–Ukraine war and the freezing of the Russian central bank's foreign currency assets by G7 nations.

That episode highlighted the vulnerabilities of reserve assets denominated in G7 currencies and accelerated efforts to diversify reserves. Gold remains the only viable pseudo-currency capable of fulfilling this role. In 2025, central bank gold purchases reached record levels, and we expect demand to remain elevated given the scale of reserves requiring diversification and the gradual pace at which such reallocation can occur.

Implications for Gold Modelling

While the developments outlined above raise the possibility of structural breaks in some of gold's historical relationships, we believe it is prudent to retain our existing modelling framework for now.

Periods of regime transition are, by definition, the most challenging environments in which to recalibrate quantitative models. While it is tempting to respond to apparent shifts by redesigning models ex post, doing so risks embedding transient dynamics or narrative-driven assumptions that may not persist. At present, there is no clear empirical basis for defining the parameters of a new steady state, nor for determining which historical analogues should anchor such a framework.

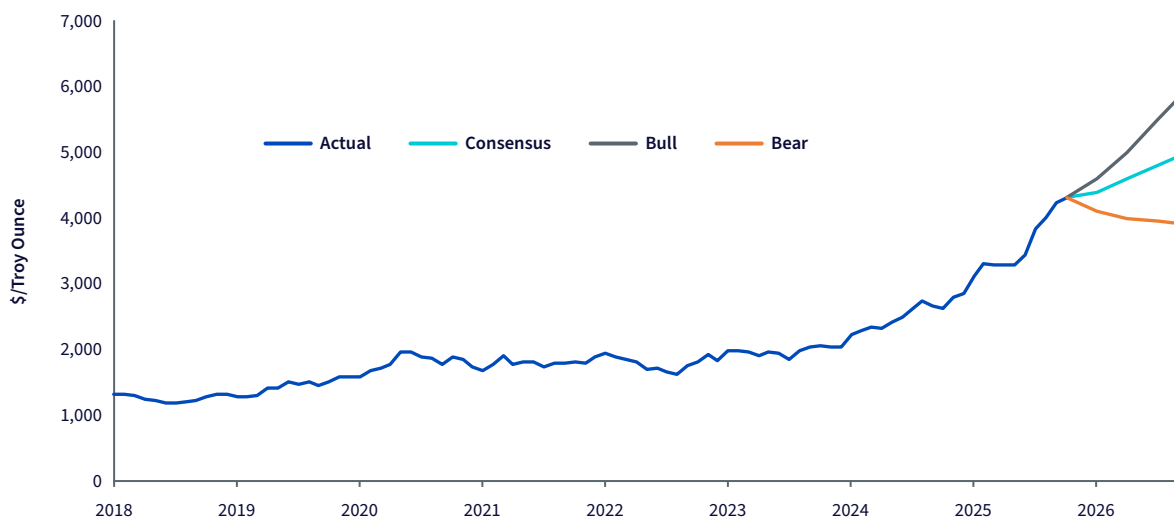
Our current model was constructed to explain gold price behaviour across a wide range of macroeconomic environments and remains internally consistent and economically intuitive. Importantly, it provides a disciplined baseline against which deviations can be identified, monitored, and assessed. In this sense, the model's value is not diminished by potential regime change; rather, it becomes a useful reference point for detecting and interpreting emerging dislocations.

Until sufficient data accumulate to distinguish between a temporary overshoot and a durable structural shift, we view maintaining the existing model as the least assumptive approach. We therefore prefer to complement the model with scenario analysis and qualitative judgment during this transitional phase, rather than prematurely imposing a new framework whose stability and explanatory power cannot yet be tested.

Gold Price Forecasts

Using WisdomTree's gold price model, we outline three scenarios for the year ahead.

Figure 2: Gold Price Forecast



Source: WisdomTree Model Forecasts, Bloomberg, Historical Data to December 2025. **Forecasts are not an indicator of future performance, and any investments are subject to risks and uncertainties.**

Consensus Scenario

Based on consensus macroeconomic expectations for inflation, bond yields, and the US dollar, gold is projected to rise above the psychologically important US\$5,000/oz level by year-end. Inflation is expected to moderate but remain persistently above the Federal Reserve's target. Although policy rates are forecast to fall, 10-year yields are expected to remain broadly stable, implying yield curve steepening. Rising debt levels and fears of fiscal dominance are likely to prevent declines at the short end from translating into lower long-end yields. The US dollar is expected to remain broadly flat following one of its sharpest depreciations in over two decades during 2025.

Consensus	Q1 2026	Q2 2026	Q3 2026	Q4 2026
Inflation forecast	2.9%	3.0%	2.8%	2.7%
Nominal 10-year yields forecast	4.09%	4.08%	4.07%	4.10%
US\$ exchange rate forecast (DXY)	98.0	97.2	96.6	96.7
Speculative positioning forecast	200,000	200,000	200,000	200,000
Gold price forecast (US\$/oz)	4,400	4,600	4,800	5,020

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

Bull Scenario

In the bull case, a more accommodative Federal Reserve under new leadership cuts rates aggressively, allowing inflation to rise sharply. Bond markets accept structurally lower yields and do not penalise rising government indebtedness. The US dollar continues to weaken due to widening twin deficits, pushing gold prices towards US\$6,000/oz.

Bull	Q1 2026	Q2 2026	Q3 2026	Q4 2026
Inflation forecast	3.5%	4.0%	5.0%	5.0%
Nominal 10-year yields forecast	3.60%	3.40%	3.25%	3.15%
US\$ exchange rate forecast (DXY)	94	92	90	89
Speculative positioning forecast	300,000	300,000	300,000	300,000
Gold price forecast (US\$/oz)	4,600	5,000	\$5,500	5,995

Source: WisdomTree. January 2026. **Forecasts are not an indicator of future performance, and any investments are subject to risks and uncertainties.**

Bear Scenario

In the bear case, the Federal Reserve reasserts its inflation-fighting credentials, maintaining inflation at its 2% target through tighter policy. Higher policy rates push 10-year yields higher, and the US dollar appreciates sharply. Assuming this occurs without a recession or significant labour market damage, speculative positioning in gold could unwind substantially, driving prices down towards US\$3,100/oz.

Bear	Q1 2026	Q2 2026	Q3 2026	Q4 2026
Inflation forecast	2.0%	2.0%	2.0%	2.0%
Nominal 10-year yields forecast	4.50%	4.50%	4.50%	4.50%
US\$ exchange rate forecast (DXY)	102	106	110	113
Speculative positioning forecast	150,000	100,000	50,000	50,000
Gold price forecast (US\$/oz)	4,100	4,000	3,950	3,905

Source: WisdomTree. January 2026. **Forecasts are not an indicator of future performance, and any investments are subject to risks and uncertainties.**

Please see the [WisdomTree Glossary](#) for definitions of terms and indexes.

IMPORTANT INFORMATION

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