IMAP INDEPENDENT THOUGHT CONFERENCE

The role of gold in portfolios

US$4,100/oz
Current gold price, after the sharp 2025 rally and a peak above $5,000

>20%
of global demand from central banks since 2022, c. double the 2010s share

6 of 7
equity drawdowns since 2000 in which gold was positive

–21.3% p.a.
Gold's average return when equities and bonds fall together

What gold can and cannot do

Role	Evidence	Verdict
Monetary debasement	Gold has outpaced US money growth over the long run, and central banks have been structural buyers since 2009. No conventional asset replicates it: no issuer, no counterparty, fixed supply.	**Reliable**
Inflation	Gold hedges inflation only when central bank credibility erodes and real rates stay negative, as in the 1970s. With credible tightening (2021-22) it offered little protection.	**Conditional**
Crisis defence	Gold was positive in six of seven equity drawdowns since 2000; the exception was 2022, when stress was inflation-driven. Gold works best over the medium term, not in the acute liquidity phase.	**Conditional**
Diversification	Long-run correlation with equities of +0.15 – a good diversifier. Adding gold to a portfolio tends to reduce portfolio volatility. However, that benefit is not unconditional – gold offers little protection when equities and bonds fall together on rising real rates.	**Conditional**

Source: Bloomberg, World Gold Council, IMF, JANA