

Precious Metals Thoughts

Gold – Near term risks vs. medium-term support

Christopher Wong
FX Strategist

With assistance from Jessica Wong

- *Structural demand remains intact. Central bank buying, portfolio diversification demand and persistent geopolitical uncertainty continue to underpin the medium-term outlook for gold.*
- *Short-term liquidation risk cannot be ruled out. In periods of market stresses, gold may temporarily decline as investors sell liquid assets to raise USD funding, similar to episodes during the global financial crisis and the early phase of the COVID shock.*
- *Inflation surprises and higher real yields pose another macro risk. Renewed inflation impulse, particularly from energy price surge could delay or reverse global monetary easing, strengthening the USD and raising real rates, both of which historically weigh on gold.*

Struggles of gold: Safe-haven demand meets the pain of real rates

Gold is caught between a rock and a hard place.

On one hand, is the familiar safe-haven narrative. Elevated geopolitical risks, policy uncertainty and concerns about global growth have historically supported demand for gold as a defensive asset. At the same time, continued central bank diversification into gold and broader base of investor participation should continue to provide a structural support for gold.

On the other hand, the narrative can be challenging for gold in the near term. Sharp rise in energy prices risk re-igniting inflationary pressure. If inflation proves more persistent, monetary easing could be delayed or reversed. In such a scenario, nominal yields and real interest rates would likely stay elevated, tightening global financial conditions and in turn, setting an unfavourable environment for gold bulls.

As a result, the current environment creates a tension for gold. While demand for safe-haven stays intact, rising real yields and stronger demand for dollar liquidity could limit the upside for gold in the near term.

This also explains why gold has largely traded range-bound, following the decline in gold prices on the onset of US/Israel-Iran war.

Gold prices (tick chart): Sideways trade following the decline

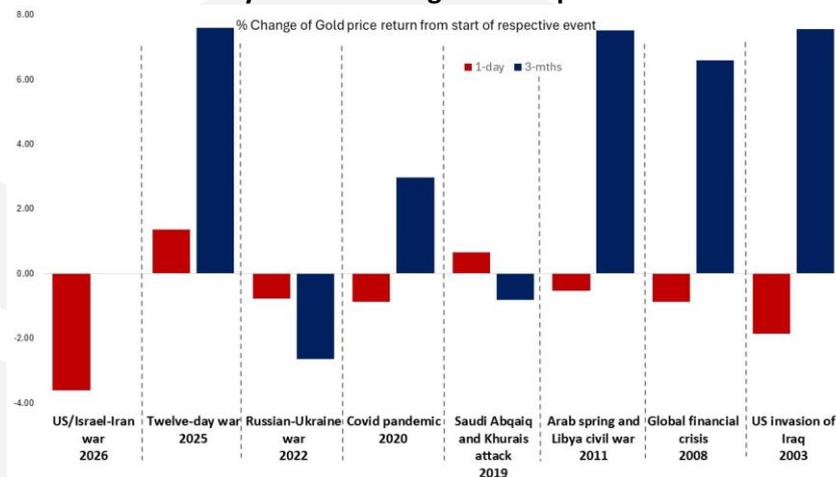


Source: Bloomberg, OCBC Group Research

Liquidity shocks can affect safe-haven status

While gold may widely be regarded as a safe-haven asset, yet history shows that it does not always rise immediately during periods of acute market stress. During severe financial or geopolitical shocks, investors may sell gold to raise liquidity, particularly when margin calls and portfolio deleveraging require immediate access to cash. This pattern has occurred in several major crisis episodes including: (1) Global financial crisis (2008), where gold was initially sold off demand for cash and margin calls forced liquidation of in-the-money trades across asset classes. (2) In early phase of covid pandemic (2020), gold prices declined as investors sought liquidity and deleveraged portfolios.

Gold can fall initially but recovering in subsequent months



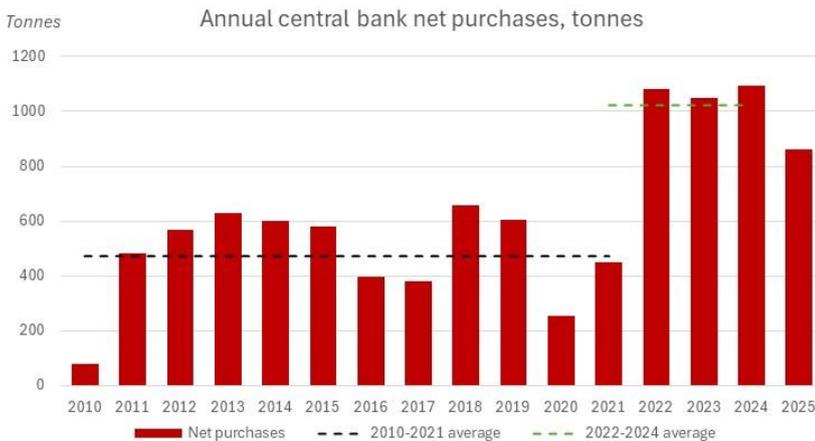
Source: Bloomberg, OCBC Group Research

These episodes highlight an important distinction that gold may temporarily behave like a source of liquidity rather than a safe haven during acute financial stress. Once liquidity conditions stabilise and policy responses restore confidence, gold can recover as investors rebuild defensive positions. The key exception to gold recovery in subsequent months is when the shock coincides with a sharp tightening cycle or stronger USD (as seen in Russia-Ukraine war in 2022 when Fed aggressively tightened policy and real yields surged).

Structural support intact though momentum slowed in Jan

Official sector demand has been an important anchor for gold market in recent years. Gold as a portfolio diversifier, geopolitical risk hedge and long-term store of value have been some of the factors underpinning central banks’ decision to hold gold.

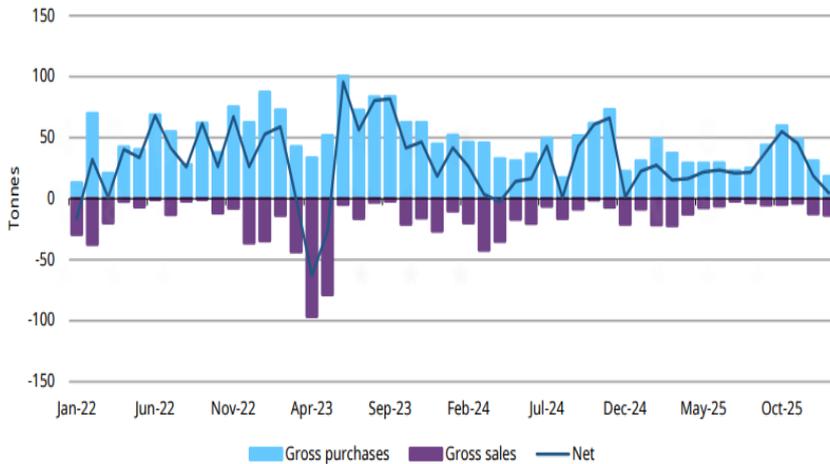
Central bank demand remains above longer-term historical average



Source: World Gold Council, OCBC Group Research

While the broader buying trend remains, the pace of purchases moderated in Jan 2026. According to data compiled by World Gold Council, central banks bought a net 5t in January (vs. monthly average of 27t in 2025). Some of the top sellers were Kazakhstan, Russia while Uzbekistan was amongst the top buyers. Data also showed a broadening of the demand base, with BNM making its first net purchase for the first time since 2018, BI adding to gold purchases. China has continued to gold buying streak for 16th straight month in Feb. The report also indicated that the BOK signalled plans to resume investment in physical gold ETF, marking its first purchase of gold-related financial production since 2013. While there were earlier chatters that Poland (biggest official sector purchaser of gold on reported terms in 2025) planned to use unrealised profit on gold reserves to finance military spending, this was later refuted by National Bank of Poland Governor Adam Glapinski, adding that the government has expressed “zero interest” in the proposal.

Central bank buying momentum slowed in Jan 2026



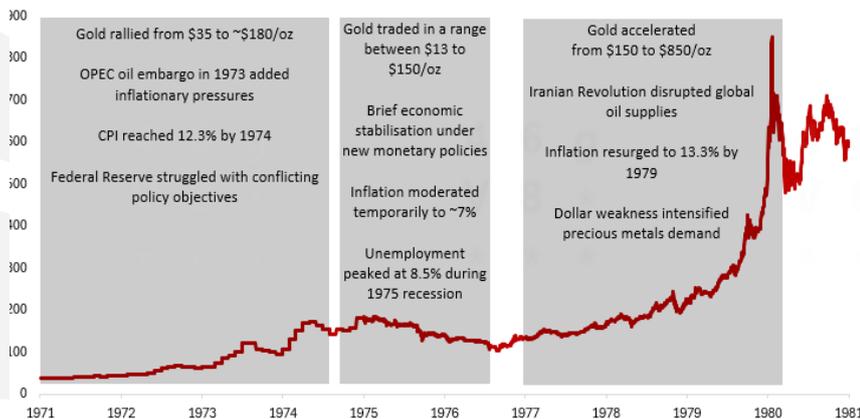
Note: based on monthly reported central bank activity in tonnes, data to 30 Jan 2026, where available from IMF, respective central banks
 Source: World Gold Council

Taken together, the data suggest that while the pace of official sector accumulation may fluctuate from month to month, the broader trend of central bank purchases remains intact. More importantly, the expansion of the buyer base, particularly among emerging market central banks continues to provide an additional layer of demand for gold.

What to watch next?

Gold is often seen as a beneficiary of stagflation (an environment of slowing growth, persistent inflation and high unemployment) but the relationship is not always straightforward. Historically, gold has tended to perform well when inflation is elevated and growth weakens, particularly when real yields decline and confidence in policy framework deteriorates.

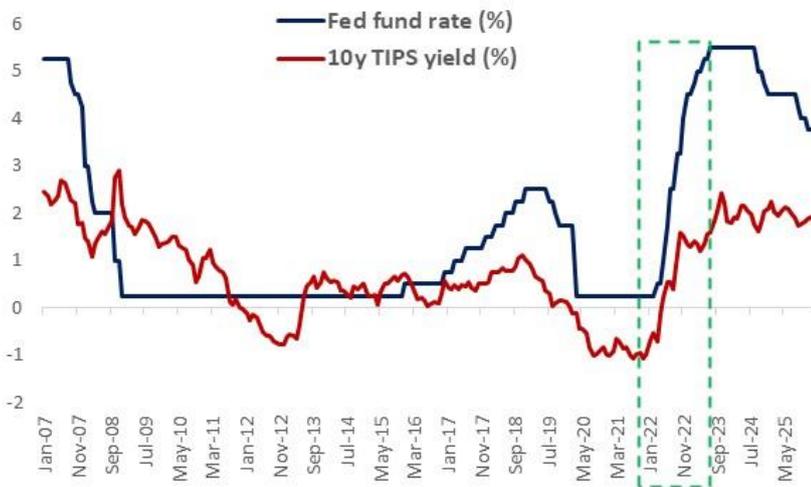
Phases of Gold during 1970s stagflation period



Source: Bloomberg, OCBC Group Research

However, the experience in 2022 (Russia-Ukraine war) illustrates why the details matter. Despite rising inflation and mounting recession concerns (conditions that are often associated with stagflation), gold prices actually declined for much of that year as the Fed tightened policy aggressively, pushing real yields sharply higher. In other words, it is not stagflation per se that drives gold, but that the path of real rates matters. When inflation rises but central banks respond forcefully and real yields move higher, the opportunity cost of holding gold increases and gold prices can come under pressure.

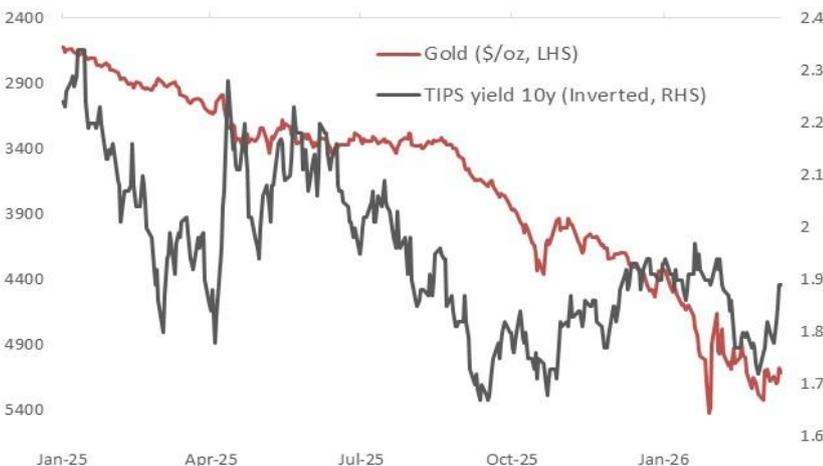
Real yields rose alongside aggressive Fed tightening cycle in 2022



Source: Bloomberg, OCBC Group Research

Conversely, stagflation tends to be supportive when inflation erodes real yields or when policymakers are constrained from tightening aggressively.

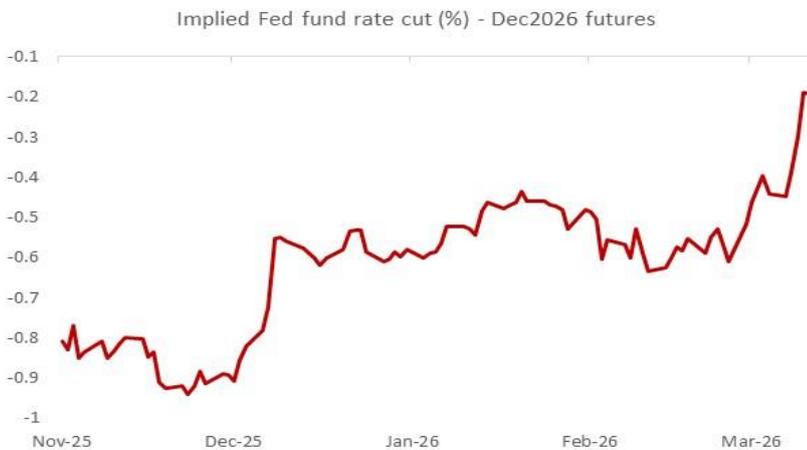
Gold prices can be pressured when real yields rise



Source: Bloomberg, OCBC Group Research

Against this backdrop, the key variables to monitor remain the trajectory of real yields, the Fed’s policy path, and broader liquidity conditions. Periods of funding stress or a sudden demand for US-dollar liquidity can also trigger temporary liquidation in gold, even if the underlying macro backdrop remains supportive.

Markets paring back Fed cut expectations – pricing in 20bps cut for 2026



Source: Bloomberg, OCBC Group Research

Technical Outlook: Momentum fatigue; bias to buy dips



Gold has started to ease lower for the second week running. Last seen at 5088 levels. Weekly, daily charts show momentum cooling with RSI falling after an extended rally. While broader uptrend remains somewhat intact at this point, the near-term price action continued to point to a phase of consolidation to mild correction. Immediate support at 5000 (50% fibo retracement of 2026 high to low), 4950 (50DMA). Decisive break below these supports may open room for further downside, with next support closer to 4860 levels (38.2% fibo). Resistance at 5140 (38.2% fibo), 5240 and 5420 levels.

Disclaimers

This report is solely for information purposes and general circulation only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This report should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein or to participate in any particular trading or investment strategy. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this report is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this report may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This report may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, it should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. In the event that you choose not to seek advice from a financial adviser, you should consider whether the investment product mentioned herein is suitable for you. Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), Bank of Singapore Limited ("BOS"), OCBC Securities Private Limited ("OSPL") and their respective related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future, interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial or securities related services to such issuers as well as other parties generally. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. There may be conflicts of interest between OCBC Bank, BOS, OSPL or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OCBC Bank and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

The information provided herein may contain projections or other forward looking statements regarding future events or future performance of countries, assets, markets or companies. Actual events or results may differ materially. Past performance figures are not necessarily indicative of future or likely performance.

Privileged / confidential information may be contained in this report. If you are not the addressee indicated in the message enclosing the report (or responsible for delivery of the message to such person), you may not copy or deliver the message and/or report to anyone. Opinions, conclusions and other information in this document that do not relate to the official business of OCBC Bank, BOS, OSPL and their respective connected and associated corporations shall be understood as neither given nor endorsed.

Co.Reg.no.: 193200032W

Additional disclosures and disclaimers applicable only to clients of Bank of Singapore Limited

This material is being made available to you through an arrangement between Bank of Singapore Limited (Co Reg. No.: 197700866R) ("BOS") and Oversea-Chinese Banking Corporation Limited ("OCBC Bank") (Co Reg. No.: 193200032W). BOS and OCBC Bank shall not be responsible or liable for any loss (whether direct, indirect or consequential) that may arise from, or in connection with, any use of or reliance on any information contained in or derived from this material, or any omission from this material, other than where such loss is caused solely by BOS' or OCBC Bank's wilful default or gross negligence.

The DIFC Branch of BOS has not conducted or produced any research contained in this material and is acting solely as a conduit in forwarding it to you.

For BOS clients in the United Kingdom:

This research has been prepared by OCBC Bank and made available to BOS. It is intended solely for informational purposes and does not constitute investment advice, a personal recommendation, or an offer or solicitation to buy or sell any financial instruments. Any payments or non-monetary benefits received or paid will be fully disclosed in accordance with applicable regulations, promptly and transparently, and will not influence the advice or services offered to you. If you would like more information about any inducements received, please contact your Relationship Manager.

Cross Border Disclaimer and Disclosures

Please refer to https://www.bankofsingapore.com/Disclaimers_and_Disclosures.html for cross-border marketing disclaimers and disclosures.