

When Gold Speaks, Nations Listen: The Shifting Sovereign Order

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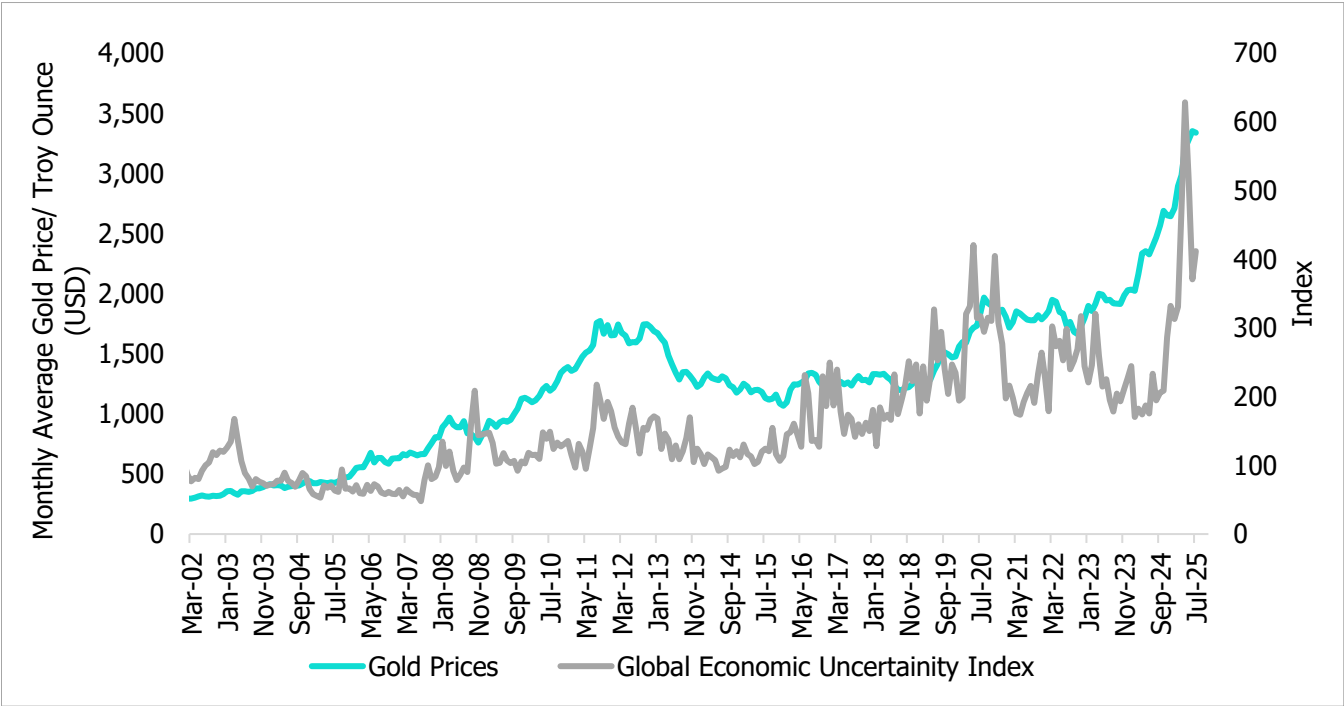


Gold has long held a unique position in global markets valued not only for its intrinsic beauty and industrial utility but also for its role as a financial anchor. From January 2024 to mid-2025, gold prices experienced a remarkable surge of nearly 64%, driven by shifts in investor sentiment, heightened market volatility, and recurring episodes of global economic uncertainty.

This rise in gold prices isn't the result of a single event or economic cycle; it reflects a long-term trend shaped by multiple forces. Central banks have steadily increased their holdings, reaffirming gold's role as a reliable store of value. Its price movement has closely mirrored shifts in the global economic uncertainty index (see Exhibit 1), underscoring its appeal during turbulent times. But the upward momentum isn't just about safe-haven demand. Structural buying from emerging markets, along with the evolution of investment strategies such as ETFs, has also played a key role in driving gold's continued ascent.

The yellow metal surged to an average of \$3,665 per ounce in September 2025, nearly doubling its value from just two years ago and went on to touch a record high of \$4,000 in October. Gold has always been important, but now institutions are turning towards it with greater urgency. Historically, gold has been held by private investors who view it as a secure means of protecting wealth during inflationary periods or when there is substantial economic or political uncertainty.

Exhibit 1: Gold Prices and Global Economic Uncertainty Index

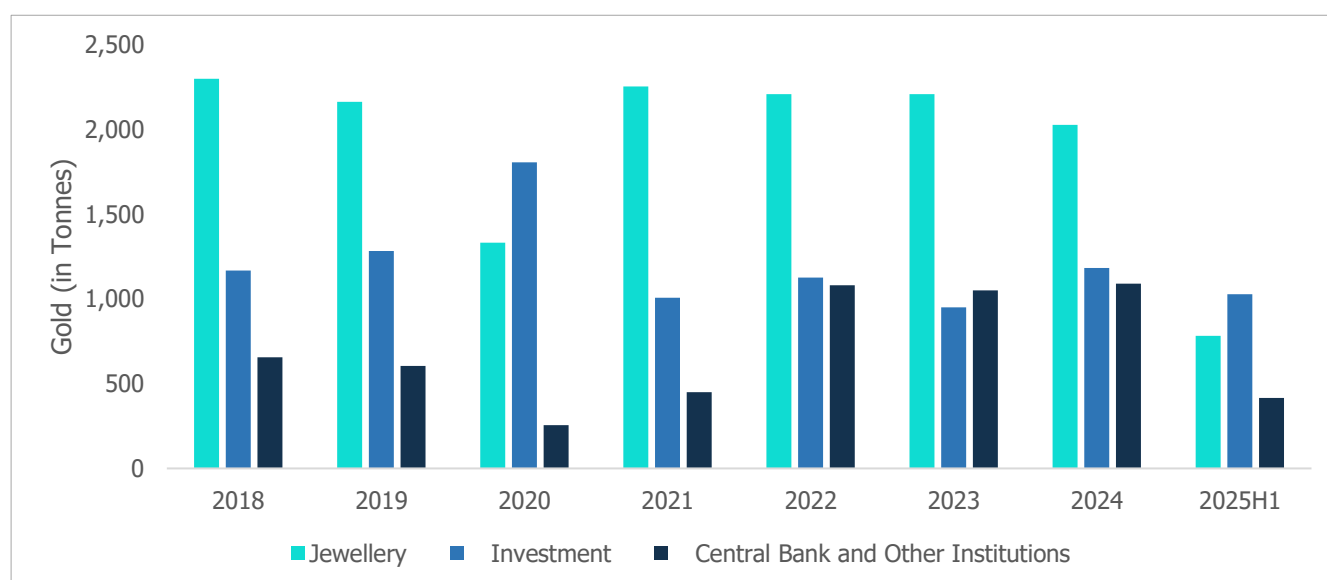


Source: FRED

Gold continues to play a multifaceted role in the global economy as a trusted investment asset, a critical component in jewellery manufacturing, and a strategic reserve for central banks. However, the price surge observed in 2025 reflects a shift in underlying demand drivers. In H1 2025, a notable change in trend has emerged. Investment demand has surged dramatically, already matching the total demand recorded for all of 2024. Conversely, central bank purchases, which had been a major force behind gold's rally in previous years, have shown signs of moderation. While still significant, their buying pace has slowed, indicating a more cautious approach to reserve accumulation.

Meanwhile, the jewellery sector has been adversely affected by the steep rise in gold prices. Demand from this segment has moderated, as consumers and manufacturers grapple with affordability challenges. Together, these shifts highlight a rebalancing in gold's demand landscape, with investment flows taking the lead, while traditional drivers, such as central bank buying and jewellery fabrication, adjust to the new pricing environment.

Exhibit 2: Gold Demand Drivers



Source: World Gold Council

Dollar and Shifting Sentiments

The U.S. Dollar Index (DXY) has weakened by nearly 8.6% year-to-date, weighed down by uncertainty surrounding U.S. trade policy, fiscal concerns, and expectations of Federal Reserve rate cuts. Structural factors also persist, as global central banks diversify away from U.S. assets.

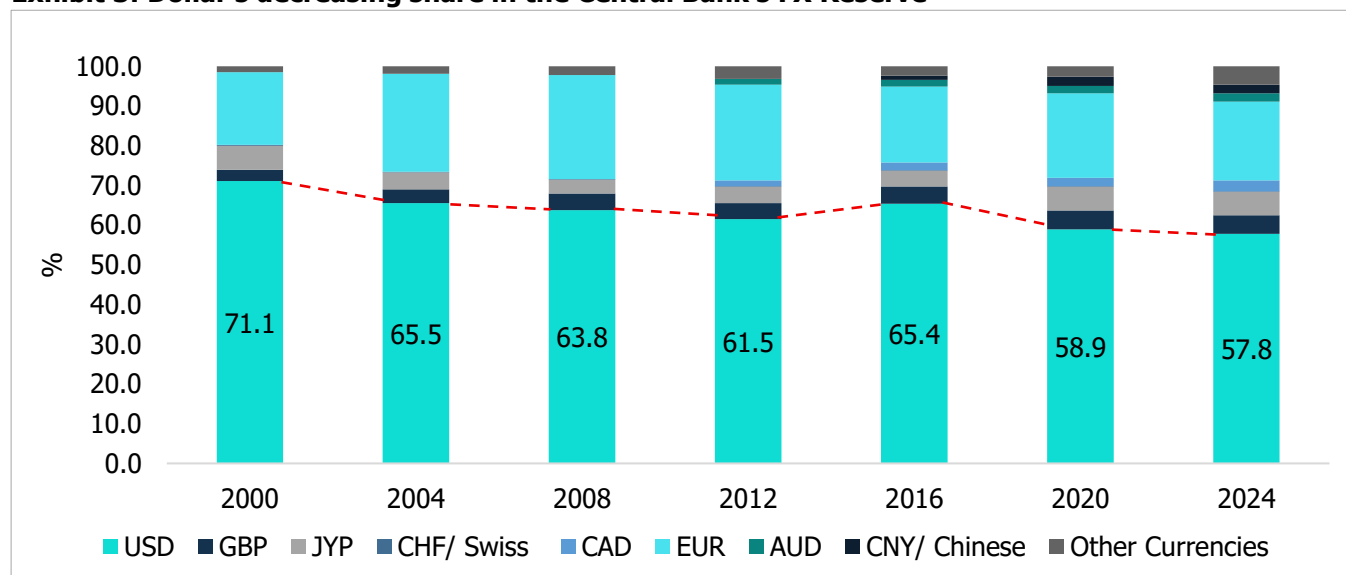
Tariffs are expected to add to inflationary pressures in the U.S. and dampen domestic demand. U.S. GDP growth is projected to slow to 2% in 2025 from 2.8% in 2024. Trade negotiations remain ongoing, and legal questions surrounding the tariffs continue to add uncertainty.

Fiscal concerns present another significant headwind. U.S. general government gross debt rose from approximately 109% of GDP in 2019 to around 122% in 2024, with projections indicating it could reach 140% by 2029. The One Big Beautiful Bill Act (OBBBA), passed in July 2025, is expected to add to the U.S. debt burden as it combines tax and spending cuts with higher defense allocations. Revenues from new tariffs under US trade policies may provide some offset, though their continuity remains uncertain due to ongoing legal challenges.

The US Fed cut the federal funds rate by 25 basis points in October 2025, bringing it to a range of 3.75%–4%, citing rising downside risks to employment. This marked the second consecutive rate cut, and markets are now expecting another rate cut in December. Despite this, US policy rate is expected to remain elevated, keeping yields high. Combined with the rising debt trajectory, this poses challenges to debt affordability. Recent challenges to the Fed's long-standing independence have also weighed on investor sentiment and contributed to dollar weakness.

The share of dollar holdings in central banks' foreign exchange reserve has been reducing since 2000, falling from 71.1% in 2000 to 57.8% in 2024. This steady decline underscores a broader shift in global sentiment away from the dollar. Central banks have been actively diversifying their portfolios, reducing exposure to dollar-denominated assets in favour of alternatives such as the Euro (slight increase from 18.3% in 2000 to 19.8% 2024), Chinese yuan and Australian dollar (nil to 2.2% and 2.1% in 2024, respectively).

Exhibit 3: Dollar's decreasing share in the Central Bank's FX Reserve



Source: IMF COFER

Gold has also gained prominence not merely as a commodity but as a strategic alternative. In an environment marked by fiscal fragility and geopolitical uncertainty, gold's appeal as a politically neutral, inflation-resistant store of value has strengthened. The weakening dollar has thus become a catalyst for gold's ascent, reinforcing its role as a hedge against currency risk.

That said, the dollar's global dominance remains intact. It is the world's primary reserve currency, accounting for roughly 60% of global foreign exchange reserves, and continues to dominate international trade finance. Shifting to an alternative currency may take years, so the dollar's safe-haven status endures, even as investors reassess its long-term trajectory.

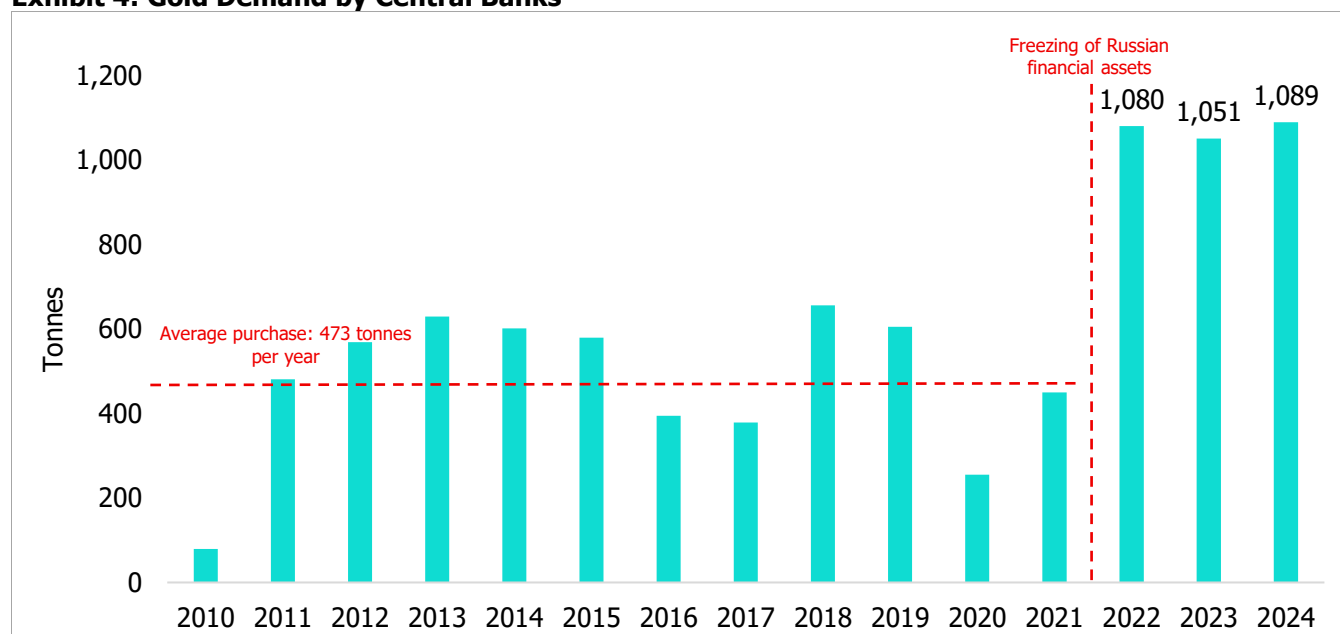
Central Banks Recalibrate

The fiscal challenges facing the United States have prompted a decisive response from central banks worldwide. In 2024, official-sector gold demand surged to historic levels, with central banks purchasing approximately 1,089 metric tonne, more than double the average annual purchases of 400–500 metric tonne observed over the previous decade. This surge reflects a deliberate move away from overreliance on U.S. Treasuries and dollar-denominated assets.

Since 2022, central banks of emerging nations have significantly ramped up their gold purchases, driven by a growing awareness of geopolitical risks. The freezing of Russian financial assets by Western nations in response to its invasion of Ukraine served as a reminder that sovereign assets held in foreign currencies, particularly the U.S. dollar and the euro, are not immune to political leverage.

For many central banks, especially in countries with non-aligned or multipolar foreign policy stances, this event triggered a reassessment of reserve composition. Gold, unlike fiat currencies, is a tangible asset that does not rely on the trustworthiness or cooperation of another government or financial institution. It cannot be sanctioned or frozen. As a result, gold has gained favour as a strategic reserve asset, valued not only for its inflation resistance and long-term stability but also for its political neutrality and independence from the global financial architecture dominated by Western powers.

Exhibit 4: Gold Demand by Central Banks

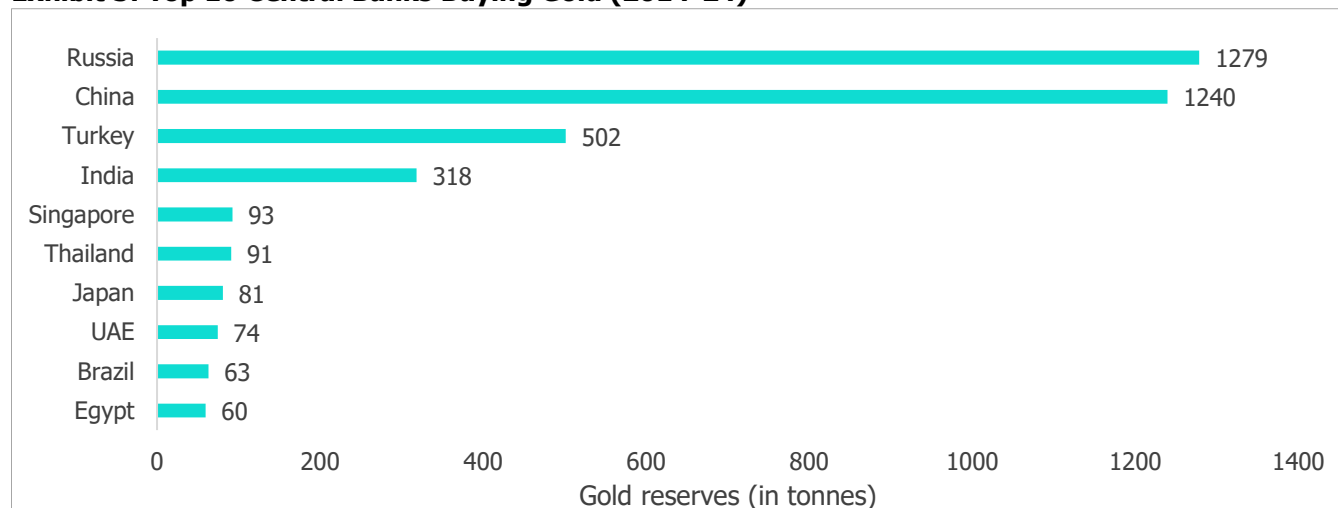


Source: World Gold Council

Thus, between 2014 and 2024, the Central Bank of the Russian Federation added 1,279 tonnes of gold to its reserve. This gold accumulation is part of a broader effort to strengthen financial sovereignty and shield the economy from geopolitical risks, including international sanctions. The Central Bank of Russia has sourced much of this gold through the domestic market. This approach also supports Russia's domestic gold industry.

Similarly, the People's Bank of China added 1,240 tonnes of gold to its reserves; its strategy has been steady, suggesting a long-term policy-driven approach. Central banks in Turkey, India, and Singapore have also made substantial acquisitions. India added approximately 73 tonnes in 2024 alone, bringing their total purchases between 2014 and 2024 to 318 tonnes.

Exhibit 5: Top 10 Central Banks Buying Gold (2014-24)



Source: World Gold Council

BRICS and the Golden Shift

The BRICS bloc, originally composed of Brazil, Russia, India, China and South Africa, has recently expanded to include Egypt, Ethiopia, Indonesia, Iran and the United Arab Emirates. This enlarged grouping has evolved beyond its initial identity as a collection of fast-growing economies. In recent years, it has increasingly positioned itself as a key player in shaping the global financial landscape.

The bloc's growing economic weight, demographic scale, and resource base have contributed to its rising prominence in international forums. Member countries have begun to explore alternatives to existing financial institutions, promote regional cooperation, and advocate for more inclusive global governance structures. Initiatives such as discussions around a common payment system and increased use of local currencies in trade reflect a broader ambition to diversify and rebalance the global financial order.

As shown in Exhibit 5, six of the top ten central bank gold buyers in recent periods were BRICS nations, reflecting a wider effort to diversify reserve holdings beyond U.S. dollar exposure. For many of these countries, gold serves not only as a financial asset but also as a strategic tool to mitigate potential vulnerabilities arising from geopolitical tensions or external economic pressures. By increasing their gold reserves, these nations are strengthening their monetary independence and decreasing reliance on foreign currencies that could be subject to sanctions or policy shifts.

This trend has contributed to a notable expansion in the BRICS' collective gold reserves, with Russia, China, and India among the top 10 countries with the highest gold holdings. However, when viewed as a proportion of their total reserves, gold accounts for an average of 17% among BRICS countries, compared to 56% for the G7 (excluding Canada), based on data as of October 2025. This contrast highlights differing reserve management strategies.

Exhibit 6

Official Gold Holding		
BRICS	Tonnes	% of Total Reserves
Russian Federation	2,326	38%
China	2,302	7%
India	880	14%
Brazil	129	4%
South Africa	125	20%
G7	Tonnes	% of Total Reserves
United States	8,133	79%
Germany	3,350	79%
Italy	2,452	75%
France	2,437	76%
Japan	846	7%
United Kingdom	310	17%
Canada	-	-

Source: World Gold Council

Note: Canada doesn't have any gold holdings.

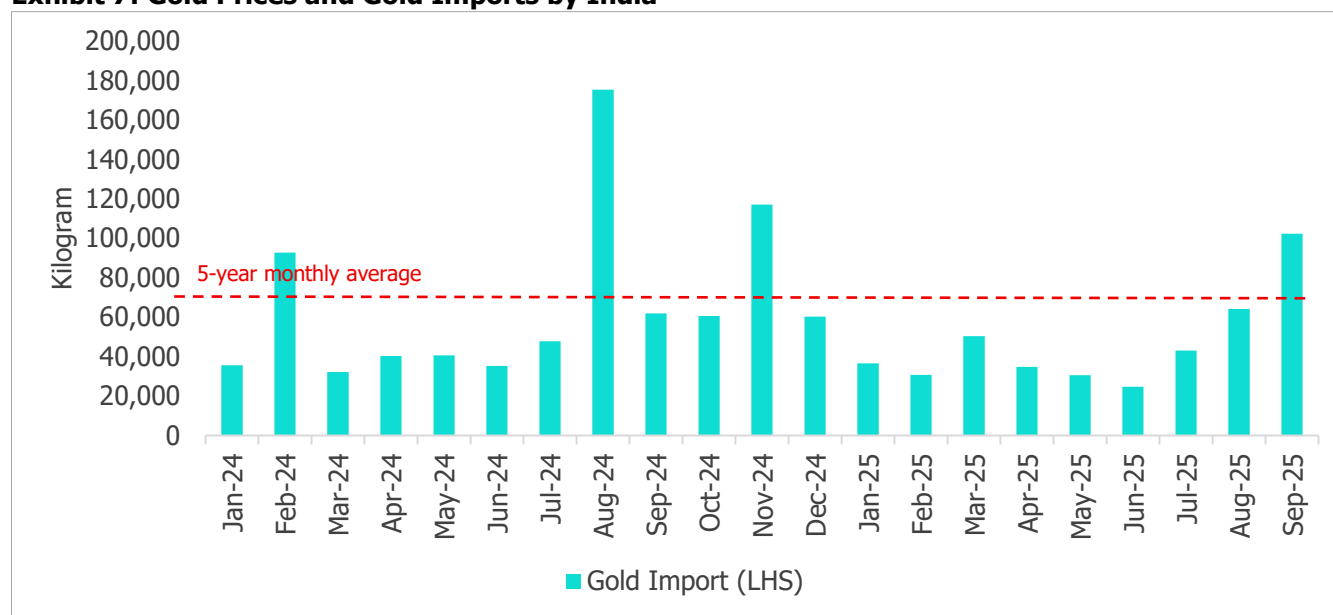
The primary reason for the higher share of gold in G7 reserves is historical. Many of these countries have accumulated gold over decades, dating back to the gold standard and post-war reserve strategies, which have given them a legacy advantage over BRICS nations. Equally important is the composition and scale of their reserve portfolios. G7 central banks manage reserves that are not only massive in absolute terms but also highly diversified across government bonds, sovereign securities, and foreign currency assets. Within such large and varied portfolios, gold naturally constitutes a substantial proportion, reinforcing its role as a stabilising anchor.

By contrast, BRICS central banks have traditionally prioritised liquidity and yield, allocating larger shares of their reserves to U.S. Treasuries, the Euro, and other currencies. Even in cases where countries such as Russia, China, or India have stepped up gold purchases, the overall impact on the share of gold remains limited, given the continued dominance of foreign exchange instruments in their portfolios. The practical necessity of maintaining highly liquid and deployable reserves has historically kept gold in a secondary position within BRICS reserve strategies, despite rising purchases in recent years.

India and Its Gold Dependency

India's dependence on gold imports remains a prominent aspect of its economic profile, driven by limited domestic production and a longstanding cultural affinity for the metal. Gold holds deep-rooted significance across Indian society not only as a symbol of prosperity and purity in religious and festive contexts, but also as a traditional means of preserving wealth. This cultural connection leads to predictable seasonal spikes in demand, especially during festivals such as Diwali and Dussehra and during peak wedding periods when gold purchases are considered both auspicious and customary. India produces only a small portion of the gold it consumes. In calendar year 2024, India produced only 18% of the gold, thus relying on imports to meet approximately 82% of domestic demand.

Gold imports in September 2025 reached a ten-month high, marking the third consecutive month of rising imports and surpassing the five-year monthly average. This uptick indicates a seasonal increase in domestic demand, coinciding with the onset of India's festive season, despite persistently high prices. However, when compared to the same period last year, the broader trend indicates continued softness in overall demand, as imports in August 2024 reached a historic high due to a reduction in import duties announced at the end of July 2024.

Exhibit 7: Gold Prices and Gold Imports by India


Source: Directorate General of Commercial Intelligence and Statistics, World Gold Council

Conclusion

The resurgence of gold as a principal reserve asset underscores a profound transformation in the global financial architecture, driven by escalating fiscal vulnerabilities, persistent inflationary pressures, and mounting geopolitical uncertainties. As traditional anchors such as the U.S. dollar and the Euro face increasing scrutiny due to sovereign risk and structural fragilities, gold has re-emerged as a politically neutral, inflation-resistant store of value. Central banks, particularly within the BRICS bloc, are recalibrating their reserve strategies, shifting away from over-reliance on dollar-denominated assets toward a more diversified and resilient portfolio that prominently features gold. This strategic pivot reflects not only a desire for monetary autonomy and insulation from external shocks but also a broader rebalancing of global economic influence.

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