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Weekly Market Commentary



Four Charts that Explain Gold's Rally

By Michael Crook, CAIA, Chief Investment Officer

Despite decelerating inflation, gold has rallied about 40% over the last year and 22% annualized over the last 3 years.

1. The relationship between real interest rates and the gold price broke down in 2022 (Fig. 1). Central bank purchases and a declining US dollar have been catalysts for higher prices since then.
2. Central bank purchases of gold jumped in 2022 (Fig. 2) following the application of financial sanctions on Russia by the US Treasury. For those who missed it, our [livestream with Edward Fishman, author of Chokepoints](#), included a discussion of financial sanction avoidance.
3. Gold serves as a decent but not perfect hedge for a declining US dollar (Fig. 3).
4. Gold has rallied against all major currencies as investors become increasingly concerned about the fiscal outlooks for developed economies (Fig. 4).

Why it matters for investors:

Gold prices have benefited from strong central bank demand and a loss of investor confidence in the fiscal sustainability of major economies. We expect those tailwinds to continue, but investors shouldn't be surprised to see a near-term pullback or consolidation period following such a significant rally. Gold is historically expensive relative to oil and other commodities.

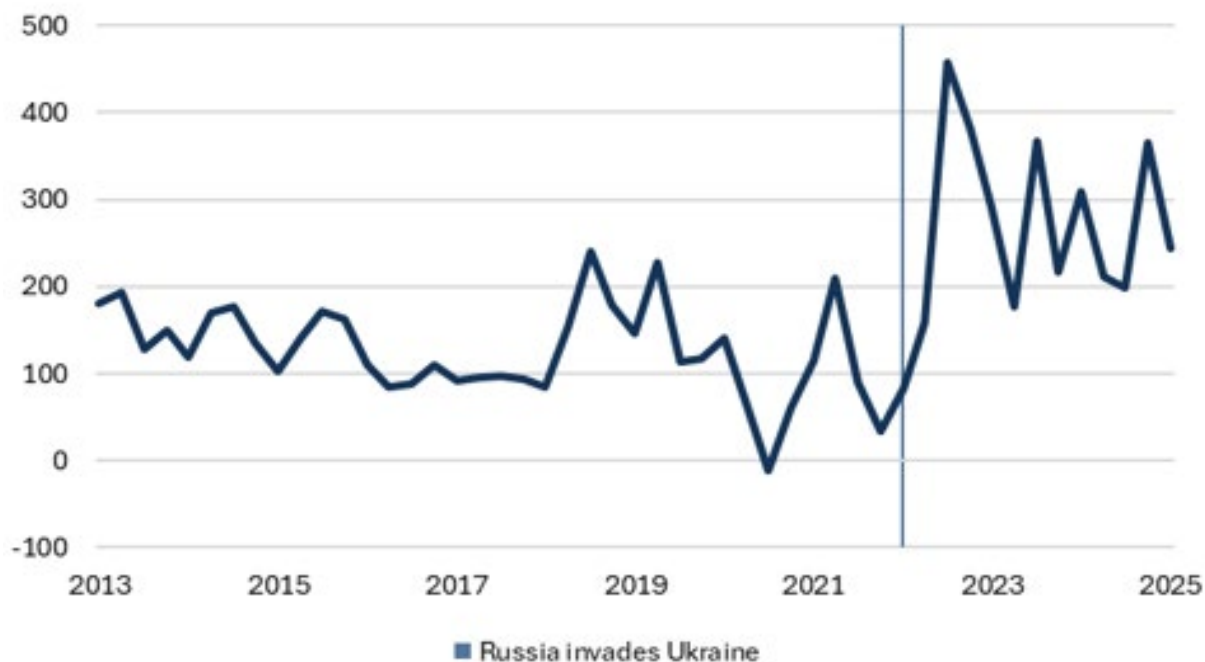
We've preferred to hedge dollar weakness through assets including international equities, farmland, and real estate, but would consider adding gold exposure following a pull back if (1) it appears as though the next Fed chair will push to lower the Fed funds rate below "neutral" and (2) see a significant FOMO (fear of missing out) trade building in retail gold flows. Retail investor gold flows were negative in 2022, 2023, and 2024, but turned positive in the first quarter of this year.

Fig. 1: Gold price and inflation-adjusted 10-year Treasury yield



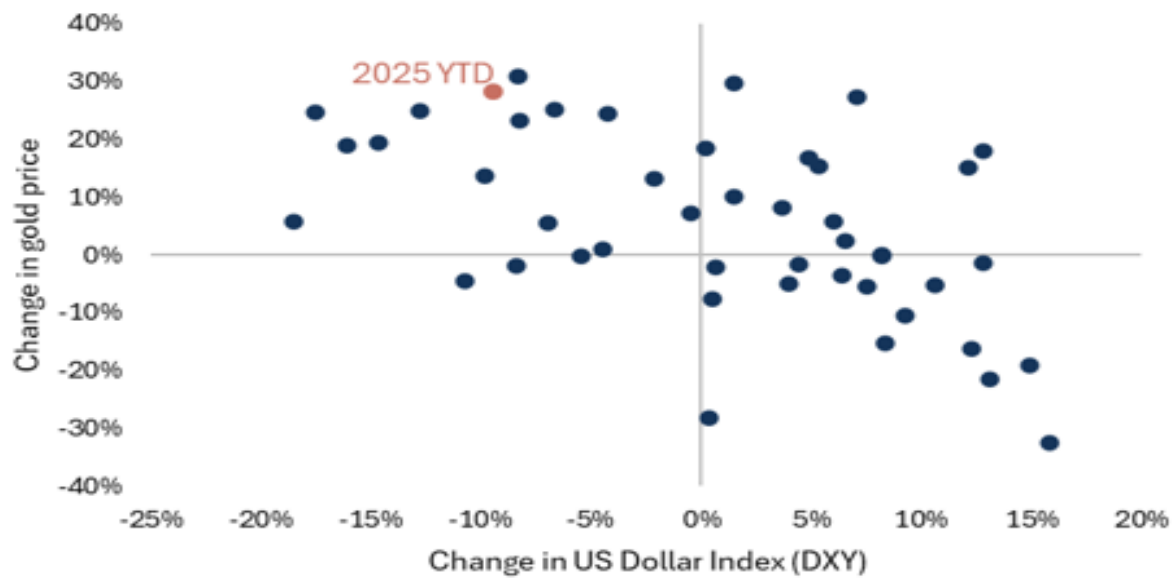
Source: Bloomberg, Mill Creek. 1/1/2008-06/30/2025.

Fig. 2: Central bank gold demand (Quarterly, metric tonnes)



Source: Bloomberg, Mill Creek. 01/01/2013-03/31/2025.

Fig. 3: US dollar and gold price relationship



Source: Bloomberg, Mill Creek. 1980-2025 YTD. Calendar year returns.

Fig. 4: Gold price indexed to average of USD, GBP, CHF, JPY, and EUR.



Source: Bloomberg, Mill Creek. 01/01/1975- 6/30/2025.

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