

# **Fortune Favors the Gold? Comparing Top Investment Choices**

## **Investment Report**

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## Gold vs. Other Investment Opportunities

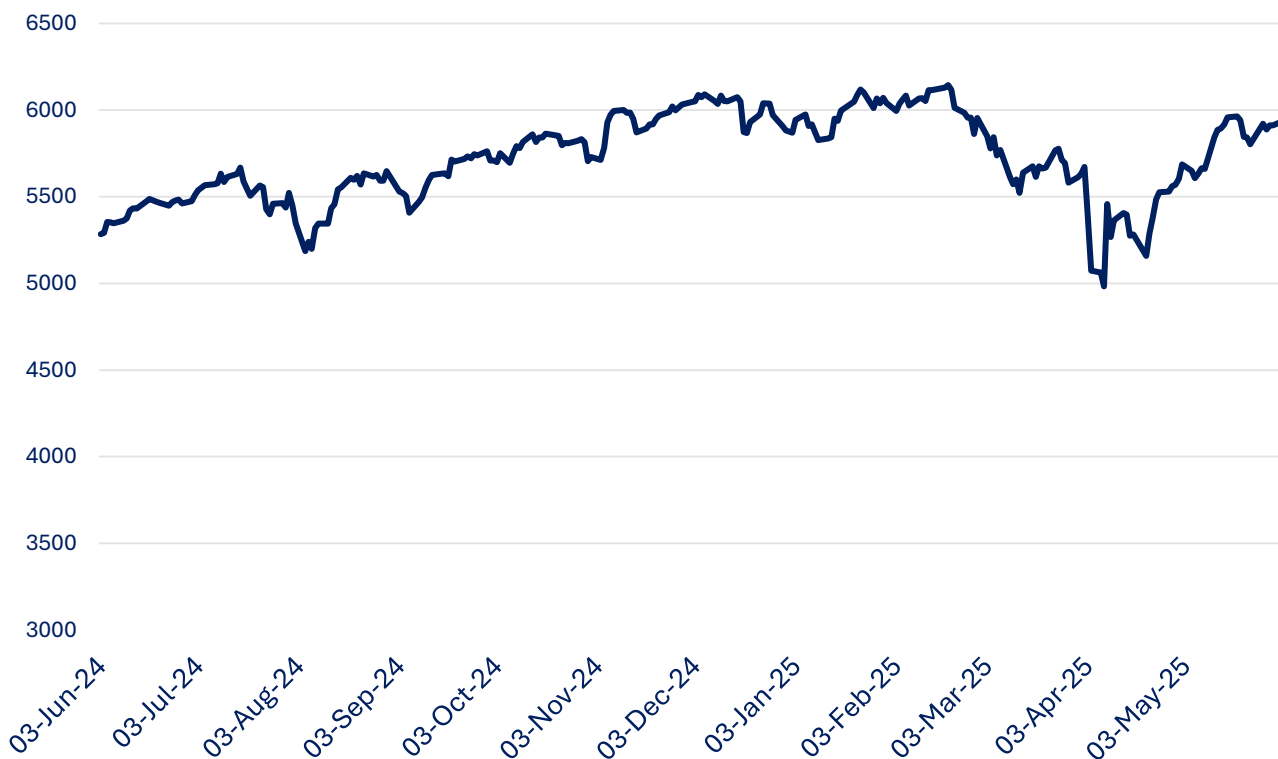
### Gold vs. Equities

While equities offer long-term growth potential, they are inherently cyclical and react sharply to changes in earnings forecasts, interest rate policy, and geopolitical developments. The valuation of equities often depends on forward-looking expectations, which are highly vulnerable to negative sentiment during periods of macroeconomic uncertainty. For instance, in 2025, volatility across major global indices such as the S&P 500, FTSE 100, and Nikkei 225 has been elevated due to concerns over slowing economic growth, escalating trade wars, and geopolitical instability in Eastern Europe and the Middle East.

In contrast, gold operates as a countercyclical asset. It typically rallies when risk assets decline, offering capital preservation during drawdowns. Unlike equities, gold does not depend on corporate earnings or dividends and is not subject to equity-style valuation bubbles. **In 2025, gold has demonstrated superior performance, appreciating by approximately 46.44% YTD as of Jun 07, while the S&P 500 index has returned 10.93% YTD.** This represents a performance differential of over 35 percentage points in favour of gold.

The decoupling of gold from equity markets this year has reaffirmed its role as a strategic safe-haven asset. Institutional investors have increasingly reallocated from overvalued technology and cyclical sectors into gold ETFs and bullion as a risk-off play. This rotation reflects a growing recognition that in the current environment of fiscal fragility, elevated inflation, and geopolitical fragmentation, gold offers a more stable and uncorrelated return profile than equities.

### S&P 500



Source: spglobal



## Gold vs. Bonds

Bonds typically offer stable returns, but rising inflation erodes real yields, making them less attractive in high-inflation environments. As of May 30, 2025, **the S&P U.S. Treasury Bond Current 10-Year Index has delivered a one year returns of approximately +3.24%**. While this nominal return may seem reasonable, persistent inflation continues to weigh on real yields. Consequently, many investors find the inflation-adjusted returns from bonds insufficient for wealth preservation. In contrast, gold while non-yielding has emerged as a superior defensive asset. It has appreciated significantly in 2025, offering both inflation protection and portfolio diversification. Gold’s lack of correlation with fixed-income securities during inflationary cycles reinforces its appeal as a strategic hedge against negative real yields.

S&P U.S. Treasury Bond Current 10-Year Index



Source: spglobal

Asset Class	1Y Return (YTD 2025)	Key Risks	Liquidity	Inflation Hedge	Volatility
Gold	+46.44%	Moderate	High	Strong	Low-Med
Equities	+10.93% (S&P 500)	Earnings shocks, valuations	High	Weak	Medium
Bonds	+3.24% (US 10Y)	Rate risk, low real yield	High	Poor	Low
Crypto (BTC)	+11.3%	Regulation, high volatility	Medium	Speculative	Very High

## Gold vs. Cryptocurrencies

As of May 30, 2025, Bitcoin has returned approximately **+11.3%** year-to-date (YTD), according to StatMuse. While cryptocurrencies like Bitcoin are viewed by some as "digital gold," they remain highly volatile and speculative. Gold benefits from millennia of historical trust, central bank backing, and market maturity. In contrast, crypto remains unregulated and subject to extreme drawdowns. Despite Bitcoin's positive YTD performance, its inherent volatility and lack of regulatory oversight continue to make it a riskier investment compared to traditional assets like gold.



## Inflation and Interest Rates

Gold is highly sensitive to movements in real interest rates, which are calculated by subtracting inflation from nominal yields. When real rates turn negative, as they are in many advanced economies in 2025, gold becomes significantly more attractive because the opportunity cost of holding non-yielding assets diminishes.

In 2025, global inflation remains stubbornly persistent. While headline inflation rates have shown slight moderation due to base effects and temporary declines in energy prices, core inflation especially in the categories of housing, healthcare, services, and food, remains well above central bank targets. In the U.S., core PCE inflation is stuck near 3.3%, well above the Federal Reserve's 2% mandate. Eurozone and UK inflation exhibit similar resilience, driven by supply chain distortions and rising labor costs.

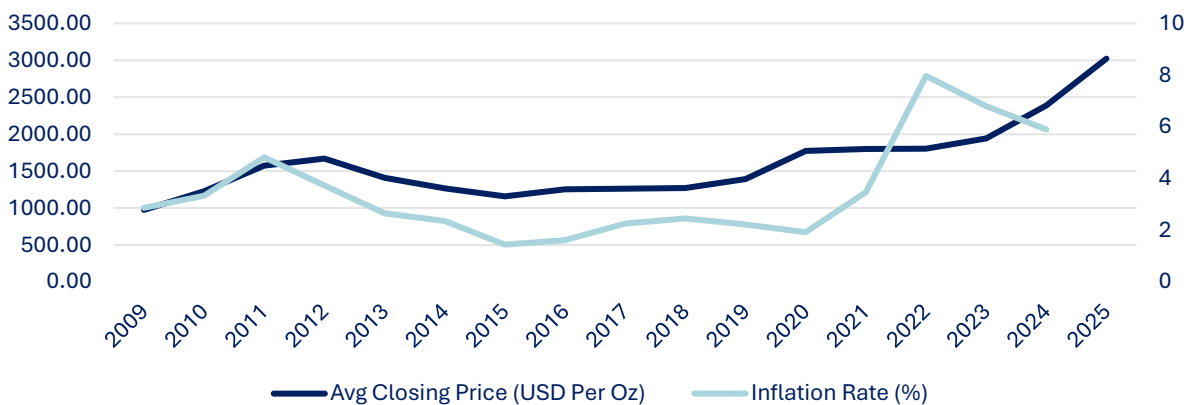
Amid this backdrop, central banks are facing a policy conundrum. They are hesitant to maintain high interest rates for too long due to weakening economic indicators, rising unemployment, and falling consumer confidence. Consequently, the Federal Reserve and European Central Bank are both signalling rate cuts in the second half of 2025, reversing much of the aggressive tightening seen in 2022–2023.

This macroeconomic environment has created deeply negative real yields across much of the developed world. For instance, the **U.S. 10-year Treasury yield has fallen below 3.5% while inflation expectations hover near 3.2%, yielding a real return near zero or even negative depending on the inflation index used.**

In such an environment, gold thrives. It offers stability, stores purchasing power, and performs well when fixed-income investments fail to keep up with inflation. As a result, gold has become a preferred asset class for both institutional and retail investors looking to hedge against eroding real returns and persistent inflationary pressure.

The historical relationship between inflation and gold prices supports gold's reputation as an effective inflation hedge. The following data illustrates how gold has appreciated during periods of rising inflation:

### Global Inflation Rate VS Gold Price



Source: Macrotrends.net

The correlation is particularly evident during 2021–2025, when inflation spiked and gold prices responded accordingly:

- From 2022 to 2023, as inflation remained elevated above 6%, gold rose from \$1,801 to \$1,943.
- In 2024, gold surged by over \$445 per ounce as inflation persisted at 5.9%.
- By 2025, gold has averaged over \$3,000 per ounce, marking a 26.5% YoY increase from 2024, with inflation remaining elevated.



## De-Dollarisation and BRICS Initiatives

A structural shift is underway in global finance, accelerated by geopolitical fragmentation and the loss of trust in U.S.-centric financial infrastructure. The expansion of BRICS into BRICS+, which now includes nations such as Saudi Arabia, UAE, Egypt, and Iran signals a broader push for a multipolar economic order. One of the most impactful proposals has been the alliance's initiative to introduce a gold-backed settlement currency aimed at bypassing the U.S. dollar in cross-border trade.

This initiative is gaining traction especially among resource-rich countries and economies targeted by Western sanctions. By anchoring trade to gold or regional currencies, these nations are reducing their dependency on the SWIFT network and U.S. financial oversight. The trend is catalysing a fundamental revaluation of gold's role not only as a store of value but also as a medium of exchange.

In parallel, China's Cross-Border Interbank Payment System (CIPS) has seen exponential growth in transaction volumes, increasingly being used in bilateral trade deals with Russia, the Middle East, and African economies. Some of these agreements are explicitly backed by gold reserves, enhancing gold's monetary relevance.

The result is a slow but measurable move toward de-dollarisation. Gold is emerging as the key neutral asset that can underpin this transition. BRICS+ central banks are accelerating gold purchases to support their monetary autonomy, and sovereign wealth funds are adjusting their reserve allocations accordingly. If these trends continue, gold will play an even more central role in global finance on par with or even surpassing the dollar in specific regions and trade corridors over the next decade.

## Weakening USD

The U.S. Dollar Index (DXY) has experienced sustained downward pressure in 2025 due to a confluence of macroeconomic and political headwinds. These include dovish forward guidance from the Federal Reserve, growing fiscal deficits projected to exceed \$2 trillion, and ongoing political gridlock surrounding debt ceiling debates and government shutdown risks. These factors have eroded global confidence in the dollar's long-term stability.

A depreciating dollar makes gold relatively cheaper for international buyers whose currencies are appreciating in real terms, thereby increasing physical gold demand across Asia, Europe, and emerging markets. Central banks, particularly in non-Western economies, have also accelerated diversification away from U.S. dollar-denominated assets in favor of gold and other tangible reserves.

Additionally, rising concerns over the sustainability of the U.S. national debt which recently crossed \$35 trillion and worsening current account imbalances have prompted a strategic reassessment by sovereign wealth funds and institutional investors. The decline in foreign purchases of U.S. Treasuries underscores this trend, with many reallocating to gold as a stable, non-sovereign store of value.

As a result, gold has experienced significant appreciation, driven not only by its role as a hedge against a weakening dollar but also by its emergence as a credible reserve alternative in a structurally shifting global financial landscape.

These macro themes suggest gold is not just benefiting from traditional demand channels, but also from its renewed strategic relevance in a world restructured by AI and sustainability priorities. The global energy transition and massive infrastructure investments to support AI, semiconductors, and data centres are expected to drive inflationary commodity supercycles.

Goldman Sachs forecasts a 160% increase in US data centre power demand by 2030, indirectly raising inflation expectations.



## Institutional Forecasts for Gold in 2025

Institution	Forecast (USD/oz)	Comments
Goldman Sachs	\$3,700	Strong central bank demand and inflationary outlook.
UBS	\$3,200	Highlights gold’s role in portfolio diversification.
JP Morgan	\$3,000	Real yields falling; risk-off sentiment persists.
Citi	\$3,000	Predicts prices rising within next 6 months.
Deutsche Bank	\$3,139	Increased average forecast following rally.
CoinCodex	\$3,409 avg	Predicts fluctuations between \$2,935 and \$3,887.
LongForecast	\$3,289 (June)	Monthly high expected at \$3,569 in Q2.

The consensus forecast range is between **\$3,000 to \$3,700**, with potential peaks above \$3,800 depending on geopolitical shocks and Fed policy direction.

## Conclusion: Gold Reclaims Its Crown in 2025

In an increasingly unpredictable global economy, gold has reasserted its dominance as a premier investment asset. The data for 2025 paints a compelling picture: gold has outperformed equities, cryptocurrencies, and bonds not only in returns but also in resilience. With a **last 1-year return of over 46.44%**, it has significantly outpaced the S&P 500, Bitcoin, and U.S. Treasuries, reaffirming its role as a reliable hedge in times of market stress.

Key drivers such as persistent inflation, negative real interest rates, geopolitical fragmentation, and a weakening U.S. dollar have all aligned to support gold’s resurgence. Additionally, structural shifts like the **BRICS+ gold-backed currency initiative** and **record central bank accumulation** underscore gold’s evolving role—not just as a store of value, but as a strategic monetary asset in a multipolar financial system.

As the world navigates high inflation, slowing growth, and de-dollarisation, gold is no longer just a safe haven, it’s a strategic core holding. For investors seeking stability, diversification, and protection against systemic shocks, 2025 has made one thing clear: **fortune truly favors the gold.**



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