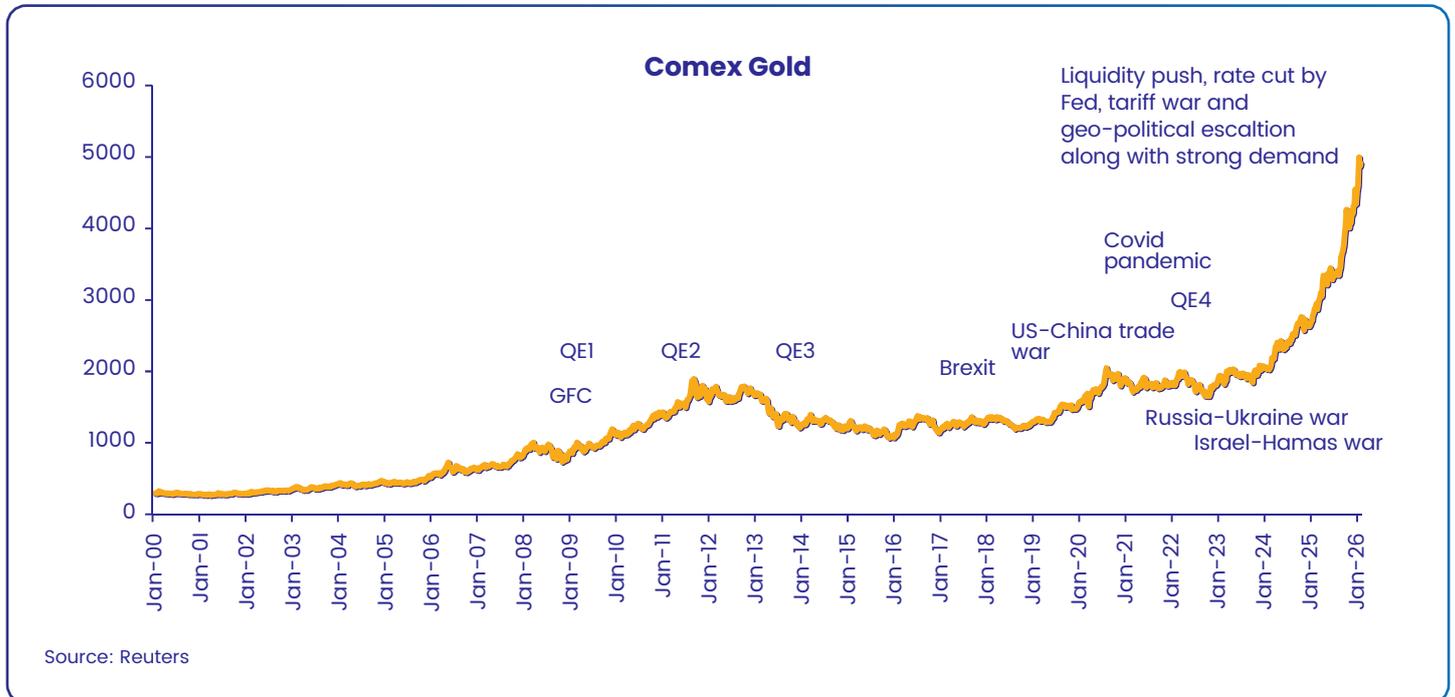


Precious Metals Quarterly

23rd February 2026



Gold: Structural Repricing In A Fracturing Global System

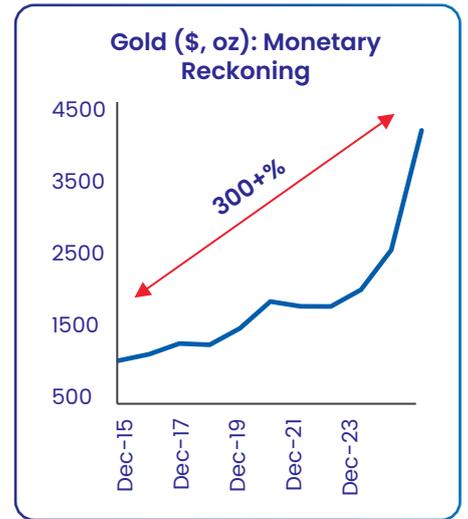
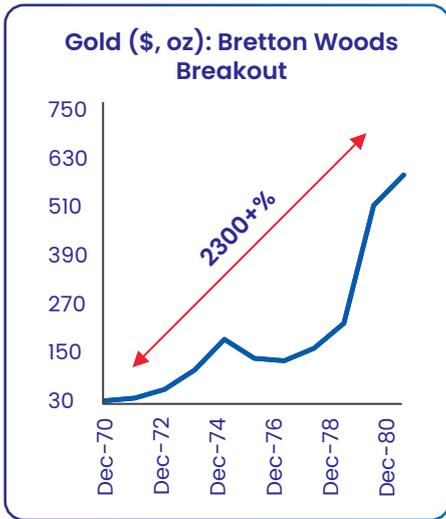


Gold performs best when monetary credibility weakens and fiscal policy dominates, rather than during conventional growth slowdowns.

Gold's extraordinary bull-run reached new heights in early 2026, decisively breaking through \$5,000 barrier as a confluence of structural and cyclical forces aligned to create one of the most powerful precious-metal environments in modern history. Throughout 2025, global gold demand surpassed 4,800 tons, overwhelming mine production by more than 500 tons. This imbalance was driven primarily by central banks, which net-purchased around 1,000 tons for the fourth consecutive year—the most sustained official-sector accumulation since the collapse of Bretton Woods.

Investor participation increased significantly. Gold ETF holdings reversed multi-year outflows, with India emerging as a structural growth market. Assets under management in Indian gold ETFs surged to ₹1,279 billion (\$14.2 billion), lifting the country's share of global ETF holdings from 1.9% to 2.5%. Simultaneously, COMEX and LBMA inventories declined 20–40% from 2024 peaks, dislocating the supply demand balance temporarily.

Macroeconomic stress intensified in parallel. U.S. national debt crossed \$38 tln, with FY2026 Q1 deficits reaching \$601 bln and annual interest costs nearing \$1.1 tln—over 20% of tax revenues. Geopolitical flashpoints multiplied across Eastern Europe, Middle East, and Arctic, reinforcing gold's role as a neutral reserve asset. All forces combined to lift gold prices by 67% in 2025, strongest annual performance since 1979, with early-2026 registering repeated all-time highs.



Source: Reuters

► Historical Context and Patterns

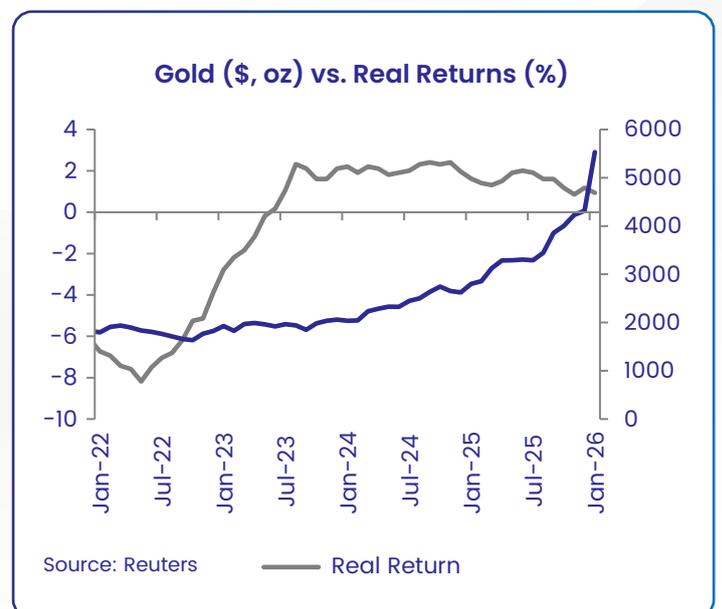
Periods marked by fiscal excess, monetary erosion, and geopolitical instability have repeatedly produced transformative multi-year gold rallies. 1971 Nixon Shock dismantled the Bretton Woods system, triggering a +2,300% gold revaluation over the following decade. The 1979 Iranian Revolution and Soviet invasion of Afghanistan propelled prices +325% within two years as inflation surged to 13.5% and confidence in paper assets collapsed.

Global Financial Crisis followed a similar template. Despite initial liquidity stress, gold advanced +25% through 2009 and an additional +30% during 2011 U.S. debt-ceiling crisis as quantitative easing, sovereign leverage, and political dysfunction reshaped capital allocation.

Across cycles, pattern is consistent: gold performs best when monetary credibility weakens and fiscal policy dominates, rather than during conventional growth slowdowns.

► Real Rates and Gold: The Core Transmission Mechanism

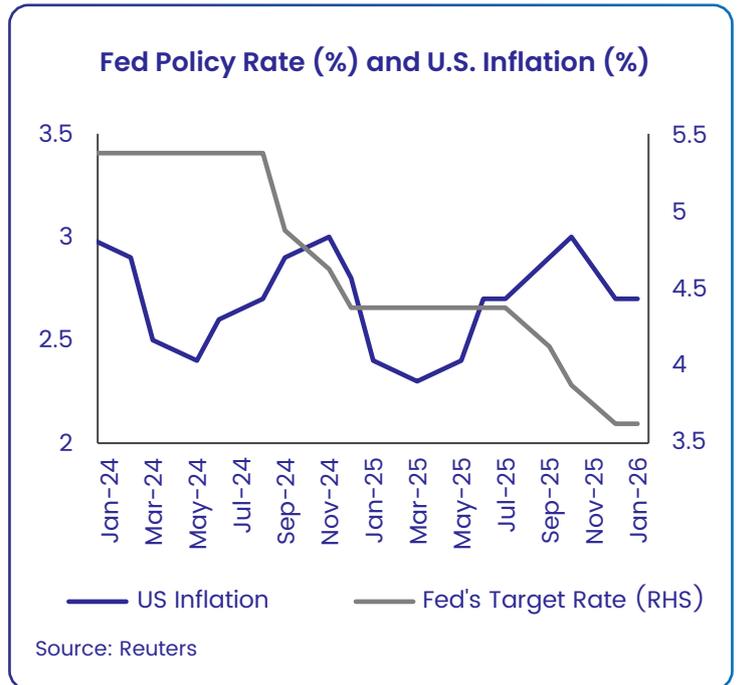
Gold's strongest long-term correlation is not with inflation alone, but with real interest rates. Over the past five decades, gold has exhibited correlation of ~ -0.85 to U.S. 10-year real yields. When real rates fall below 1%—or turn negative—gold rallies tend to be powerful, durable, and broad-based. During 2025, U.S. real yields compressed from above 2% toward 1% as inflation volatility persisted and growth momentum weakened. Historically, such compression phases have coincided with 25–50% gold advances over 12–24 months. Crucially, real-rate suppression today is not



cyclical but structural, driven by debt-service constraints and political pressure on central banks.

Unlike prior tightening cycles, policy normalization now encounters fiscal ceilings, making sustained positive real yields increasingly difficult to maintain. This structural instability materially lowers the opportunity cost of holding gold.

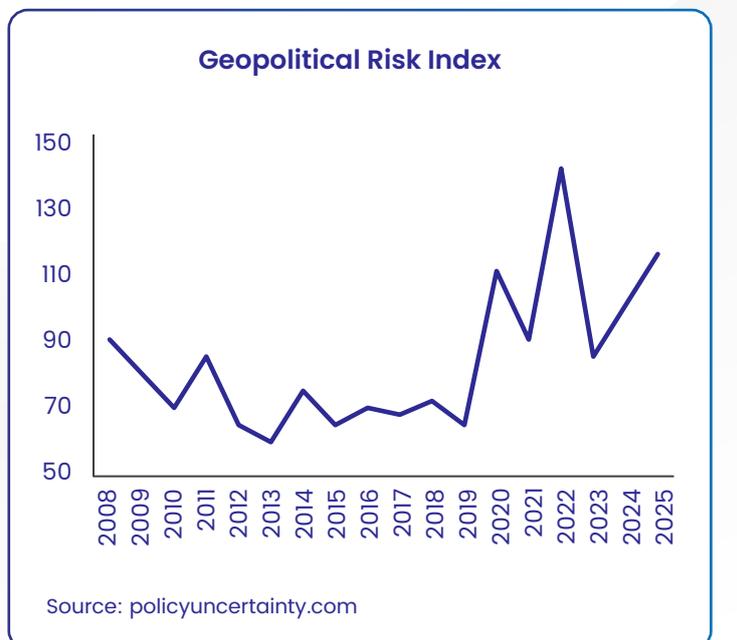
Despite U.S. real rates remaining positive for extended periods through 2023–2025, gold prices continued to trend higher, underscoring that real rates alone no longer serve as the dominant valuation anchor. One key explanation lies in quality and credibility of real yields. While headline real rates appeared positive, investors increasingly questioned their sustainability amid rising fiscal deficits, elevated debt servicing costs, and political pressure on monetary authorities. In such an environment, positive real rates were perceived as cyclical and policy-driven rather than structurally durable. Additionally, gold demand during this period was increasingly driven by central banks, geopolitical risk hedging, and reserve diversification, and physical market tightness— forces largely insensitive to marginal changes in real yields. As a result, gold transitioned from being primarily a real-rate-sensitive asset to a broader hedge against systemic risk and monetary credibility erosion. This decoupling explains why gold sustained its rally even in an environment that would historically have been considered unfavorable, reinforcing the structural nature of the current bull cycle.



▶ Geopolitical Escalation

Recent escalations across Ukraine, the Middle East, and Arctic territories sustained aggressive safe-haven flows, pushing daily trading volumes to \$174 billion and expanding regional premiums to 20–30%. Central bank diversification accelerated in response to sanction risk, while higher energy prices fed directly into CPI, further compressing real yields.

In addition to the longstanding flashpoints in Eastern Europe and Middle East, a fresh set of geopolitical tensions emerged across 2025 and into early 2026, intensifying systemic risk for global markets and safe-haven assets like gold. In Middle East, U.S.–Israeli strikes on Iranian



nuclear infrastructure in mid-2025 significantly escalated hostilities, prompting Tehran to issue firm warnings of retaliatory measures after diplomatic negotiations collapsed, and contributing to sustained regional volatility. Simultaneously, political unrest in Iran, including widespread protests and rising casualty counts, has further strained relations with Western powers and created a persistent backdrop of risk premium in global asset pricing. In South America, the United States' direct military intervention in Venezuela in early 2026, following covert operations and strikes on sanctioned oil infrastructure, added another layer of uncertainty to energy markets and hemispheric stability. Tensions also surfaced in the Arctic, where provocative U.S. actions regarding Greenland triggered diplomatic pushback from European allies. Alongside these major theatres, latent territorial disputes – such as renewed border clashes between Thailand and Cambodia and ongoing friction around the Taiwan Strait – illustrate how regional disputes have the potential to broaden into wider geostrategic competition. These developments collectively reinforce gold's haven appeal amid a landscape of fragmented global security and rising geopolitical premiums.

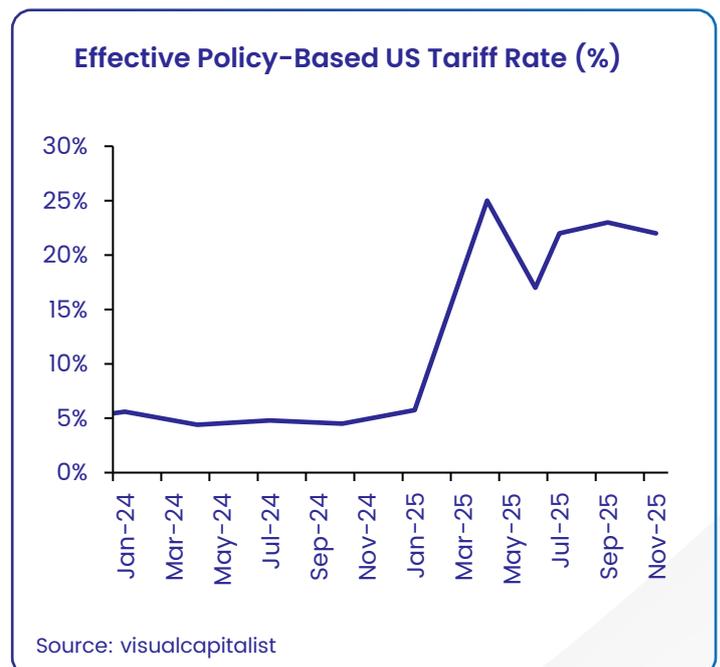
▶ Trade Tensions Including Tariffs

Tariff escalation introduces a dual impulse: weaker growth and higher inflation. Historical regimes show tariffs add 1–3 percentage points to CPI while eroding currency confidence—conditions that reliably benefit gold. The 1930 Smoot-Hawley episode and the 2018–19 trade war both produced sustained gold outperformance.

Current tariff structures disrupt bullion arbitrage flows, deepen backwardation, and incentivize physical hoarding—reinforcing already-tight supply conditions.

U.S.–China trade conflict that began in 2017–2018 marked one of the most significant tariff escalations in modern economic history, with the U.S. imposing levies on hundreds of billions of

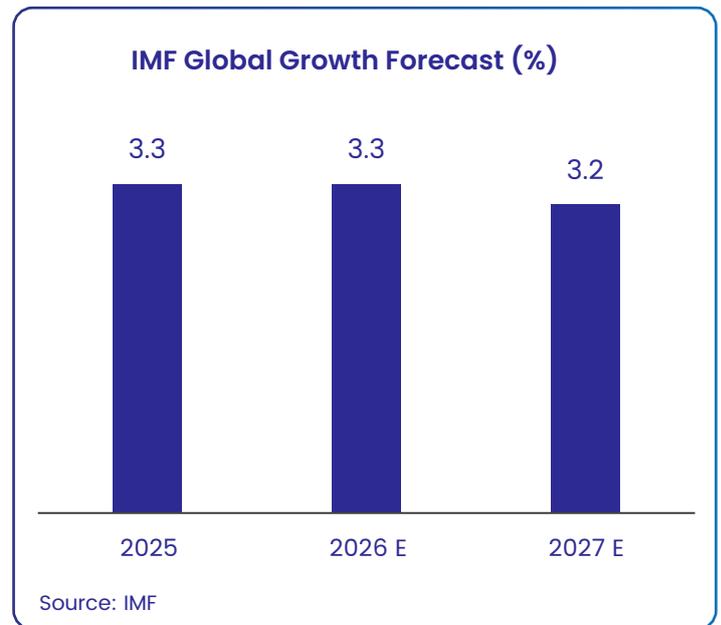
dollars of Chinese imports and China reciprocating on U.S. exports. Those measures disrupted global supply chains, suppressed bilateral trade flows, and created persistent inflationary pressures across commodities and manufactured goods. Tariffs on key categories such as machinery, electronics, and agricultural products sparked volatility in both equities and currencies, prompting strategic recalibration by multinational corporations and sovereign buyers. In 2025, this trade tension re-ignited with renewed severity following the onset of “America First” tariff policies, which saw the U.S. impose broad duties including a “Liberation Day” tariff series that initially averaged ~34% before being negotiated down to an effective rate near 29–30% by late 2025 after a series of truce agreements. China responded with retaliatory tariffs and export controls, including on rare earth elements critical to high-tech manufacturing, raising both trade costs and supply risk premia across integrated value chains. Multiple negotiated extensions through 2025, including a framework agreed at the Trump–Xi meeting that reduced reciprocal tariffs to ~10% and suspended additional layers until



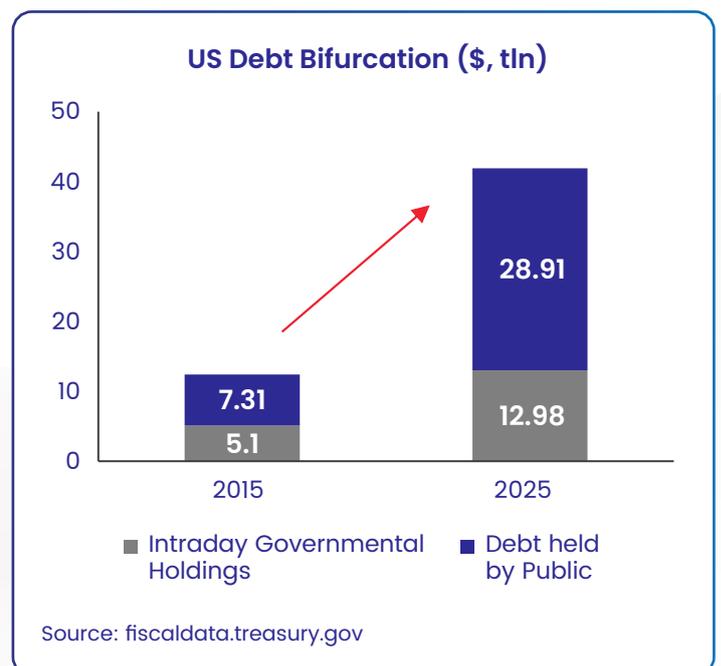
late 2026, highlight the ongoing, fluid nature of the conflict and its continued impact on global trade costs and inflationary dynamics.

▶ Data Analysis

Global economic landscape entering 2026 reflects moderate but, structurally subdued growth, with global GDP projected at ~3.3% in both 2025 and 2026, below the historical pre-2019 average of ~3.7%, hinting at persistent demand weaknesses and heightened policy uncertainty. Headline inflation is expected to continue its decline toward around 3.5–4.0%, but advanced and emerging economies diverge significantly in disinflation trajectories and monetary policy cycles. In the United States, macro data reveal a cooling labor market, with job openings and quits trending downward and unemployment creeping higher, softening wage pressures and complicating traditional demand-driven expansions – a backdrop that undermines confidence in sustained real growth.



Liquidity conditions remain elevated. U.S. M2 money supply continued to rise into late 2025, exceeding \$22 trillion, indicating persistent systemic liquidity that supports asset valuations even as real economic momentum slows. Fiscal dynamics, however, underscore mounting structural risk. U.S. federal debt surpassed \$38 trillion, equating to nearly 100% of GDP by the end of 2025, with foreign holdings shrinking and refinancing risks rising. The budget deficit for FY2025 totalled ~\$1.8–\$1.9 trillion (5.8–6.2% of GDP), among the highest in peacetime history. Interest servicing costs climbed sharply; net interest payments exceeded \$970 billion in FY2025, surpassing major discretionary spending categories such as defence and Medicare, and representing a material drain on fiscal flexibility. Projections suggest interest outlays will continue to absorb an increasing share of federal revenues, potentially exceeding 15–18% in the near future, and further crowding out growth-enhancing expenditure.



Taken together, moderate global growth, softening labour markets, ample liquidity, and unsustainable debt dynamics – macro regime emphasizes persistent adversity and policy

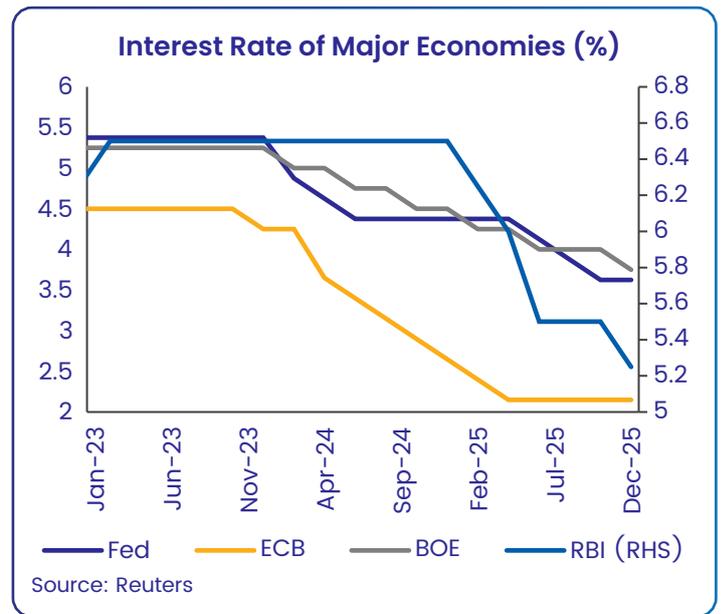
constraints. These conditions reinforce demand for real assets such as gold, which historically benefit when fiscal stress, monetary uncertainty, and structural risk premiums are rising concurrently.

▶ Monetary Easing, Political Pressure & Fed

Political interference in monetary policy has historically undermined currency credibility. From Nixon in 1971 to Trump’s public pressure campaigns, markets have consistently responded with gold re-rating. Powell’s May-2026 exit risks accelerating this dynamic, particularly if real yields drift below 1%.

Similar to the pattern in geo-political shocks, past easing cycles combined with political pressure have produced gold rallies averaging 30–50% over 18 months—patterns increasingly relevant in today’s fiscal environment.

Interplay between U.S. monetary policy and political pressure has taken on unprecedented dimensions through 2025–2026, adding a powerful structural layer to gold’s long-term narrative. As the Federal Reserve navigated slowing growth and sticky inflation, markets priced in multiple rate cuts through 2025 – a dynamic that initially supported gold rallies on softer real yields and weaker dollar expectations. However, by late 2025 and into early 2026, the Fed held rates steady after three cuts, asserting data dependency even as political scrutiny intensified. In January 2026, the Fed opted to keep the policy rate unchanged despite ongoing pressure from the U.S. administration to loosen policy further, underscoring deep tensions between political imperatives and central bank independence. The spectre of a criminal investigation into the Fed Chair and public criticism from the executive branch has clouded perceptions of institutional autonomy, weakening confidence in the U.S. dollar and enhancing gold’s appeal as a counterbalance to policy uncertainty. Global financial markets treated these developments as signals of potential monetary easing coupled with political interference, which historically undermines real yield stability and boosts demand for non-yielding assets like gold. This blend of policy ambiguity and credibility erosion has reinforced structural support for gold prices, particularly as investor’s position for an elongated period of real yield compression amid ongoing risk aversion.



▶ De-Dollarization and Unwinding Stress

De-dollarization has evolved over the last decade from a niched policy whisper into the most important structural driver of global reserve behaviour, and it is now firmly embedded in the current gold bull market. At its simplest, de-dollarization describes a coordinated shift by central banks and geopolitical blocs away from an over-reliance on U.S. dollars and U.S. Treasury securities as “risk-free”

collateral, towards portfolios including other safe and less controlled assets like Gold. That shift is not an overnight swap but a decades-long re-weighting, and its pace accelerated sharply after early-2020s events, especially the U.S.-led freezing of large parts of Russia's foreign-exchange reserves in 2022. When ~\$300 billion of Russian dollar- and euro-denominated reserves were blocked, it proved concretely that even highly rated sovereign holdings could be politically weaponized. For many governments, particularly in BRICS+ orbit, the lesson was clear: if a chunk of reserves can be turned illiquid overnight, then the portfolio cannot rely so heavily on any single currency or credit-based asset class.

These concerns have translated into hard redeployment decisions. In 2024–2025, global central bank gold purchases stayed far above their long-run averages: the World Gold Council records over 860 tonnes of gold bought by central banks in 2025 alone, adding to cumulative holdings more than 36,000 metric tons. More importantly, because gold prices have more than doubled since the pre-pandemic era, the value of these holdings has surged. Recent estimates suggest that by late 2025, central-bank gold stacks are valued at ~\$4.5–5.2 trillion, comfortably exceeding the ~\$3.5 trillion in U.S. Treasuries held by central banks on a portfolio-basis. This is the first time in nearly three decades that gold overtakes U.S. Treasuries as the largest category of reserve asset by value for official institutions, marking a huge psychological and portfolio-re-weighting threshold. The above graph indicates the rapid pace at which this shift in gold from US treasuries has happened over the last few years.

Numerically, broader global reserve system provides additional context. Global official foreign-exchange and securities reserves are now about \$12–13 trillion, with U.S. dollars still accounting for a bit ~57% of allocated currency composition in IMF COFER data, even though that share has slowly eroded over the past decade. The sheer size of U.S. public debt has helped dilute the foreign share of Treasuries: the total stock of marketable U.S. Treasuries is around \$35 trillion, of which foreign holders collectively own about \$9.2–9.4 trillion—a record high in absolute terms but a smaller proportion of the total as domestic buyers (including the Federal Reserve) have shouldered more of the new issuance.

The foreign-owned slice has, however, experienced volatility: in 2025 alone, China trimmed its U.S. Treasury holdings by ~\$77 billion in 2025 alone, reducing from ~\$760 billion (end-2024) to \$683 billion. Across the board, central-bank surveys show that over 75% of officials now expect the share of gold in their reserves to rise over the next five years, while a similar share reports plans to reduce explicit dependence on dollar-denominated claims.

Beyond reserve tactics, trade-architecture changes manifest de-dollarization in more structural ways. The BRICS platform and its expanded membership now encourages intra-bloc trade in local currencies through mechanisms such as BRICS Pay, cross-currency settlement arrangements, and an increasing number of bilateral payment systems that bypass dollar-only rails. Some proposals



even envisage a formalized BRICS-linked settlement unit, potentially anchored in a basket that includes physical commodities or gold-linked instruments, reducing the need for U.S.-dollar invoicing and clearing. Taken together, these moves form a coherent policy-driven pull away from the dollar-centric order of the early 2000s; they do not suppose an immediate collapse of dollar dominance, but they do suppose a steady dilution of its role in global finance and trade.

| Country | 2022 Holdings (\$bln) | 2025 Holdings (\$bln) | Net Change | % Change |
|-------------------|-----------------------|-----------------------|------------|----------|
| Net Buyers | | | | |
| China | 313.3 | 368.6 | +55.3 | 17% |
| Poland | 36.8 | 79.9 | 43.1 | 117% |
| Turkey | 70.2 | 100.3 | +30.1 | 42.9% |
| India | 122.4 | 141.1 | +19 | 15.5 |
| Russia | 369.6 | 374.6 | +5 | 1.4% |
| Net Seller | | | | |
| Germany | 539.5 | 538.8 | -0.6 | -0.11% |

Source: Bloomberg, MOFSL

For gold, the current macro environment crystallizes into two parallel themes: a valuation re-anchor and a structural demand shock. As U.S. Treasuries are increasingly perceived by policymakers as more political, more credit-like, and more rate-sensitive, gold is being reclassified as “non-sovereign money”—a neutral settlement asset outside the U.S.-centric monetary framework. This shift dampens gold’s traditional inverse sensitivity to interest rates and instead ties its performance to confidence in the broader dollar-centric reserve architecture.

The demand shock is more mechanical and quantifiable. Global FX reserves total ~\$13.0 trillion (Q3 2025), with the U.S. dollar accounting for 56.9%, or about \$7.4 trillion. In a stylized scenario where just 10% of dollar-linked reserves are reallocated into gold over three years, incremental demand would amount to ~\$740 billion. At \$5,000/oz, this translates into ~4,950 tons of additional gold demand, or ~1,650 tons per year—equivalent to an increase of nearly 45% of annual global mine supply. Even if implemented gradually, persistent flows of this magnitude would overwhelm available physical supply, forcing sustained price adjustment and pushing the gold market into a structural deficit. Historically, such conditions have been associated with multi-year bull cycles marked by repeated double-digit annual returns.

In short, de-dollarization is no longer a hypothesis but a measurable transition in global reserve and trade architecture. The combination of falling faith in the “risk-free” status of U.S. Treasuries, rising official-sector gold holdings, BRICS-led local-currency trade initiatives, and the mechanically binding constraints of gold’s inelastic supply all work toward the same outcome: gold prices at \$5,000 and

above look like an early-cycle valuation adjustment in a world where a meaningful share of global financial risk is being re-insured in physical bullion. In this scenario, a sustained 5% reallocation from Treasuries into gold does not require an apocalyptic shock to the dollar; it is, instead, an orderly large-scale diversification that still generates enough incremental demand to structurally support prices. In other words, the de-dollarization regime is now fully baked into the data; the question is not whether it exists, but how fast the stock of official gold holdings and local-currency settlement systems will expand relative to the existing U.S.-dollar and Treasury-centric infrastructure.

Global FX reserves:\$13tn | USD Share: 56.9%
Current CB holding 36,200t. (2.6t at \$4980/oz, 20% of reserves)

Scenario analysis: 10–15% reserves shift from USD to Gold

| Time Period | Reserve Quantum | Total Demand | Annual Demand | % of Mine Supply | Implied Price Impact |
|-------------------|-----------------|--------------|---------------|------------------|----------------------|
| 10% over 3 years | \$740B | 4,960t | 1,653t/year | +45% | \$9,500-12000/oz |
| 15% over 3 years | \$1,110B | 7,440t | 2,480t/year | +68% | \$12,500-16000/oz |
| 10% over 5 years | \$740B | 4,960t | 992t/year | +27% | \$7,500-9,200/oz |
| 15% over 5 years | \$1,110B | 7,440t | 1,488t/year | +41 % | \$9,800-12,500/oz |
| 10% over 7 years | \$740B | 4,960t | 709t/year | +19% | \$6,200-7,500/oz |
| 15% over 7 years | \$1,110B | 7,440t | 1,633t/year | +29% | \$7,800-9,500/oz |
| 10% over 10 years | \$740B | 4,960t | 496t/year | +14% | \$5,800-6,800/oz |
| 15% over 10 years | \$1,110B | 7,440t | 744t/year | +20% | \$7,000-8,500/oz |

Source: MOFSL

Japan's gradual exit from ultra-loose monetary policy has emerged as a critical underappreciated risk for global financial markets and a powerful tailwind for gold. After decades of near-zero or negative rates, the BOJ's 2025–early-2026 shift toward positive policy rates and yield-curve normalization has raised the probability of an unwinding of the world's largest carry trade, where global investors borrowed cheaply in Yen to fund higher-yielding assets abroad. Even modest increases in Japanese rates compress global interest rate differentials, forcing leveraged positions to deleverage and repatriate capital. This process tightens global liquidity, increases volatility across equities, credit, and emerging markets, and elevates demand for neutral safe-haven assets. Importantly, unlike previous tightening cycles led by Fed, Japan's policy normalization directly threatens the funding architecture of global risk assets rather than domestic demand alone. As Yen volatility rises, correlations across asset classes tend to converge, reducing the effectiveness of traditional diversification strategies. Gold, with no currency liability, no rollover risk, and no dependence on interest differentials, becomes a natural beneficiary of such systemic stress. Historically, periods of Yen strengthening and carry trade unwinds have coincided with sharp spikes in volatility indices and capital flows into gold. As global rate differentials narrow simultaneously due to U.S. easing expectations and Japan's tightening, structural support for safe-haven demand strengthens, reinforcing gold's role as the ultimate hedge against liquidity shocks and cross-border capital instability.

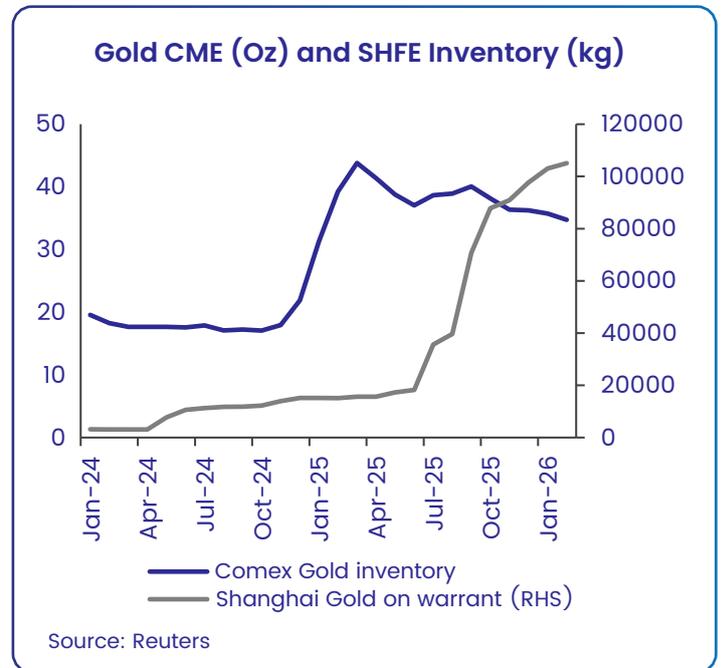
Exchange Inventories and Physical Stress

Persistent exchange hoarding and fluctuations reflect more than speculative demand. Global mine supply growth remains capped at 1–2% annually, constrained by declining ore grades, permit delays, and capital discipline.

All-in sustaining costs (AISC) now average approximately \$1,600, with marginal producers requiring \$1,600+ to justify expansion. This creates a structural price floor and limits downside even during corrections. High prices do not quickly translate into new supply—lead times extend 7–10 years—making physical tightness durable rather than episodic.

From Jan 2025 to mid-Feb 2026, global gold inventories showed stark divergence before tightening: London vaults depleted 3.7%

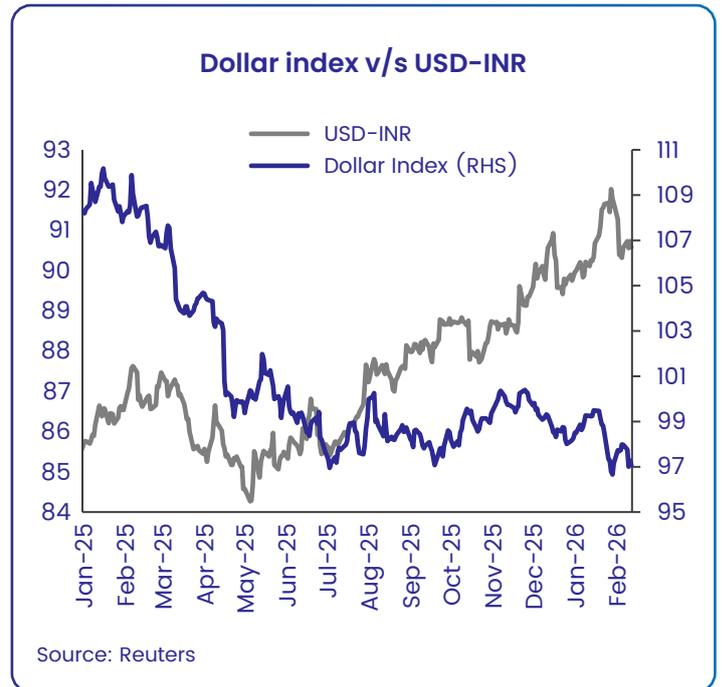
(–320 tons) to 8,215 tons amid outflows; COMEX peaked at ~1,580 tons (+45%) early 2025 but, fell ~2.5% MTD Feb; SGE warrant stocks surged to 104–120 tons (near-record, +20x norms) on China's custodial arbitrage, averaging 1.53 tons daily. ETF allocations and long-term holders tie up most vault metal, leaving minimal "free float" for spot delivery. This scarcity fuels irregular backwardation, where buyers aggressively bid up immediate physical supply to meet urgent demand. This mirrors similar structural shortages seen in the silver market, where tight physical stocks and heavy delivery demand have strained traditional paper-based mechanisms. Decline in deliverable inventories, coupled with supply that cannot respond quickly due to long mine lead times and elevated all-in sustaining costs, has shifted gold pricing dynamics in favour of persistent upward pressure, validating the structural bull thesis rather than a short-lived cyclical fluctuation.



Rupee Depreciation and Emerging Market Demand

Currency depreciation continues to act as a powerful multiplier for gold demand across emerging markets, with India at centre of this dynamic. According to a study, historically, every 1% depreciation in the INR generates 15–20 tons of incremental gold demand, as households and investors shift toward hard assets for capital preservation. Through 2025 and into early 2026, rupee breached 90 for the first time, and in no time touched the levels of near 92, amid capital outflows, elevated trade deficits, and firm U.S. dollar demand. While U.S. Dollar Index experienced significant weakness, INR depreciation remained pronounced, driven by domestic imbalances and rising import costs, particularly for energy and bullion. This currency weakness mechanically lifted local gold prices to

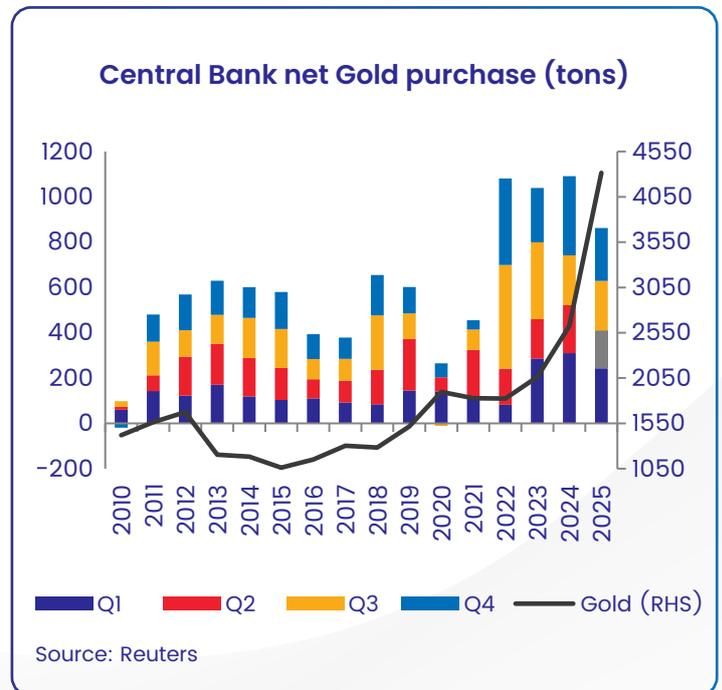
record highs, reinforcing investment and retail buying. At current exchange rate levels, incremental Indian demand in 2026 could exceed 300 tons, effectively displacing supply from Western markets and reinforcing global price resilience despite volatile dollar and rate conditions.



▶ Central banks Continue to Accumulate Gold

Official-sector demand now represents a structural pillar rather than a tactical response. Central banks continued to assert themselves as the most consistent structural buyers in the gold market through 2025 and into early 2026.

Central banks collectively net purchased around 1,000 tons per year for four consecutive years—many emerging market and middle-income economies have pushed to diversify reserves further in response to geopolitical and fiscal pressures. Nations such as Poland, Kazakhstan, Brazil, and India expanded holdings significantly, while substantial, but opaque accumulation in China and Russia continued through domestic channels.



Record central bank demand was accompanied in 2025 by heightened official sector rhetoric on reserve security, with policymakers explicitly citing gold's lack of counterparty risk and resistance to sanctions as drivers for diversification. Market participants noted that this phase of official buying shifted from opportunistic accumulation into formal reserve strategy, embedding a baseline structural bid for gold independent of short-term price swings. With U.S. fiscal pressures and monetary policy uncertainty weighing on confidence in government bonds and the dollar, gold's function as a neutral reserve asset has strengthened. This persistent official demand provides a durable floor under prices and compresses volatility, distinguishing the current cycle from past episodic buying spurts.

ETF, Investor, and Safe-Haven Demand

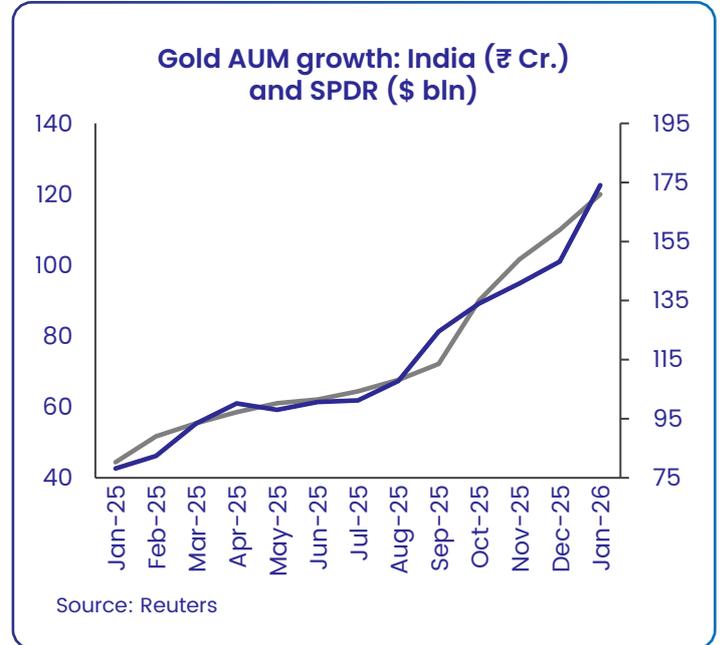
In 2025, India's import trends have shown surprising developments, particularly in the precious metals sector. Gold imports witnessed a steady rise closing the year above 600 tons,

while silver imports exceeded 6,000 tons, underscoring a robust domestic demand. Market participants were pricing some changes in duty in the Union Budget 2026, however, there were no changes announced. Price differences, arbitrage and spreads between exchanges is creating more volatility in market.

Investor participation in gold expanded dramatically in 2025, as global ETFs recorded the largest annual inflows on record amid surging prices and macro uncertainty. Net global gold ETF inflows reached ~\$89 billion in 2025, pushing

total AUM to ~4,025 tons, highest level since comprehensive records began. This trend \$reallocation beyond inflation hedging, with North American funds contributing the largest share of inflows and Asian funds, particularly in India and China, registering robust demand. ETF inflows were underpinned by multiple factors: expectations of monetary easing in developed markets, real yield compression, and heightened geopolitical risk that weakened confidence in traditional assets.

Report by World Gold Council suggest that gold's appeal extended beyond cyclical stress responses, with investors viewing ETFs as efficient tools for structural diversification within multi-asset portfolios. Monthly inflows remained positive for seven consecutive months as of late 2025, demonstrating durable institutional commitment rather than short-term speculative positioning. The strategic adoption of gold ETFs bolstered physical demand indirectly by reducing tradable supply and increasing investor conviction, adding a significant layer of long-term support for gold prices.



Why this Cycle is Structurally Different

► This gold bull market differs from prior cycles in three critical respects

- 1 Official-sector accumulation is persistent, not opportunistic
- 2 Fiscal dominance constrains real-rate normalization
- 3 Geopolitics now reshapes reserve management, not just sentiment

Together, these forces reduce mean reversion risk and increase probability of a higher long-term equilibrium price rather than a speculative peak. Gold market cycle of 2023–2026 is structurally distinct from prior rallies due to the convergence of monetary, fiscal, and geopolitical fractures that extend beyond episodic crises into persistent systemic stress.

First, official sector accumulation is no longer an irregular response to risk, but a multi-year trend with annual purchases exceeding historical peaks; this creates inelastic, high-duration demand that anchors long-term pricing.

Second, fiscal dominance now shapes monetary policy decision-making. Real yields – central to gold’s valuation mechanics – are constrained not just by growth slowdowns but by political imperatives and debt service pressures that limit the scope for tightening. In previous cycles, such as early 1980s or post-2008, monetary institutions retained clear autonomy and could signal forward guidance with credibility. In contrast, recent months have seen overt political pressure on the Fed, rising debt and its servicing cost and public debate over central bank leadership, blurring the line between data-driven and politically influenced policy.

Third, geopolitical fragmentation – now meaningfully affects reserve allocations and capital flows, reinforcing gold’s role as a neutral monetary asset rather than a transient hedge. This trifecta – persistent official demand, constrained real yield normalization, and geopolitically driven reserve diversification – differentiates the current cycle from historical episodes and supports a structurally higher long-term equilibrium price for gold versus prior bull markets.

▶ Long-Term Outlook and Price Targets

Gold’s current advance reflects a structural repricing rather than late-cycle exuberance. With real yields structurally capped, supply growth constrained, & geopolitical fragmentation rooted, corrections are likely to be consolidative rather than trend-breaking. We continue to maintain buy on dips stance from medium to long-term perspective.

Base case

Gold settles toward \$6,000 on COMEX as fiscal stress, moderate easing, and central-bank demand persist; which equates to ₹1,85,000 on domestic front assuming USD-INR at 91; with a 12 month’s perspective.

Bull case

Escalating debt monetization, renewed QE, or multi-theatre geopolitical shocks push gold toward \$7,500; which equates to ₹2,30,000 on domestic front assuming USD-INR at 91; with a 24 to 36 month’s perspective.

Extreme tail

Aggressive monetary financing and reserve realignment could justify target above \$8,000+ valuations over the longer horizon; over 36 month’s perspective.

IV's for Gold is above 20-25% hence staggered approach of investment and maintaining caution amidst the risk of profit booking or possible headwinds is justified. Strong base for the above-mentioned target is at \$4000 and \$4200 on COMEX which equates to ₹1,23,000 and ₹1,30,000 on domestic front assuming USD-INR at 91.

For long-term investors, gold functions not as a hedge, but as a strategic monetary asset within portfolios navigating a post financial repression world.

Parity Price of Gold in Rupees at Various Dollar Levels

| Gold in \$ ₹/\$ | 4000 | 4500 | 5000 | 5500 | 6000 | 6500 | 7000 | 7500 |
|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| 85 | 115473 | 129900 | 144326 | 158753 | 173180 | 187607 | 202034 | 216461 |
| 86 | 116831 | 131428 | 146024 | 160621 | 175218 | 189814 | 204411 | 219007 |
| 87 | 118190 | 132956 | 147722 | 162489 | 177255 | 192021 | 206788 | 221554 |
| 88 | 119548 | 134484 | 149420 | 164356 | 179292 | 194229 | 209165 | 224101 |
| 89 | 120907 | 136013 | 151118 | 166224 | 181330 | 196436 | 211541 | 226647 |
| 90 | 122265 | 137541 | 152816 | 168092 | 183367 | 198643 | 213918 | 229194 |
| 91 | 123624 | 139069 | 154514 | 169959 | 185405 | 200850 | 216295 | 231740 |
| 92 | 124982 | 140597 | 156212 | 171827 | 187442 | 203057 | 218672 | 234287 |
| 93 | 126341 | 142125 | 157910 | 173695 | 189480 | 205264 | 221049 | 236834 |

 Most probable path

 Alternative levels on weaker USD:
INR correlation to gold

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|-----------------------|--|--|
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