Global Precious Metals Comment

Gold at a crossroads, bracing for a bumpy ride

FX

Global

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The destination has not changed

We maintain our positive view towards gold, expecting prices to recover and make new highs over the course of the year. The fundamental drivers for gold's uptrend broadly remain intact, in our view. Diversification is ever more relevant in an environment of heightened macroeconomic and geopolitical uncertainty - whether from the perspective of the official sector, institutional or retail investors.

There might be a few more potholes along the way

We cannot ignore that there are some things that are shifting at the margins. The risk of a more hawkish Fed stance amid rising inflation creates downside risks and could extend the current period of consolidation. Changes at the Fed could also mean that market participants will have to recalibrate the Fed's reaction function to incoming data. The uncertainty that markets could potentially face initially given the new composition of FOMC members might contribute to already relatively elevated price volatility.

Meanwhile, although we maintain our view that official sector purchases continue this year, we also cannot rule out the potential for gold reserves to sometimes be mobilised as a means of raising USD liquidity. We are highly sceptical of outright sales, but swaps are possible and could revive investor fears.

Physical gold demand also faces considerable downside risks in an environment where higher oil prices fuel rising inflation and threaten growth. With many economies in Asia vulnerable to higher energy costs, this matters for gold the bulk of physical demand comes from this region. For now, we think investment demand should stay robust as gold acts an alternative asset and hedge against economic weakness, currency depreciation and pressure on domestic equities. Data from the World Gold Council shows that Q1 physical investment demand was strong, with over 70% coming from Asia. However, an economic distress scenario further out could mean consumers use gold to get cash, a reaction that was evident during the GFC.

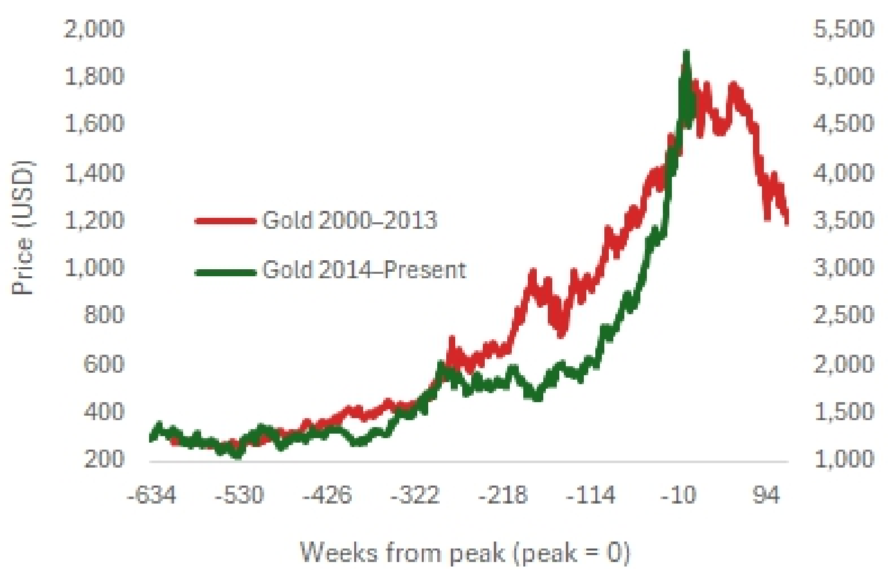
Stay the course

There is no clear road map at the moment, especially on how to navigate the near-term that's heavily influenced by headline risks and technical trading in relatively thin liquidity conditions. Conviction is limited; positioning is light; and fatigue is rising. We think a continuation of consolidation here should provide opportunities to build gold positions to hedge against compression in real yields and deterioration in the growth-inflation mix. While we see potential downside risks in the near-term, we think risks to our medium and long-term price expectations are to the upside.

Silver & PGMs are on the same journey, but may occasionally wander on their own

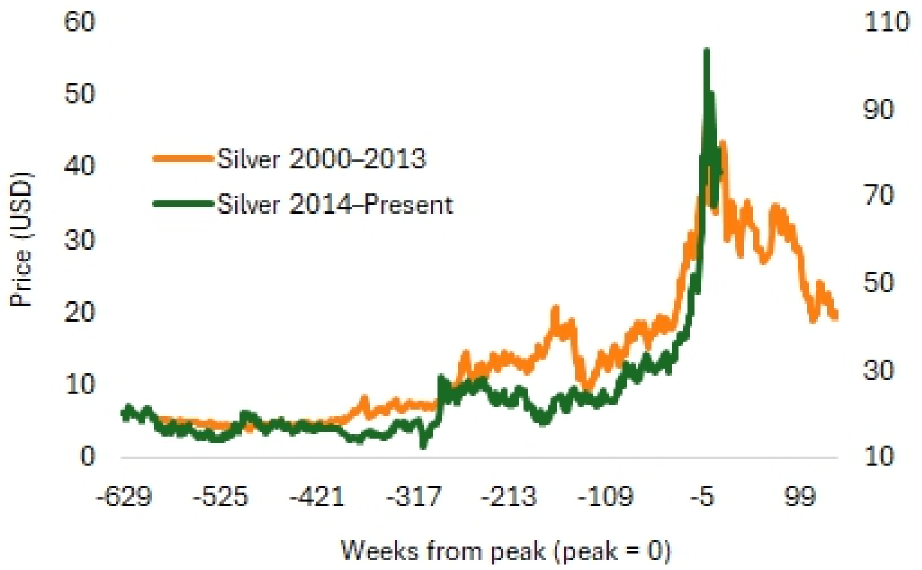
The correlation across the precious metals space has been particularly strong of late. We think this is likely to continue as silver and PGMs attract investor interest as an alternative to gold and a way to express positions in hard assets. That said, individual fundamental narratives also matter. Given the more industrial nature of these white precious metals, a weaker growth backdrop presents downside risks to price expectations via the potential for weaker demand. For now, all else being equal, we think expectations of an overall tightening silver and platinum markets should continue to underpin prices. Silver is best-placed in our view to benefit from higher gold prices - we see silver similarly making new highs this year, though its relative performance to gold might be more contained under a weaker growth scenario. For palladium, rising EV demand remains a compelling argument for declining prices over the medium to long term, with over 80% of demand coming from the auto sector. However, we are wary of the market being too complacent with the negative palladium view given inventories have been drawn down and the market has shown signs of tightening over the past year. Challenging liquidity conditions imply that any supply/demand shock could move prices sharply, especially given the persistence of net short palladium positions.

Figure 1: Gold - is history bound to repeat itself?



Source: Bloomberg, UBS

Figure 2: Silver - does a picture paint a '000 words?



Source: Bloomberg, UBS

Gold finds itself at a crossroads…

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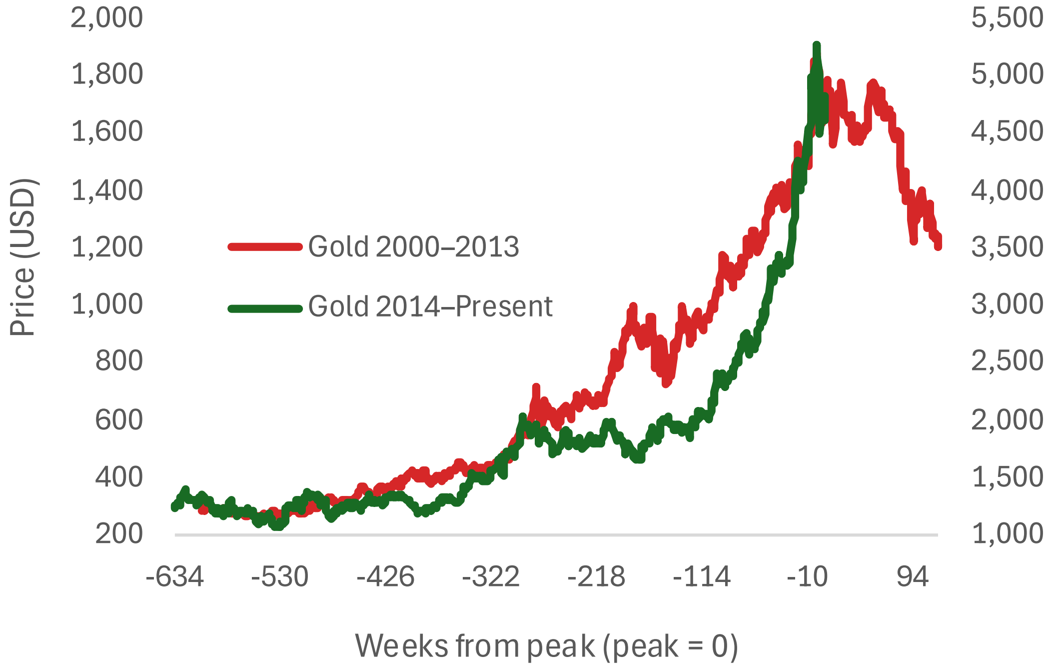
Does history repeat itself?

Is the gold bull-run over?



Source: Bloomberg, UBS

UBS

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We think current conditions are different

	2013	YTD 2026
Gold Price ($/oz)	↓ -29%	↑ +1.2% YTD
Catalyst for gold weakness	Monetary policy regime shift; fear of central bank selling (Cyprus)	Stretched positions unwinding (Jan/Feb); Oil shock fuelling inflation and rate hike expectations; stronger USD & higher real yields; fear of central bank selling (Turkey)
USD Index (BBDXY)	↑ stronger (+3% full year; +7% to peak)	→ choppy (-0.9% YTD; +4% trough to peak)
CPI Inflation (% YoY)	↓ Falling (2.0% → 1.0%)	↑ Rising (2.7% → 3.3%)
Real Yields (10Y TIPS %)	↑ Turned positive (major headwind)	↑ ↓ Choppy (+17bps net)
Fed Funds Rate (%)	→ Held at 0.25%; Taper announced	→ Held at 3.75%
Fed Monetary Policy Stance	→ Shifting from accommodation to normalization	→ Pause after 175bp of cuts; watching 2-sided risks
US GDP Growth (%)	→ Moderate (2.1-2.5%)	↓ Slowing (2.8% → 2.1%)
US Unemployment Rate (%)	↓ Falling (8.1% → 6.2%)	↑ Rising (3.9% → 4.3%)
US Fiscal Deficit/GDP (%)	↑ Improving (-6.5% → -2.7%)	↑ Improving but at a wider gap (-6.9% → -5.2%)
US Debt/GDP (%)	→ Stable (~104%)	→ Elevated, stable (~137%)
US Credit Rating	→ Stable (post-2011 downgrade)	→ Stable but under pressure
Financial Conditions Index	↑ Easing (-1.1 → +1.0)	↑ Volatile but generally easing (-1.2 → +1.0)
S&P 500 P/E Ratio	↑ Rising (14-15x → 16-17x)	→ Choppy and elevated (range 24-28x)
VIX Volatility	→ Low/moderate (avg 13-15)	↑ Elevated (avg 20; peak 31)
Commodities (BCOM Index)	↓ -11.6%	↑ +38.7%
Bond Market	↑ Yields surging (taper tantrum); US10y +127bp net	→ Volatile, but largely range-bound; US10y +0.22bp net
Geopolitical Risks	→ Regional tensions (China-Japan tensions over disputed islands; Syria conflict)	↑ Escalating global tensions (Middle East conflict & disruption to the Strait of Hormuz, US trade/tariff wars)
Macroeconomic Narrative	Improving fundamentals; reduced safe-haven demand	Elevated macro & geopolitical uncertainty; risks to growth-inflation mix

Source: Bloomberg, UBS

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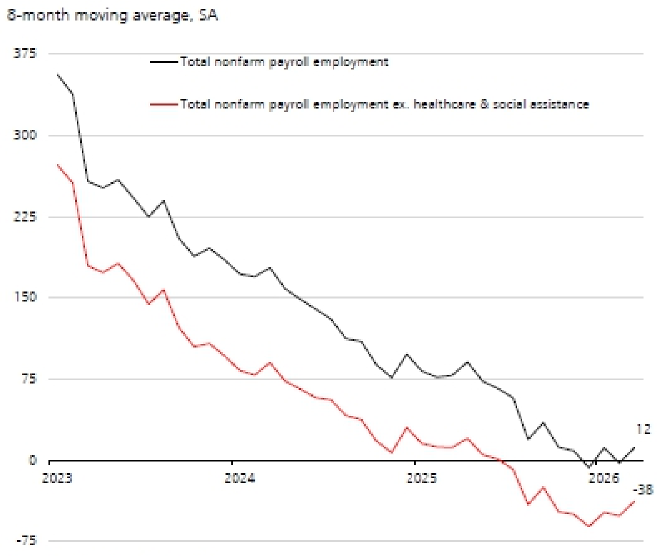
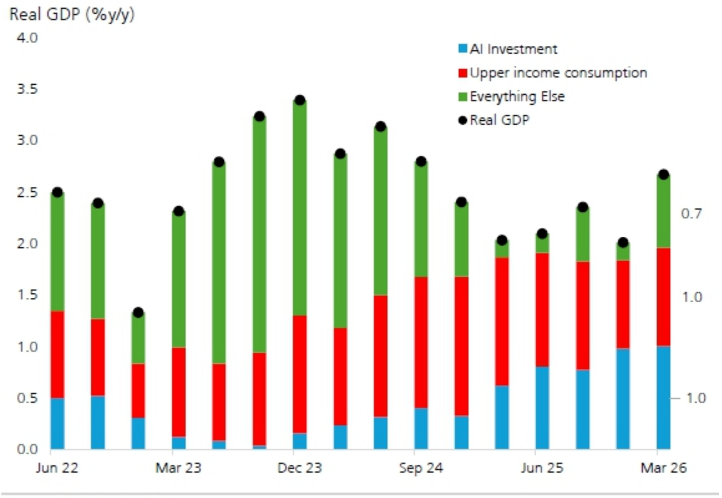
US growth holds for now

Nonfarm payroll employment excluding healthcare is declining.



Source: BLS, Haver, UBS

But AI investment and wealth supports growth



Source: BEA, Haver, UBS

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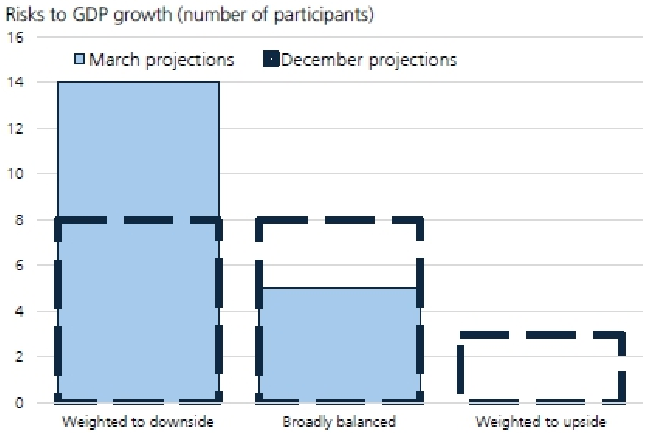
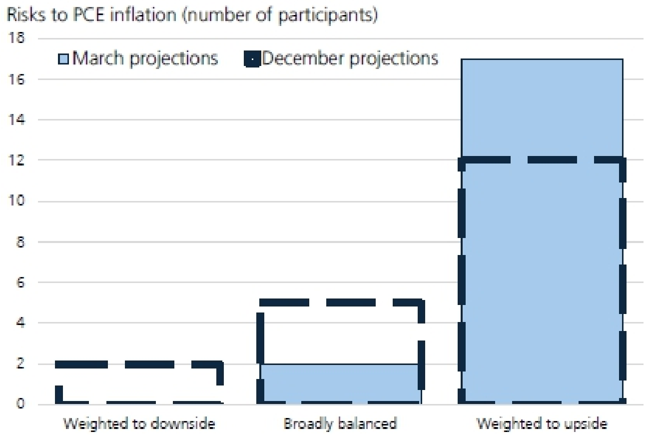
The Fed faces two-sided risks

Downside risks to growth are rising



Source: Federal Reserve Board, UBS *Note: as of March

Upside risks to inflation are rising



Source: Federal Reserve Board, UBS *Note: as of March

UBS

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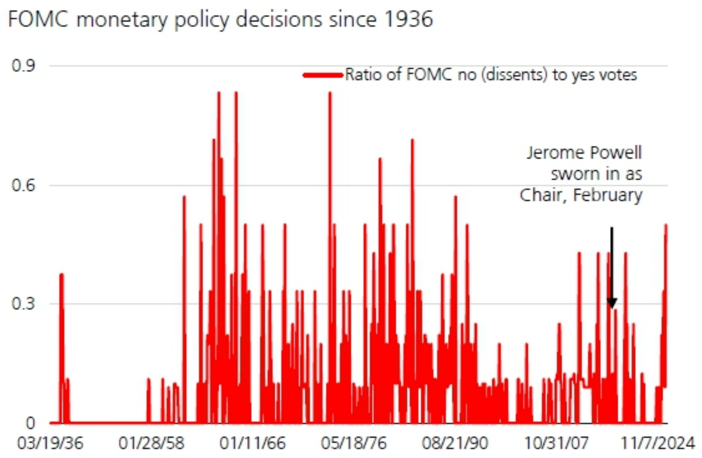
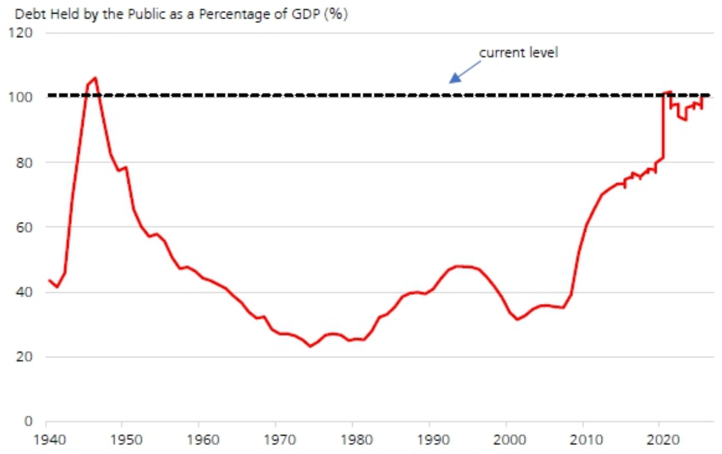
Policy uncertainty and long-term debt concerns

Most disagreement at the FOMC in 30 years: policy uncertainty could mean more gold price volatility ahead



Source: Thornton and Wheelock (2014), appended by UBS

US debt held by the public over 100% of GDP – significantly higher than other sovereigns with AA+ rating*



Source: US Treasury, Haver, UBS. *Note: according to Fitch

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US dollar, term premium and real rates matter

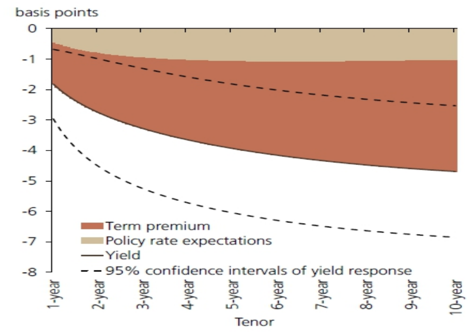
UBS FX forecasts: US dollar to hold up

Last forecast update: 05 May 2026

	Spot	Q2-2026	Q3-2026	Q4-2026	End-2027
DXY	98.4	100.3	99.5	100.5	100.4
EURUSD	1.170	1.16	1.16	1.14	1.14
USDJPY	157.8	165	160	160	160
EURJPY	184.7	191	186	182	182
EURCHF	0.916	0.90	0.90	0.90	0.88
USDCHF	0.783	0.78	0.78	0.79	0.77
EURGBP	0.863	0.89	0.87	0.85	0.85
GBPUSD	1.355	1.30	1.33	1.34	1.34
USDCAD	1.362	1.40	1.40	1.40	1.40
AUDUSD	0.719	0.72	0.73	0.74	0.74
NZDUSD	0.589	0.59	0.60	0.62	0.62
AUDNZD	1.220	1.22	1.21	1.20	1.19
EURSEK	10.84	10.85	10.70	10.50	10.50
EURNOK	10.82	10.75	10.95	11.20	11.20
EURAUD	1.63	1.61	1.59	1.54	1.54

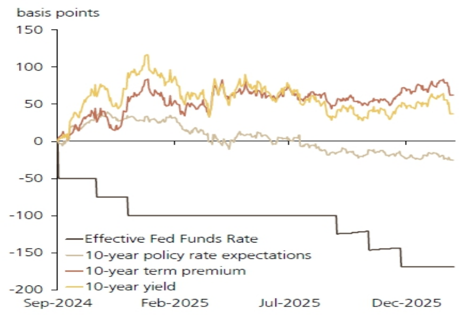
Source: Bloomberg, UBS estimates

Response of US yield curve to a percentage point increase in VIX



Source: Bloomberg, Haver, UBS estimates based on methodology from Getting to 3% on 10y bunds in late 2026.

Higher 10y yields due to higher term premium



Source: Bloomberg, UBS estimates based on Adrian, Crump and Moench (2013).

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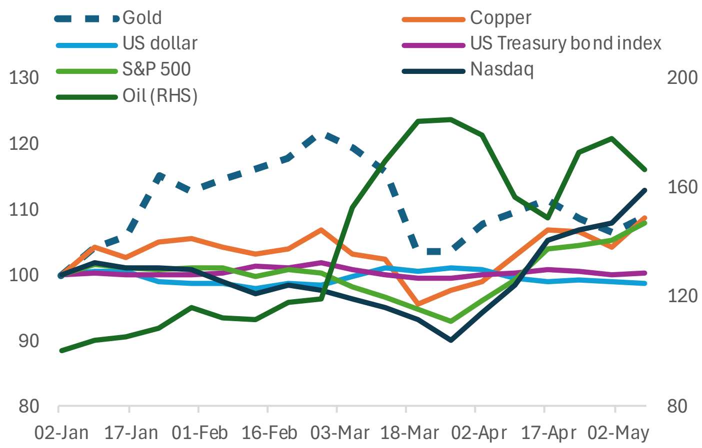
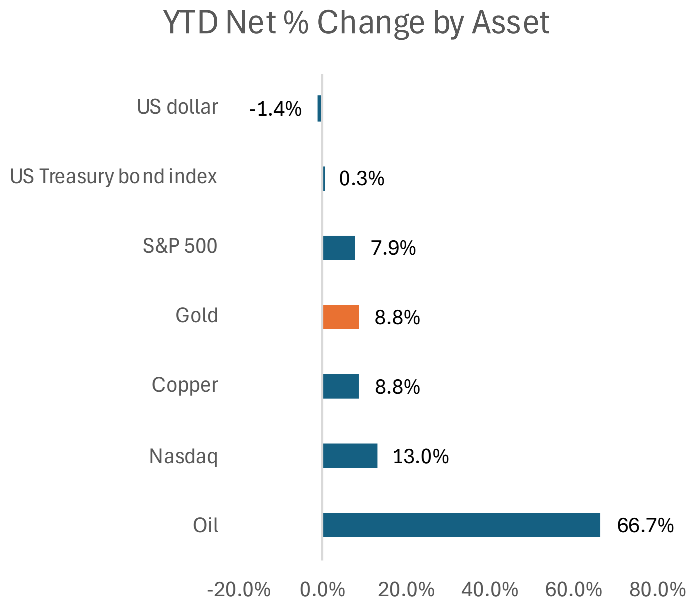
Gold's performance is underappreciated

Gold corrected sharply from record highs, but has held considerably well since



Source: Bloomberg, UBS

Prices are still up YTD, outperforming bonds and equities



Source: Bloomberg, UBS

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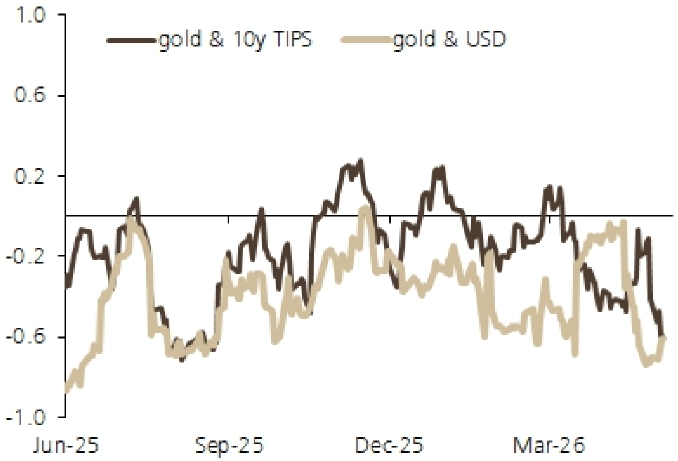
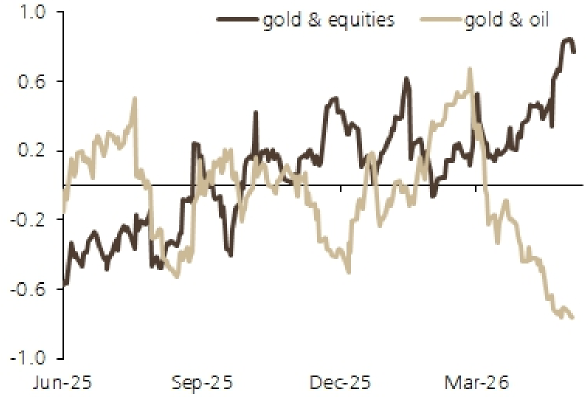
Traditional macro correlations recently driving prices

Gold taking direction from USD and real rates



Source: Bloomberg, UBS

Positive correlation with risk, as higher oil prices feed into hawkish Fed expectations



Source: Bloomberg, UBS

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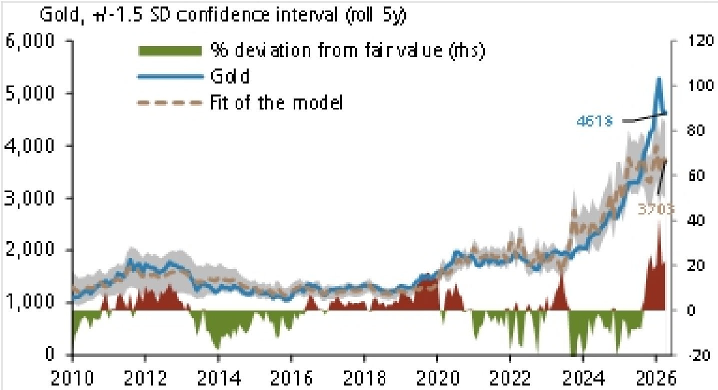
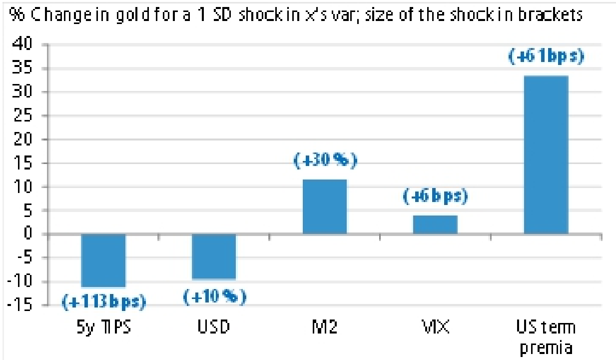
Gold continues to trade beyond "fair value"

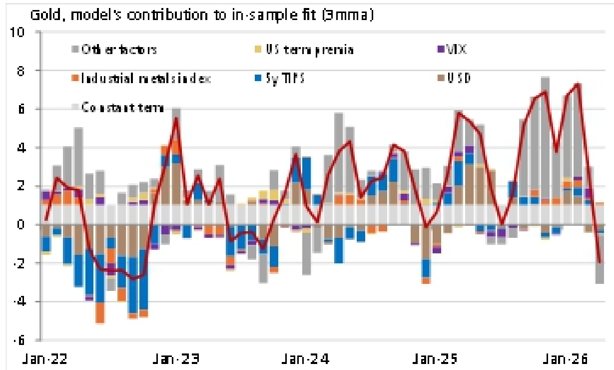
Traditional macro correlations have been stronger of late, but much of gold's performance remains unexplained



Source: Bloomberg, UBS



Source: Bloomberg, UBS



Source: Bloomberg, UBS

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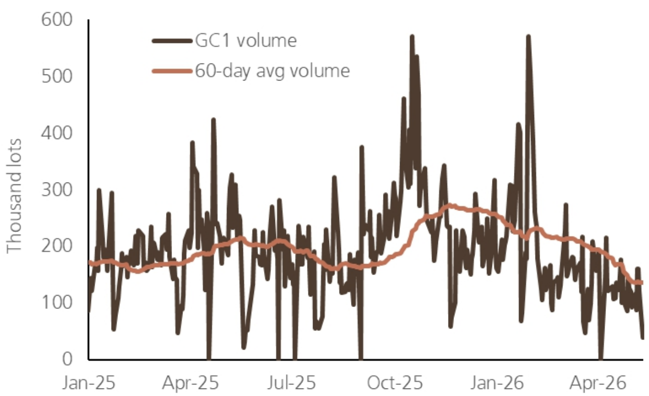
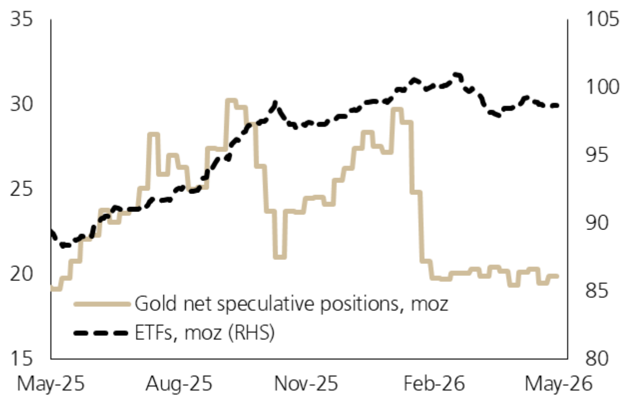
Investors have recently been on the sidelines

Trading volumes have been drifting lower



Source: Bloomberg, CME, UBS

Positioning has stayed muted, implying ample room to reengage



Source: Bloomberg, CFTC, various funds, UBS

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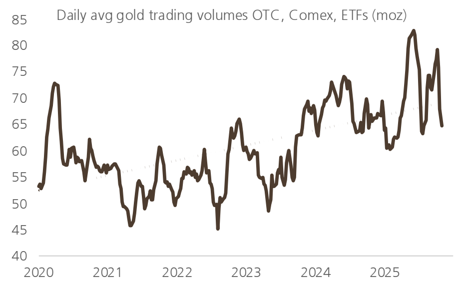
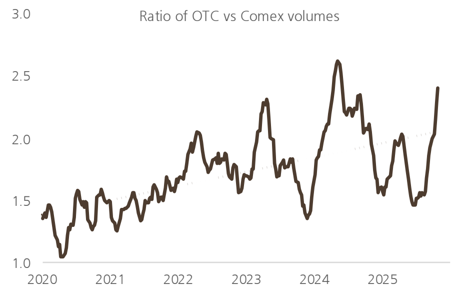
Trading volumes are rising especially in US$ terms

Total trading volumes are generally rising



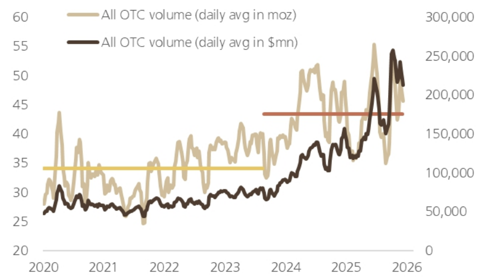
Source: Bloomberg, CME, LBMA, UBS

Volumes appear to be trending in favour of OTC trades, though the ratio has been particularly volatile in recent years



Source: Bloomberg, CME, LBMA, UBS

Daily avg $ trading volumes have more than doubled vs a ~28% increase in avg daily oz traded



Source: Bloomberg, CME, LBMA, UBS

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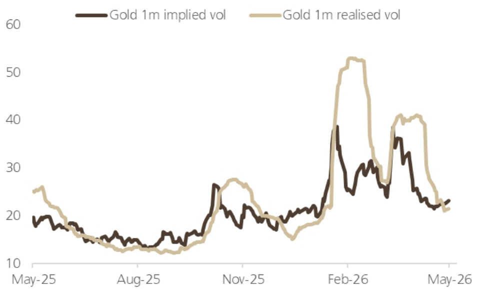
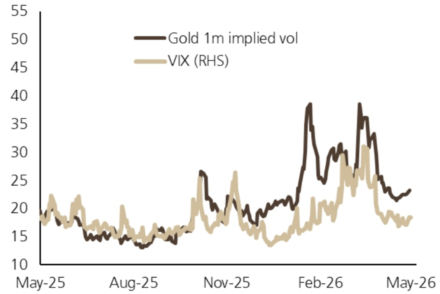
Easing gold volatility helps investors to re-engage

The sharp spike in gold price volatility in Q1 pushed many participants to the sidelines



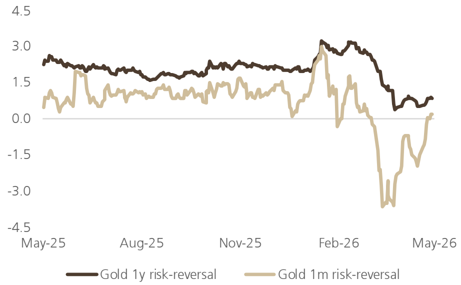
Source: Bloomberg, UBS

Gold volatility has come down, but still somewhat elevated vs historical levels



Source: Bloomberg, UBS

Risk-reversals suggest some divergence between near-term and long-term views



Source: Bloomberg, UBS

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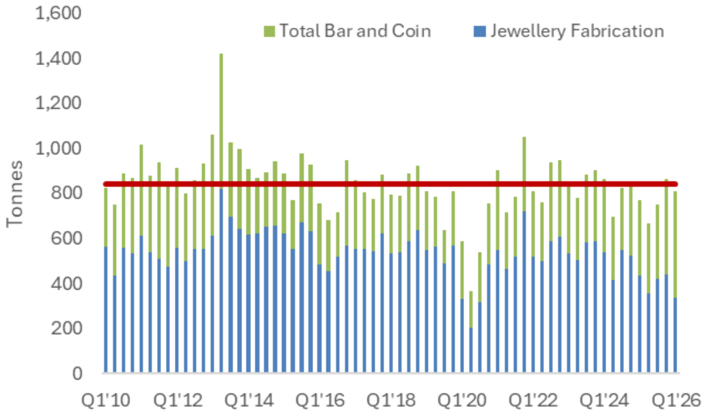
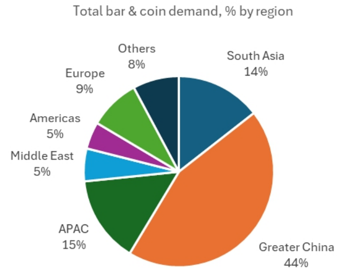
Physical demand supported by investment

Total physical demand has held up despite record high prices



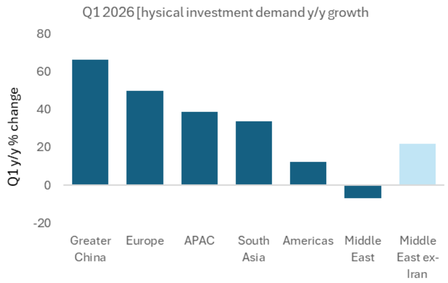
Source: WGC, UBS

Asia accounts for over 70% of physical investment demand



Source: WGC, UBS

Strong growth seen across most regions



Source: WGC, UBS

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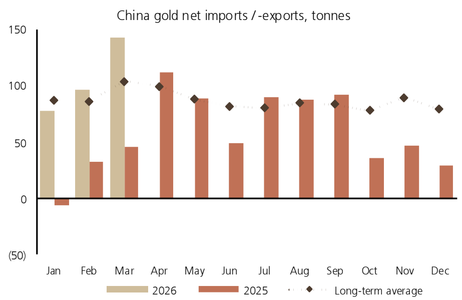
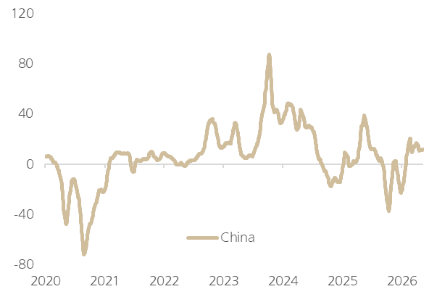
China’s gold demand started 2026 strong

Imports in Q1 were stronger y/y and vs historical averages



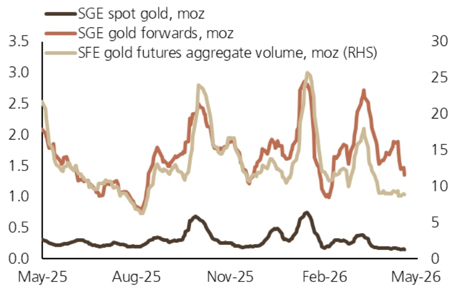
Source: China Customs, UBS

Onshore premium also pointed to healthy onshore demand (US$/oz)



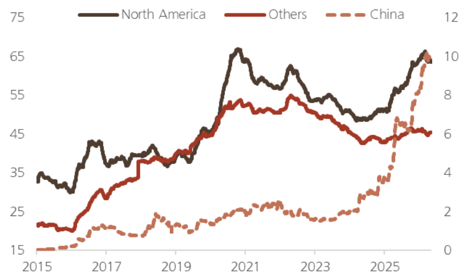
Source: Bloomberg, SGE, UBS

Trading activity onshore has eased in recent weeks, coinciding with quieter physical flows



Source: Bloomberg, SGE, SHFE, UBS

Inflows into Chinese gold ETFs offset declines elsewhere



Source: Bloomberg, various funds, UBS

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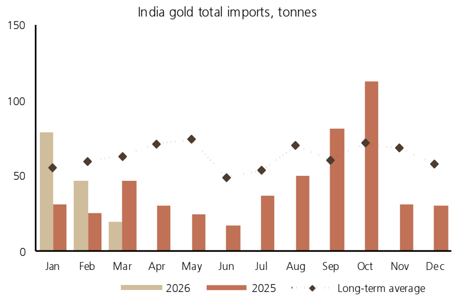
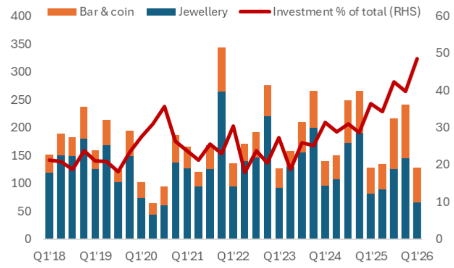
Demand in India weighed by higher prices

Imports have been slowing in recent months



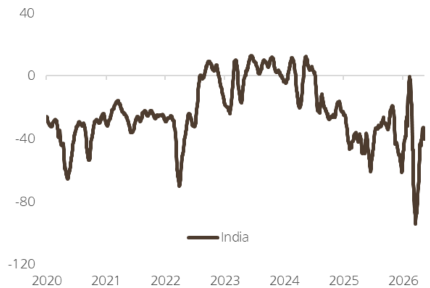
Source: India Customs, UBS

Share of investment demand has risen sharply in the past year



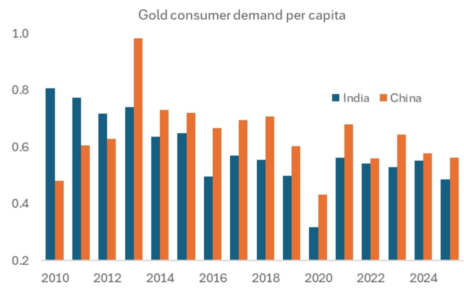
Source: WGC, UBS

Onshore price differential vs global spot prices indicates softening demand



Source: Bloomberg, IBJA, UBS

India's consumer demand per capita has been falling vs China which has been more resilient



Source: WGC, UBS

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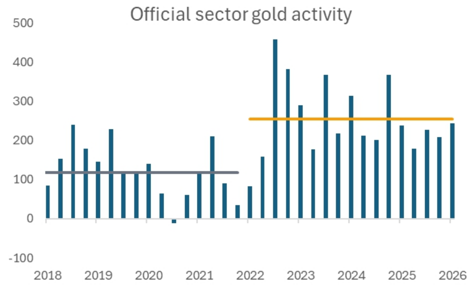
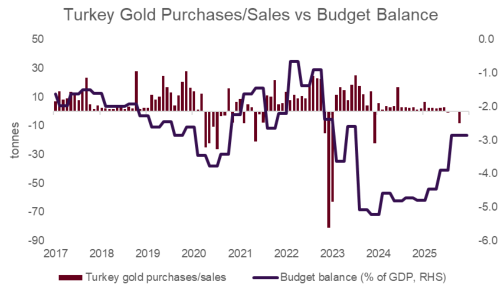
The elephant in the room: official sector gold flows

Net purchases in Q1 were up y/y & only slightly below the post-2022 average, surprising market participants



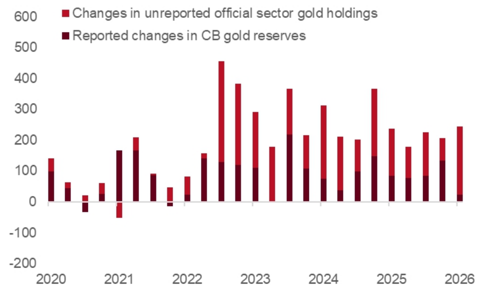
Source: WGC, UBS

News of declines in Turkey's gold reserves triggered concerns of more selling from the sector



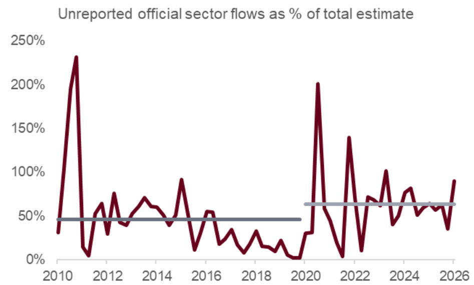
Source: Bloomberg, IMF, WGC, UBS

Source: Bloomberg, IMF, World Gold Council/Metals Focus, UBS.



Source: IMF, WGC, UBS

The share of unreported official sector gold flows is only slightly higher since 2022



Source: IMF, WGC, UBS

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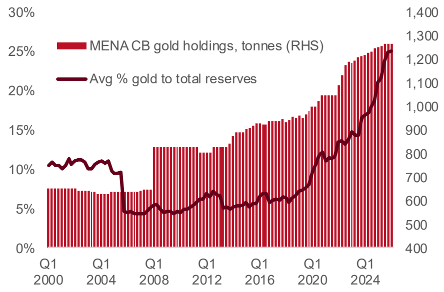
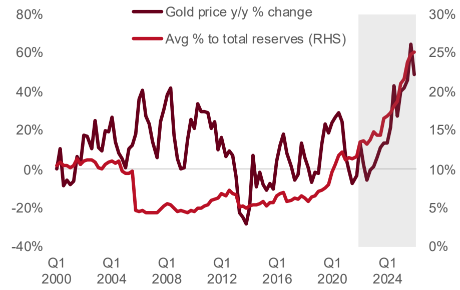
Fears of central bank selling seems overdone

Gold reserves in the Middle East have been rising since 2008; purchases stepped up in 2022



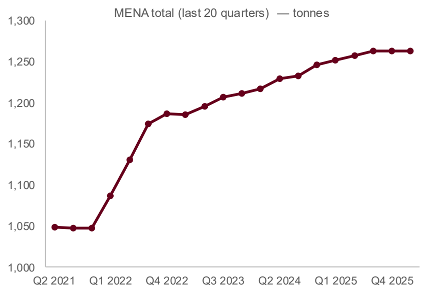
Source: IMF, WGC, UBS

The rally in gold prices contributed to the rise in % of gold to total reserves



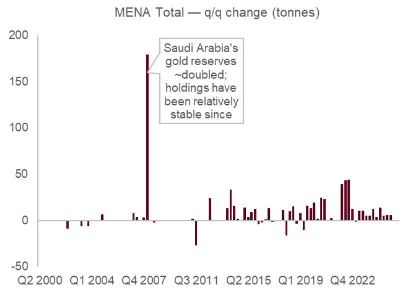
Source: IMF, WGC, UBS

The pace of purchases have slowed down, though reporting has also been more patchy



Source: IMF, WGC, UBS

Some updates to gold reserves have been quite sporadic



Source: IMF, WGC, UBS

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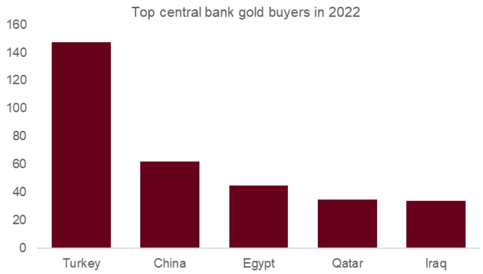
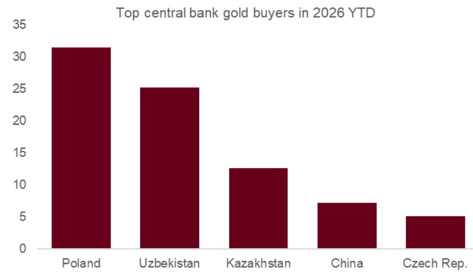
Official sector participation is expanding

The composition of top buyers in 2022…



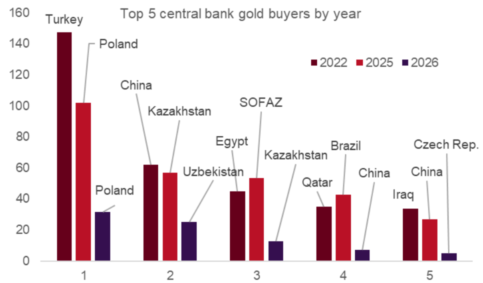
Source: IMF, WGC, UBS

…is different from the top buyers in 2026 YTD



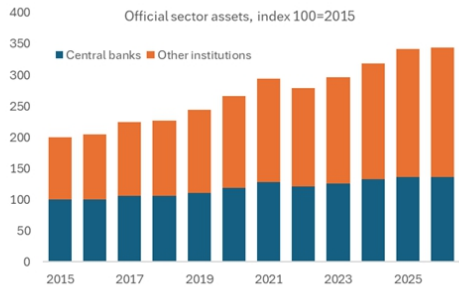
Source: IMF, WGC, UBS

As some central banks slow down purchases, others have room to step up



Source: IMF, WGC, UBS

Growth in assets of other official institutions suggests there is room for them to also diversify into gold

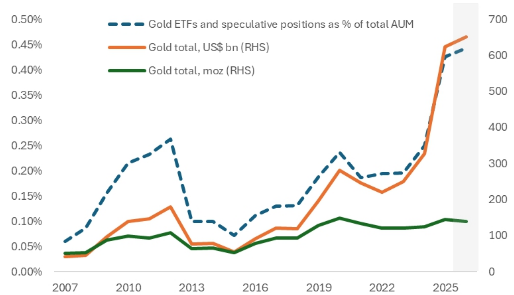


Source: industry estimates, UBS

UBS

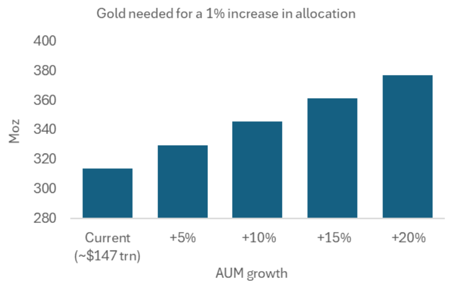
There is room for gold diversification to continue…

We think the market as a whole remains largely underinvested



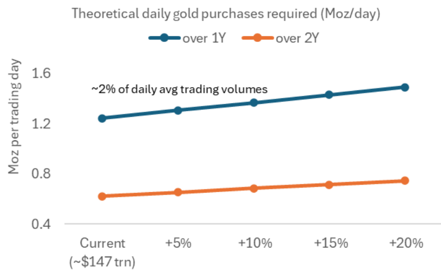
Source: Bloomberg, CFTC, various funds, industry estimates, UBS calculations

Growth in total assets under management creates space for gold diversification



Source: Industry estimates, UBS calculations

The potential impact of a 1% increase in gold allocations depends on the speed & timing of execution



Source: Industry estimates, UBS calculations

UBS

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…amid a growing list of long-term concerns

- Elevated macro and geopolitical uncertainty
- Downside risks to growth
- Upside risks to inflation
- Stagflation risks
- De-dollarisation, asset rotation, diversification
- Shifting global political and trade relationships
- Fed independence and credibility
- Fiscal and debt sustainability
- Higher volatility and potential liquidity issues

Source: UBS

UBS

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Downside risks to gold prices

- Rebalancing
- Sharp equity selloff
- Significantly lower central bank purchases/signs of strategic selling
- Better-than-expected US growth
- Hawkish Fed
- Higher real rates, stronger US dollar

Source: UBS

UBS

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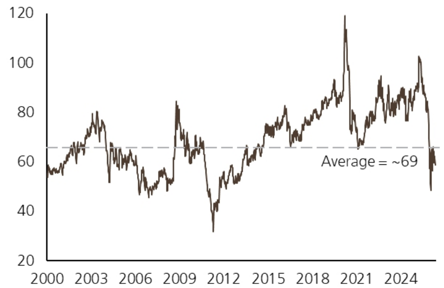
Will silver & PGMs follow a different path?

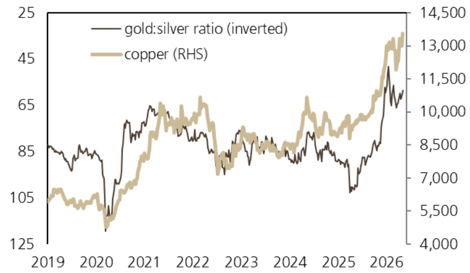
Silver's fate tied to gold, but fundamentals matter

Silver is poised to outperform gold, though downside risks to growth could limit the extent



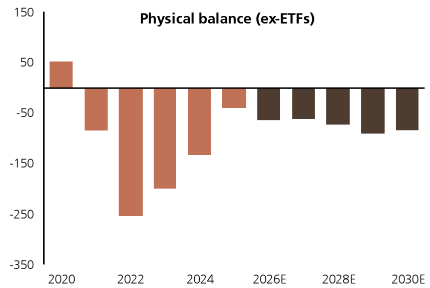
Source: Bloomberg, UBS

Industrial demand likely to act as a headwind in a weaker growth environment



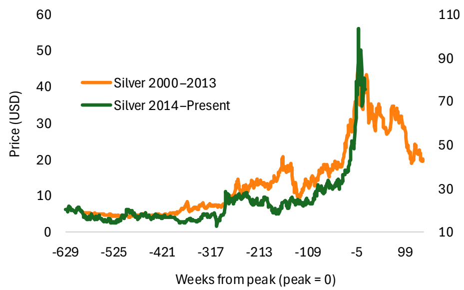
Source: Bloomberg, UBS

Deficits likely to continue – tightening market conditions should underpin prices in the long run



Source: Silver Institute, Metals Focus, UBS

Has silver peaked?



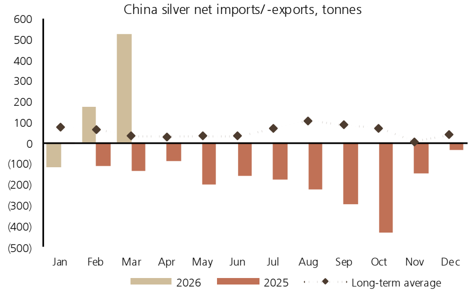
Source: Bloomberg, UBS

UBS

23

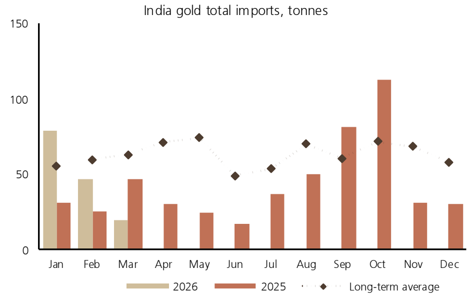
Silver demand from other regions impacts liquidity

Demand from China has been strong; in 2025 silver investment interest was also strong from the Middle East



Source: China Customs, UBS

Demand from India has been quite strong, but the recent slowdown could extend amid higher import taxes



Source: India Customs, UBS

Silver trading activity in China eased after sharply higher volumes from September '25 to January '26

Source: Bloomberg, SGE, SHFE, UBS

Silver inventories have been moving out of key centres in US (Comex), UK (LBMA) and Zurich

Source: LBMA, CME, UBS

UBS

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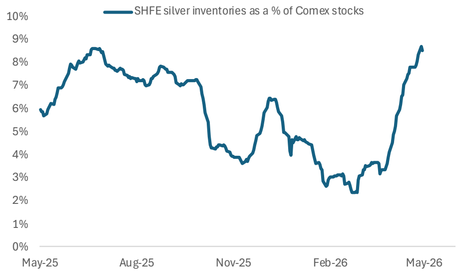
Strong demand from China amid restocking

The gap between onshore prices and global spot silver has narrowed (including tax)

Source: Bloomberg, SGE, UBS

SHFE silver inventories as a % of Comex stocks has been rising as China restocks and metal moves out of the US



Source: Bloomberg, SHFE, UBS

Deliveries on the SGE also suggest that the market is restocking after declines in the past few years

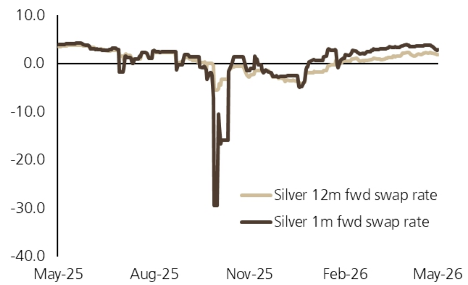
Source: Bloomberg, SGE, UBS

UBS

25

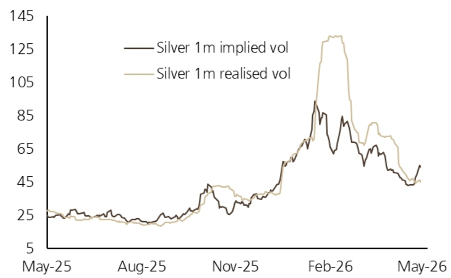
Signs of market tightness adds to price volatility

We cannot rule out periods of tightness in the silver market, though recent moves far from levels in late '26



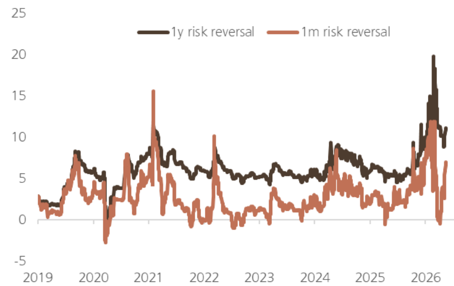
Source: Bloomberg, UBS

Silver price volatility has eased from the highs but remains quite elevated vs historical levels



Source: Bloomberg, UBS

Risk-reversals suggest upside bias, with silver recently holding up better than gold



Source: Bloomberg, UBS

UBS

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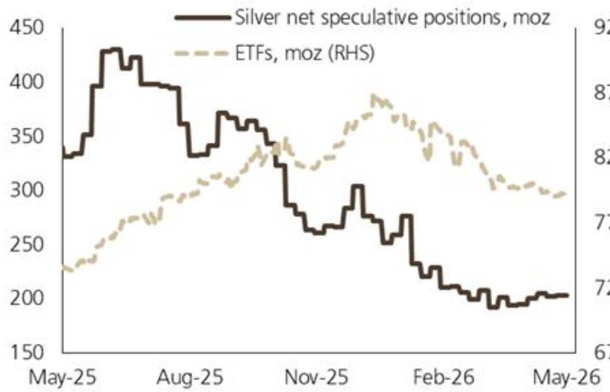
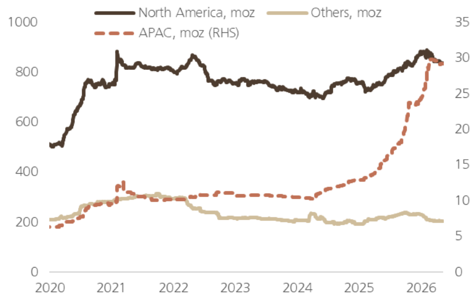
Silver investment interest relatively muted for now

Net speculative silver positions look very lean, while ETFs have unwound most of gains in the past 12 months; this implies plenty of room for investors to re-engage



Source: Bloomberg, CFTC, various funds, UBS

In the ETF space, demand from Asia has offset some of the outflows elsewhere



Source: Bloomberg, various funds, UBS

Silver coin sales have also been trending down, though there has been an uptick from the lows recently

Source: Perth Mint, US Mint

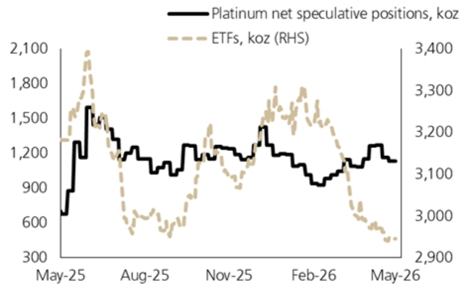
27

Platinum: torn between correlations & fundamentals

Platinum's positive correlation with gold has been particularly high so far this year

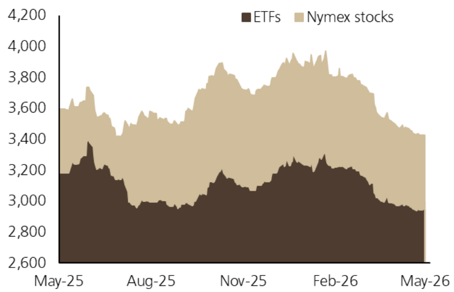
Source: Bloomberg, UBS

Net speculative positions have been rangebound/muted, while ETFs have fully unwound gains



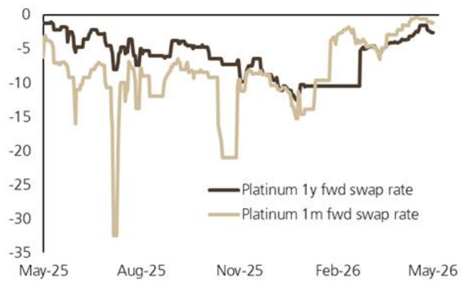
Source: Bloomberg, CFTC, various funds, UBS

Visible stocks have been coming down



Source: Bloomberg, Nymex, various funds, UBS

Forwards remain in backwardation, though levels have eased from the extremes last year



Source: Bloomberg, UBS

UBS

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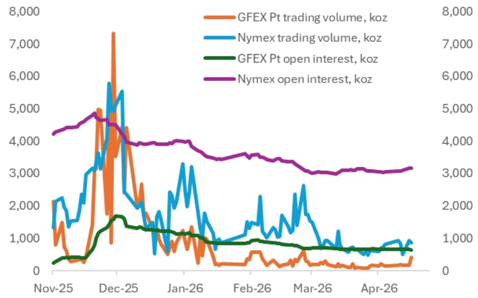
Platinum activity in China has been more muted

China's platinum imports have been at/below average YTD, after below-average, declining volumes in H2 '25

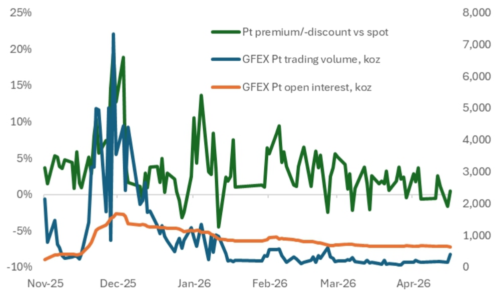
Source: China Customs, UBS

Trading activity onshore has eased considerably since late last yea



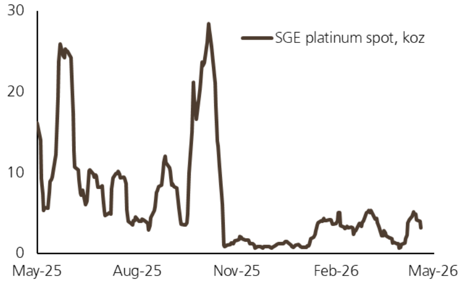
Source: GFEX, Nymex, UBS

Onshore premium has been trending lower



Source: Bloomberg, GFEX, UBS

Spot trading volumes have been quite muted over the past 6 months



Source: Bloomberg, SGE, UBS

UBS

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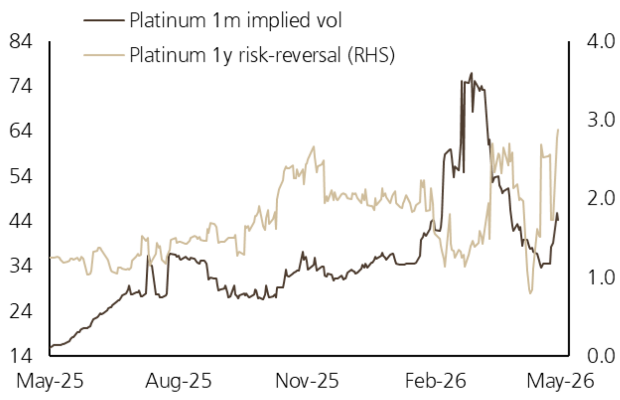
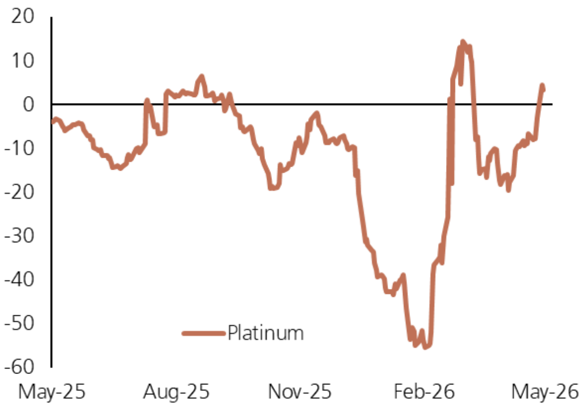
Platinum volatility is picking up

Platinum price volatility has rebound from the lows, and risk-reversals indicating upside bias



Source: Bloomberg, UBS

The gap between implied volatility and realised volatility has narrowed



Source: Bloomberg, UBS

UBS

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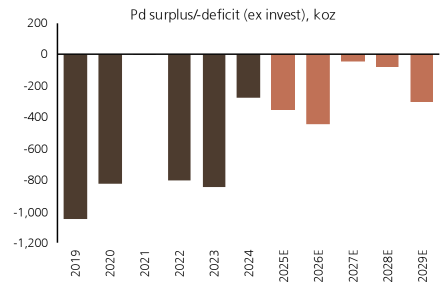
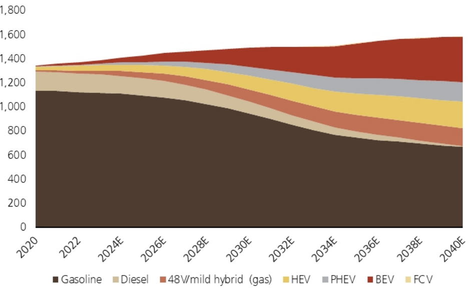
Palladium long-term fundamentals are a headwind

There is a risk that the market may be getting complacent about palladium



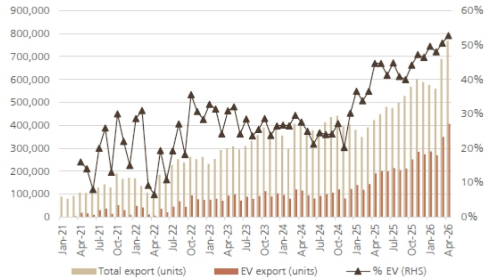
Source: Johnson Matthey, Metals Focus, UBS estimates

With >80% of demand coming from the auto sector, downside risks to growth and declining ICE shares create strong headwinds



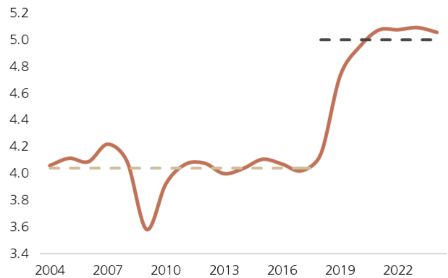
Source: UBS Autos

China's exports of EVs is accelerating



Source: UBS Autos

Rising PGM loadings helps offset lost ounces due to rising BEV shares



Source: Johnson Matthey, UBS

UBS

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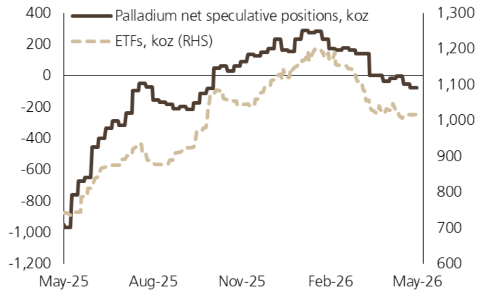
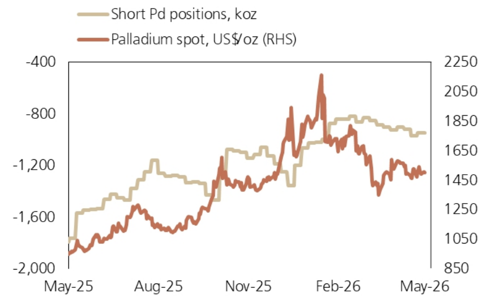
But there are also risks to taking things for granted

Both speculative positions and ETFs have been selling palladium recently

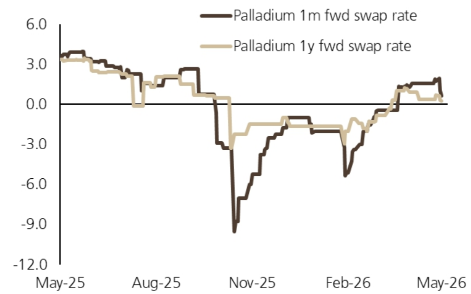


Source: Bloomberg, CFTC, various funds, UBS

Speculative short positions are tentatively rebuilding

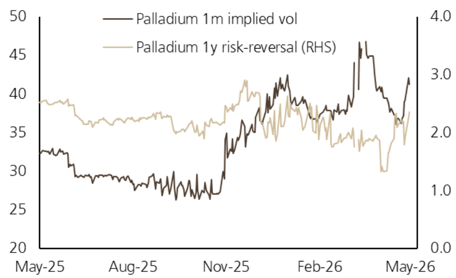


Forwards have tightened somewhat recently, but have not moved to the levels of backwardation seen last year



Source: Bloomberg, UBS

Volatility has started to pick up again



Source: Bloomberg, UBS

UBS

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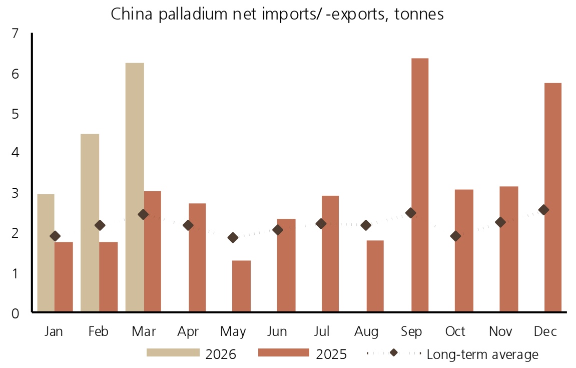
Palladium inflows to China have been strong

China imports YTD have been very strong, after mostly above-average volumes last year



Source: China Customs, UBS

Most of China's palladium comes from Russia, as trade flows re-routed in the past few years

Source: China Customs, UBS

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