Precious Comment:Gold and Central Banks:Storage Dilemma;Buying Trend Picks Up

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- **The location of central bank's gold holdings appears increasingly top of mind for reserve managers.** The World Gold Council's survey indicates that the Bank of England remains the preferred custody location among reserve managers (57%of respondents),but central banks are increasingly diversifying where they store their gold.

- **Liquidity considerations primarily drive the choice to hold gold at the Bank of England and the New York Fed.** Gold held at the Bank of England or the Federal Reserve Bank of New York sits within the world's main gold settlement networks,providing immediate market access,access to dollar liquidity through swaps,and the ability to generate income through leasing. **The drawback is that** gold held abroad is not free from political risk,including the risk of freezing or restricted access (as in the case of Venezuela's gold reserves held at the Bank of England in 2018).

- **But concentrating all gold at home may replace foreign-jurisdiction risk with domestic political and physical risk.** Concerns about geopolitical instability were among the reasons some European central banks moved part of their gold holdings to New York during the Cold War.

- **Our GS nowcast estimates central bank purchases of 57 tonnes in June(100 tonnes/month on a 3-month seasonally adjusted basis versus a pre-2022 average of 17 tonnes),with a large contribution from China.** We also observed 32 tonnes of monetary gold flowing into London.While this—in principle—could be interpreted as gold being brought to London for sale,we think it more likely reflects a custody transfer. **Foreign official gold holdings at the Bank of** England rose by 98 tonnes during the month, **more than enough to absorb the** central bank gold inflow into London.If the gold had been sold,it would ultimately have increased private-sector (i.e.,non-BOE)**gold holdings in London.** Instead,non-BoE London vault holdings fell.

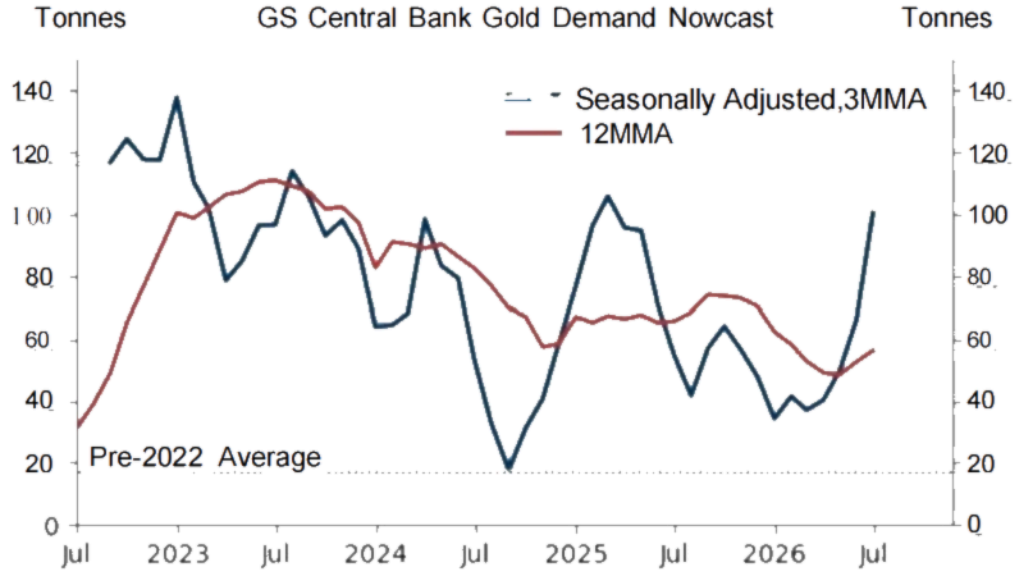
- Structurally,EM central bank diversification—following the 2022 freezing of Russia's reserves—remains the anchor of our $4,900/toz end-2026 forecast.We maintain our assumption of average monthly central bank buying of 50 tonnes in 2026 and 40t/month in 2027.

- The gold price has increased 10%since the mid-July bottom to nearly $4,400. This rally reflects a recovery in investor demand and likely further central bank purchases.The three key types of investor demand in our pricing framework—Western ETF holdings,COMEX net managed money,and option demand for

Investors should consider this report as only a single factor in making their investment decision.For Reg AC certification and other important disclosures,see the Disclosure Appendix,or go to www.gs.com/research/hedge.html .

macro policy hedges—have all started to recover as the headwind from markets pricing Fed hikes(weighing on rate-sensitive ETF demand)has eased following the July FOMC hold and a softerjobs report.We expect the Fed-related headwind to abate further,as our economists expect no Fed rate hikes.

Our GS Nowcast Estimates Central Bank Gold Purchases of 57 Tonnes in June(100 Tonnes/Month On a 3-Month Seasonally Adjusted Basis vs.a Pre-2022 Average of 17 Tonnes)



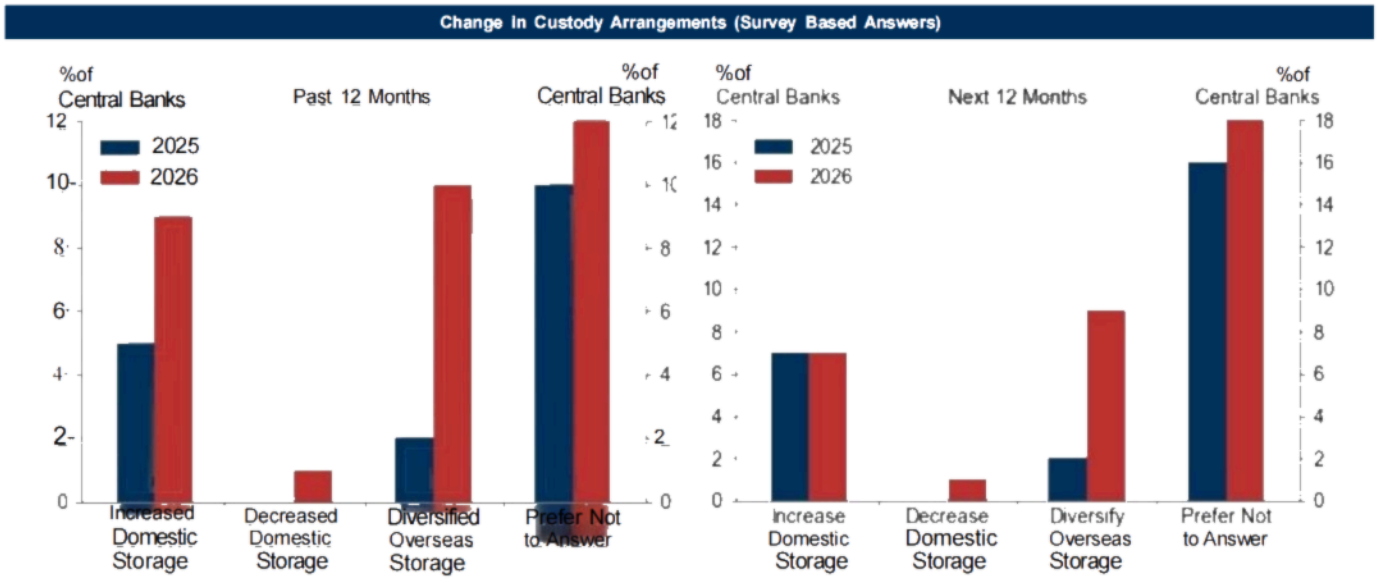
Source:Goldman Sachs Global Investment Research

*The authors would like to thank **Samuel Jönsson**—an intern on our commodities research team—for his contributions to this report.*

Gold and Central Banks:Storage Dilemma;Buying Trend Picks Up

The location of central bank's gold holdings appears increasingly top of mind for reserve managers.The World Gold Council's survey indicates that the Bank of England remains the preferred custody location among reserve managers(57%of respondents),but central banks are increasingly diversifying where they store their gold (Exhibit 1).

Exhibit 1:Survey Evidence Suggests That Central Banks Are Increasingly Diversifying Where They Store Their Gold



Source:World Gold Council,Goldman Sachs Global Investment Research

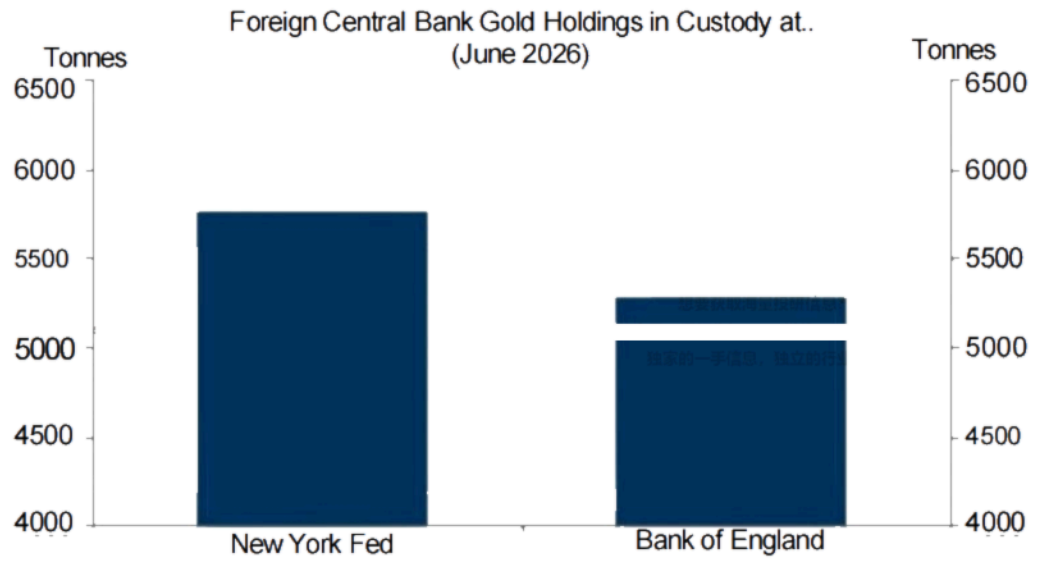
In this *Precious Comment*, we address frequently asked questions on central bank gold storage locations,report our solid June central bank nowcast,and recap our forecast that gold will rise to $4,900 by end-2026.

Q1.Why do central banks store gold at the Bank of England and the New York Fed?

Liauidity considerations primarilv drive the choice to hold gold at the Bank of England and the New York Fed (Exhibit 2).Gold held at the Bank of England or the Federal Reserve Bank of New York sits within the world's main gold settlement networks, providing immediate market access(without re-certifying the gold),access to dollar liquidity through swaps,and the ability to generate income through leasing.

The drawback is that gold held abroad is not free from political risk,including the risk of freezing or restricted access(as in the case of Venezuela's gold reserves held at the Bank of England in 2018).

Exhibit 2:The Bank of England and the New York Fed Remain the Dominant Custodians of Foreign Central Bank Gold



Source:Bank of England.IMF,Federal Reserve Bank of New York.Goldman Sachs Global Investment Research

Q2.If gold held abroad is not free of political risk,why do central banks appear to prefer diversification across foreignjurisdictions over repatriation?

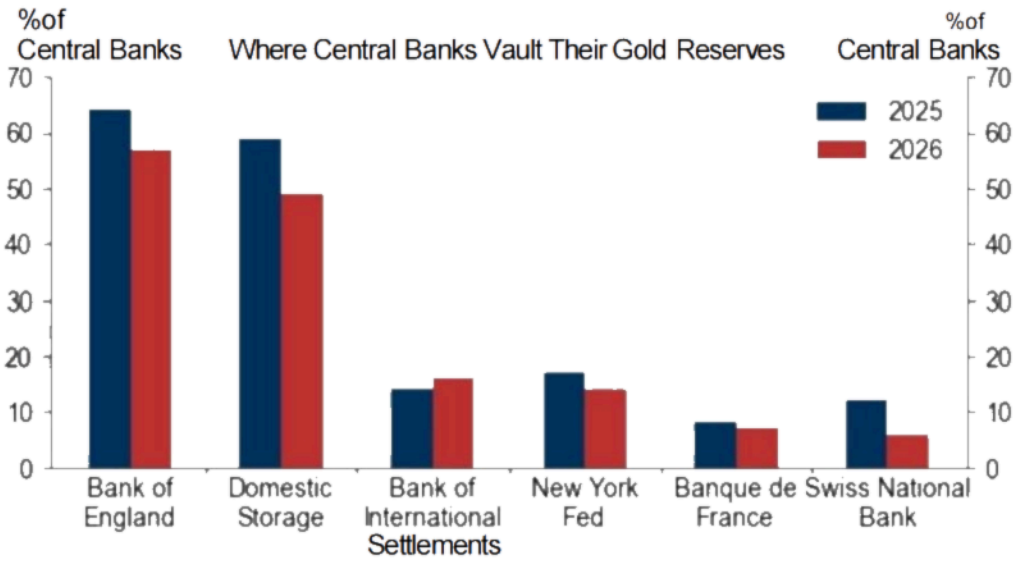
While holding gold at home reduces exposure to foreign jurisdictions,it comes at a cost. Domestic storage requires investment in physical security,audit infrastructure,and insurance;costs that can be disproportionate **for smaller central banks.Vaulting at home** also foregoes the liquidity benefits discussed in Q1;and concentrating allgold at home may replace foreign-jurisdiction risk with domestic political and physical risk.Concerns about geopolitical instability were among the reasons some European central banks moved part of their gold holdings to New York during the Cold War.

Holding gold across multiple jurisdictions allows central banks to retain the liquidity benefits of storage at an offshore **custodian while reducing dependence on any single** custodian or legal regime.

Q3.What are the most common alternatives?

The Bank of England and the Federal Reserve Bank of New York remain the dominant gold custody locations for foreign central banks by tonnage(Exhibit 2).However,57%of surveved central banks report vaulting some gold reserves at the Bank of England is.well above the 14%for the New York Fed (Exhibit 3).The BIS in Switzerland and the Banque de France are the main alternatives,while China has more recently sought to establish itself as an alternative custody location.

Exhibit 3:The Bank of England Is the Most Widely Preferred Custody Location Among Reserve Managers



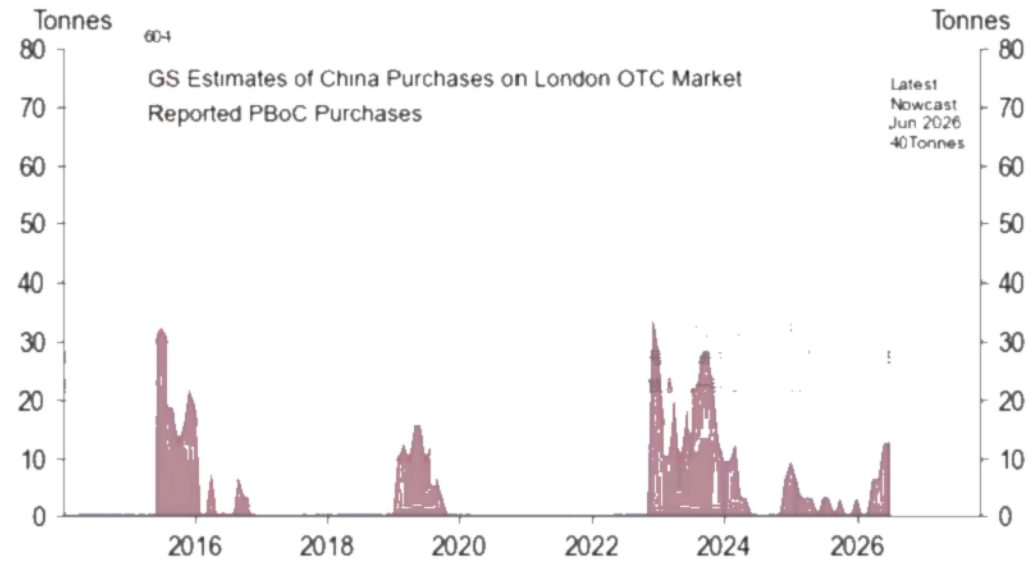
Source:World Gold Council,Goldman Sachs Global Investment Research

Q4.What is the June reading of the GS central bank gold nowcast?Does the overseas diversification of central bank gold holdings affect our central bank nowcast?

Our GS nowcast estimates central bank purchases of 57 tonnes in June(vs.a pre-2022 average of 17 tonnes)1.with a large contribution from China(Exhibit 4).On a 3-month seasonally adjusted basis,the trend has accelerated to 100 tonnes,consistent with our finding that China central bank purchases tend to accelerate following price declines in prior months(Exhibit 5).

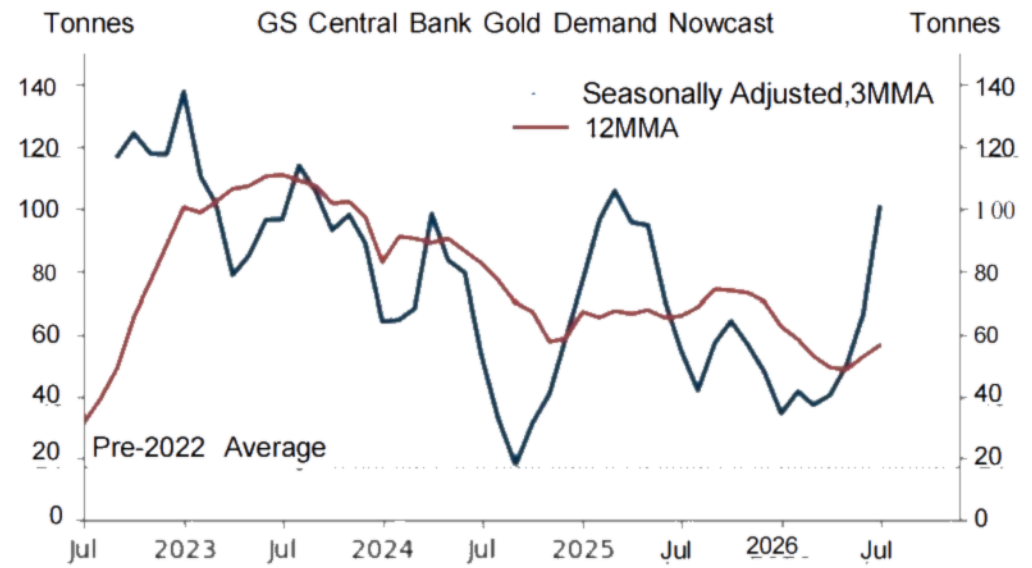
1 The 57 tonnes estimate combines UK exports ex-Switzerland(a proxy for gold purchased in the London market and shipped directly to domestic central bank vaults)and the Swiss-UK customs reporting discrepancy, which captures central bank purchases routed through Switzerland.

Exhibit 4:China Was the Largest Identifiable Buyer in June at 40 Tonnes



Source:PBOC,Goldman Sachs Global Investment Research

Exhibit 5:On a 3-Month Seasonally Adjusted Basis,the Central Bank Gold Buying Trend Has Accelerated to 100 Tonnes



Source:Goldman Sachs Global Investment Research

We also observed 32 tonnes of monetary gold flowing into London.[2]While this—in principle—could be interpreted as gold being brought to London for sale,we think it more likely reflects a custody transfer.Foreign official gold holdings at the Bank of England rose by 98 tonnes during the month,more than enough to absorb the central bank gold inflow into London.[3]If the gold had been sold,it would ultimately have

2 Since August 2025,following potential changes in UK customs classifications,London vault outflows have consistently exceeded reported customs net exports.The simultaneous increase in foreign central bank holdings at the Bank of England suggests that these flows do not reflect gold repatriation.Instead,they are most consistent with monetary gold leaving London through official-sector purchases that are excluded from customs reporting under international statistical guidelines.

3 Since 2025,the decline in New York Fed custody holdings has been offset by a steady rise in the Bank of

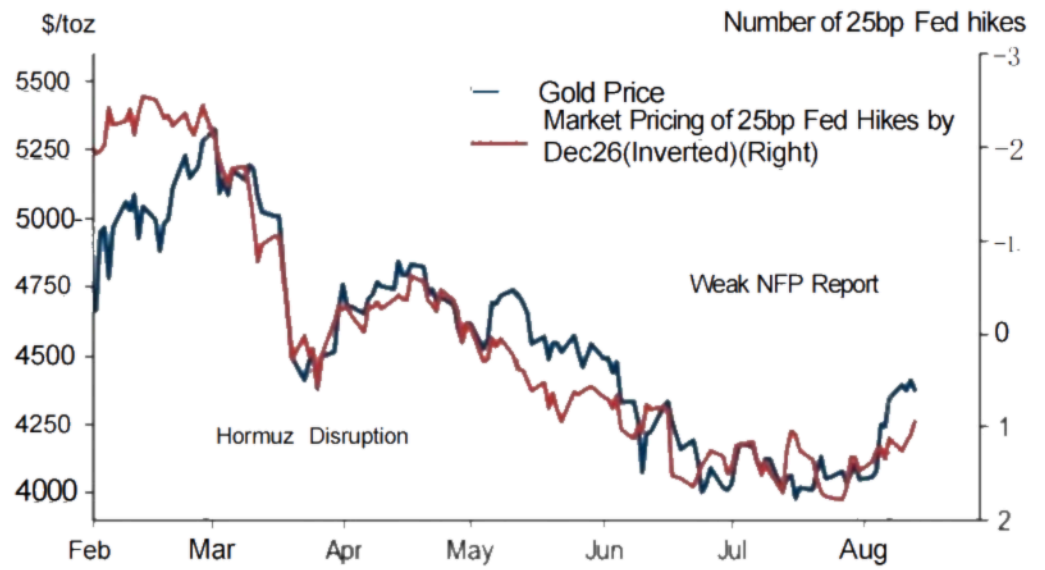
increased private-sector(i.e.,non-BOE)gold holdings in London.Instead,non-BoE London vault holdings fell.

Q5. **What is your outlook for the gold price?**

Structurally,EM central bank diversification —following the 2022 freezing of Russia's reserves —remains the anchor of our $4,900/toz end-2026 forecast.We continue to see elevated central bank gold accumulation **as a multi**-year trend,as central banks diversify their reserves to hedge geopolitical and financial risks,consistent with recent survey evidence.We maintain our assumption of average monthly central bank buying of 50 tonnes in 2026 and 40t/month in 2027.

The gold price has increased 10%since the mid-July bottom to nearly $4,400(Exhibit 5). This rally reflects a recovery in investor demand and likely further central bank purchases.The three key types of investor demand in our pricing framework—Western ETF holdings,COMEX managed money,and option demand for macro policy hedges—have allstarted to recover as the headwind from markets pricing Fed hikes(weighing on rate-sensitive ETF demand)has eased following the July FOMC hold and a softer July jobs report.We expect the Fed-**related** headwind to abate further,as our economists expect a lower inflation trend to keep the Fed on hold this year.

Exhibit 6:Gold Prices Rose as Markets Partly Scaled Back Fed Hike Expectations



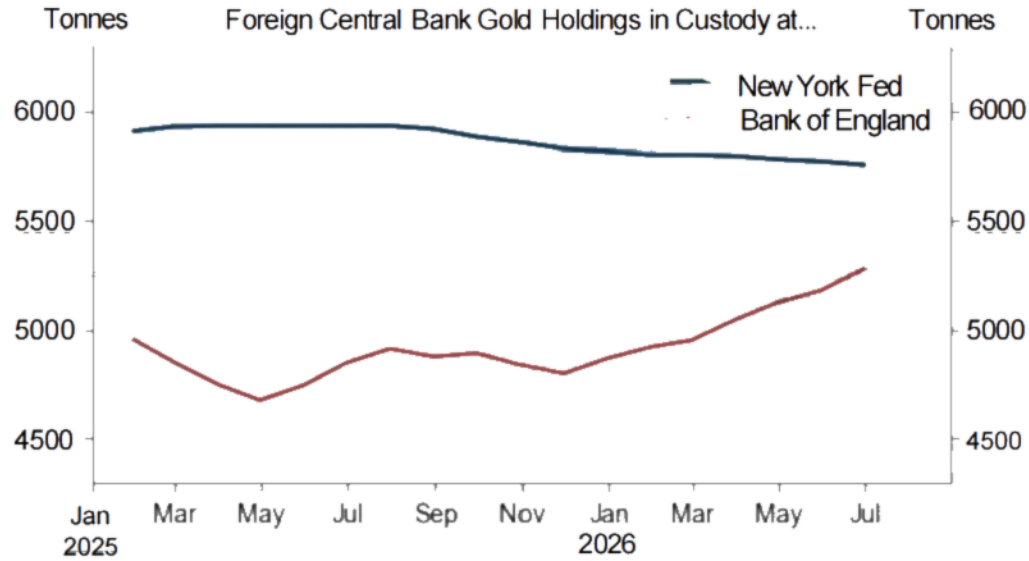
Source:Bloomberg,Goldman Sachs Global Investment Research

Over the medium term,risks to our price forecast remain skewed to the upside.Gold's share in private portfolios remains low,and recent geopolitical developments—including Iran and broader tensions—may accelerate diversification beyond central banks to private investors,including by weighing on perceptions of Western fiscal sustainability.

England custody holdings(see Exhibit 7 in Appendix)

Appendix

Exhibit 7:Rising Bank of England Custody Holdings More Than Offset Declines at the New York Fed Since 2025



Source:Bank of England,**IMF**,Federal Reserve Bank of New York,Goldman Sachs Global Investment Research