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Global Metals & Mining

Global Metals & Mining: Does monetary or fiscal policy win the fight for the future of gold?



Bob Brackett, Ph.D.
+1 917 344 8422
bob.brackett@bernsteinsg.com



Andrianto Guntoro, CFA
+44 20 7676 6825
andrianto.guntoro@bernsteinsg.com

We started 2024 with a street-high gold outlook of $2,000/oz. It felt on the edge. We dove deep into gold mid 2025 with another street-high outlook, adding almost $2,000/oz to our outlook. In February, we believe we found a path to $6,100/oz by 2030. Since then, interest rate expectations have shifted from 1-2 cuts to multiple hikes. In this note, we revisit the relationship between gold and interest rates, assess the US Treasury's and the Fed's evolving stance on inflation, and examine how a potential hiking cycle could affect gold prices. We trim our 2030 price to $5,600/oz but highlight the finding that gold can rise with slowly rising real rates - the path we appear to be on.

The war in the Middle East and Ukraine's attacks on Russian refineries have pushed diesel prices higher (Exhibit 8), adding to inflationary pressures. The Fed revised its inflation outlook higher in June and did so again at the latest FOMC meeting (Exhibit 6). As a result, market expectations have shifted from 1-2 rate cuts at the start of the year to 2-3 rate hikes by 2027 (Exhibit 9). Real rates have responded accordingly, rising from 1.7% in early March to around 2.7% today (Exhibit 10).

Trump thinks US interest rates should be 1%, or less; Bessent wants long-end rates to fall; while Warsh wants to tame inflation. So far, Warsh seems to lead the charge as the Fed hiked interest rate, and hints at more hikes (Exhibit 2) by 2027. The overwhelming majority of FOMC participants believe at least another 25bps hike is appropriate.

Historically, gold has been negatively correlated with real rates, a relationship that is also evident in gold ETF flows (Exhibit 14). *Yet gold ETF holdings have been broadly flat through August despite the sharp rise in real rates (Exhibit 15).* Some data even suggest holdings increased following the latest FOMC meeting. This echoes gold's behavior between 2023 and 2025, when prices continued to climb despite rising real rates (Exhibit 1). Gold also weathered last week's rate hike surprisingly well, ending the week up a trivial amount. Taken together, recent ETF flow trends and gold's post-FOMC price action suggest the metal could remain resilient even if the market gets the 2-3 rate hikes it is already pricing in.

We continue to believe central banks are not finished diversifying reserves away from the US dollar and other G7 currencies into gold (Exhibit 16). Several countries with sizeable foreign exchange reserves, including China, Japan, Saudi Arabia, South Korea, Singapore, Brazil, Mexico and the UAE, still allocate less than 10% of their reserves to gold (Exhibit 14), leaving ample room for further accumulation.

What could go wrong? A slowdown in central bank buying remains the key risk. Prolonged constraints in global refining capacity could keep diesel and other refined product prices elevated, adding to inflationary pressures in 2027. That, in turn, could drive expectations for further rate hikes and higher real rates, which have historically weighed on gold ETF flows, although that relationship has been notably weak so far this year. Finally, if Trump loses his congressional majority in the midterm elections, investors may perceive lower geopolitical risk, potentially reducing safe-haven demand for gold.

See the Disclosure Appendix of this report for required disclosures, analyst certifications and other important information. Alternatively, visit our Global Research Disclosure Website.

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BERNSTEIN TICKER TABLE

Ticker	Rating	Cur	18 Sep 2026 Closing Price	Price Target	TTM Rel. Perf.	Cur	EBITDA (M) 2025A	2026E	2027E	EV/EBITDA (x) 2025A	2026E	2027E
AAL.LN (Anglo American)	M	GBp	3,955.00	2,800.00	42.0%	USD	1,221	5,284	7,302	0.8	0.2	0.1
ANTO.LN (Antofagasta)	M	GBp	3,657.00	2,600.00	45.5%	USD	5,019	5,625	5,602	0.2	0.1	0.1
B (Barrick Mining)	O	USD	43.33	56.50	28.7%	USD	10,459	12,296	15,089	7.6	6.5	5.3
ABX.CN (Barrick Mining)	O	CAD	60.80	78.00	31.1%	USD	10,459	12,296	15,089	5.5	4.6	3.8
BHP.AU (BHP Group)	M	AUD	61.05	42.50	30.2%	USD	25,825	32,373	27,345	6.5	5.2	6.1
BHP (BHP Group)	M	USD	86.27	61.50	50.0%	USD	25,825	32,373	27,345	9.0	7.2	8.5
BHP.LN (BHP Group)	M	GBp	3,200.00	2,250.00	51.1%	USD	25,825	32,373	27,345	0.1	0.1	0.1
BOL.SS (Boliden)	M	SEK	531.40	475.00	43.3%	SEK	21,971	24,394	24,587	7.7	7.0	6.9
FCX (Freeport-McMoRan)	M	USD	71.54	47.00	43.9%	USD	8,985	10,850	12,813	13.5	11.2	9.5
GLEN.LN (Glencore)	M	GBp	556.80	470.00	72.5%	USD	8,555	13,408	13,944	0.2	0.1	0.1
NEM (Newmont)	O	USD	123.41	144.00	42.2%	USD	14,092	15,763	17,155	9.0	8.0	7.4
EMAS.IJ (Merdeka Gold)	O	IDR	7,650.00	8,550.00	NA	USD	(9.60)	297.05	500.62	(0.0)	0.0	0.0
6228.HK (Merdeka Gold)	O	HKD	34.54	37.20	NA	USD	(9.60)	297.05	500.62	(91.3)	3.0	1.8
RIO.LN (Rio Tinto)	O	GBp	7,218.00	6,600.00	43.3%	USD	21,513	26,102	26,968	0.1	0.1	0.1
RIO (Rio Tinto)	O	USD	97.37	89.50	41.7%	USD	21,513	26,102	26,968	8.7	7.1	6.9
RIO.AU (Rio Tinto)	O	AUD	167.49	155.00	23.1%	USD	21,513	26,102	26,968	6.2	5.1	4.9
VALE (Vale)	M	USD	14.21	12.50	15.7%	USD	9,002	11,311	11,140	42.7	33.9	34.5
VALE3.BZ (Vale)	M	BRL	73.37	65.00	4.3%	USD	9,002	11,311	11,140	8.3	6.6	6.7
EDME			1,575.17									
SPX			7,650.50									
ASIAX			1,953.49									
EM			1,817.41									

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

Source: Bloomberg, Bernstein estimates and analysis.

INVESTMENT IMPLICATIONS

We maintain Outperform ratings on Newmont, Barrick Mining and Merdeka Gold

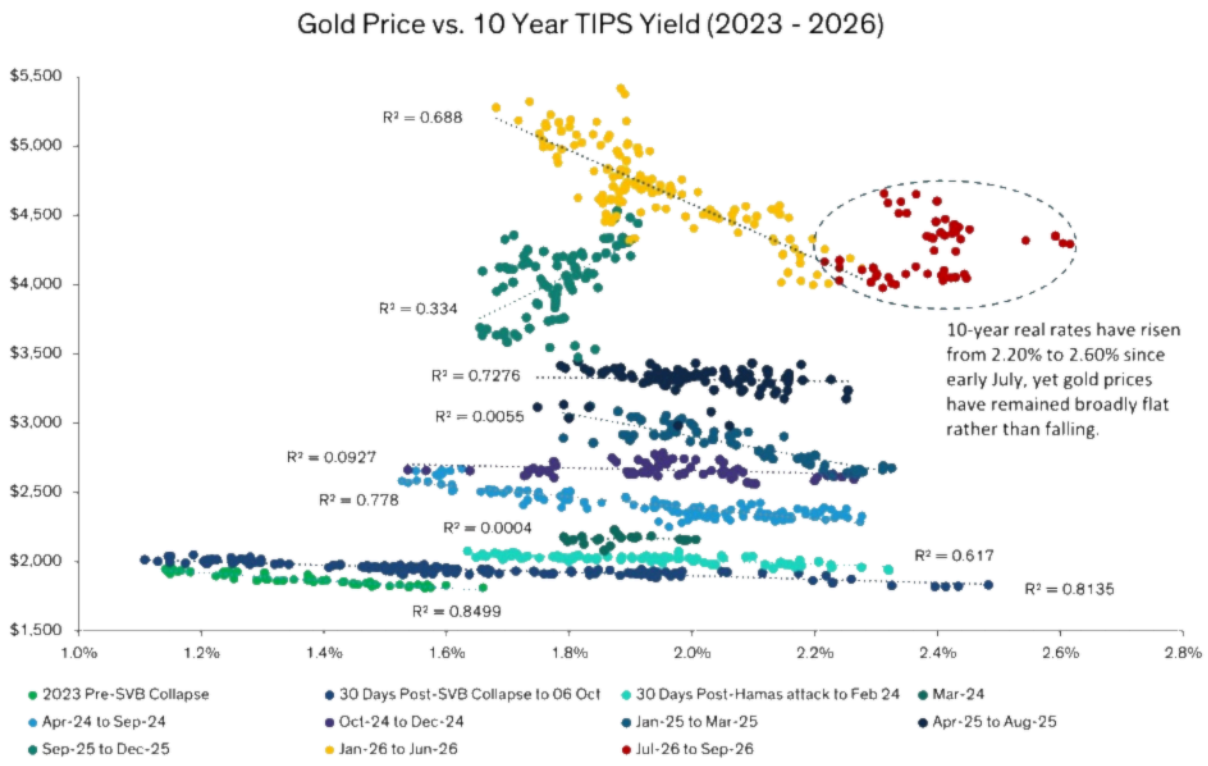
DETAILS

THE FUTURE OF US RATES

Gold has a well-established negative relationship to real rates (Exhibit 1). The relationship might not be straight-forward since 2023 because gold prices have re-rated on the back of flight-to-safety (SVB collapse, Israel/Hamas conflict) and central bank purchases.

Hence, besides persistent central bank purchases, the future of US rates is possibly the second most important variables in our gold bull thesis.

EXHIBIT 1: **Gold showed an inverse relationship with US real rates from Jan to Jun this year. However, since July 10Y real rates have risen from 2.20% to 2.60%, yet gold prices have remained broadly flat rather than declining. Early signs of gold outperformance?**



Source: Bloomberg, Bernstein analysis

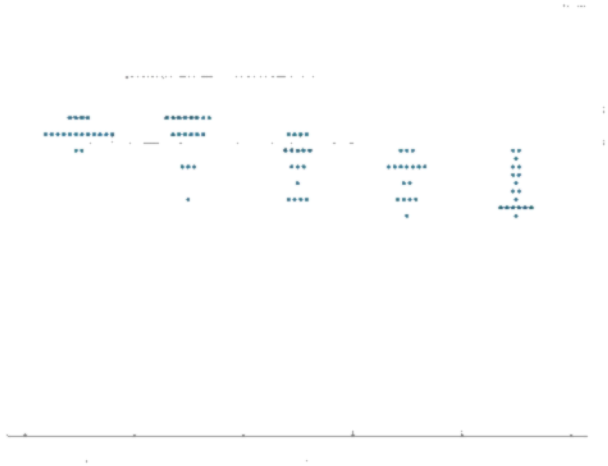
Trump wants lower rates. After most recent rate-hike decision, Trump commented that "Interest Rates in the United States should be 1%, or less, because we are the Best Credit in the World — BY FAR … LOWER THE INTEREST RATES FOR THE UNITED STATES OF AMERICA, AND FAST!". Nevertheless, he later backed Warsh, with whom he has a longstanding personal relationship, while blaming the broader Fed board. The current Fed board includes former chair Jay Powell, whom the president has criticized for not cutting rates, and Governor Lisa Cook, whom Trump previously sought to remove.

Bessent wants long-end rates to fall. The Treasury Department said on 19 Aug that it would double the size of its long-dated bond buybacks, from $2 bln to at least $4 bln per operation, aimed at the 10- to 30-year sector and running from 9 Sept through 4 Nov. Within a day of the announcement, Bessent added that the operations could grow beyond $4 bln. On 24 Aug, two Senior Treasury officials commented that the Treasury could use its General Account to help fund purchases of government bonds. Yields initially fell on 19 Aug, but had round-tripped to levels where they started by 24 Aug.

Warsh, at the opposite side of the table, wants to tame inflation. He emphasized that inflation - not labor-market weakness - is currently the Fed's predominant concern. The higher than expected CPI release on 11 September, re-affirmed his

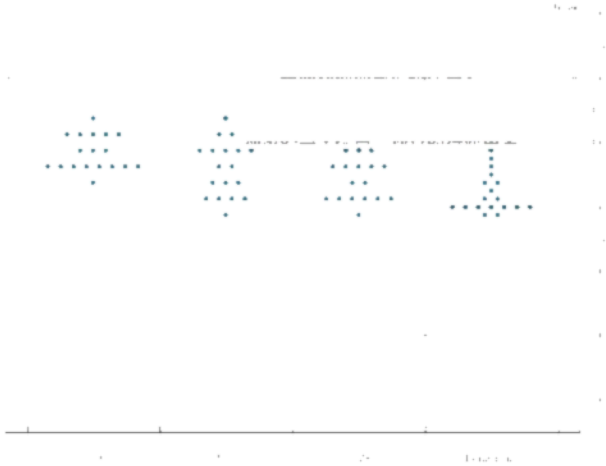
concern. The Fed delivered 25bps rate hike last Wednesday, and officials also penciled in at least another 25bps hike in 2026. In the latest dot plot (Exhibit 2), eight FOMC participants viewed a 4.25-4.50% federal funds rate as appropriate by 2027, up from just one in June 2026 (Exhibit 3). Meanwhile, six favored 4.00–4.25%, up from just two in June.

EXHIBIT 2: **Eight FOMC participants believe a further 50bps rate hike will be appropriate by 2027, while six expect a 25bps hike.**



Source: US Federal Reserve, Bernstein analysis

EXHIBIT 3: **At the June 2026 meeting, only one FOMC participant viewed a 4.25-4.50% federal funds rate as appropriate, while two favored 4.00-4.25%.**

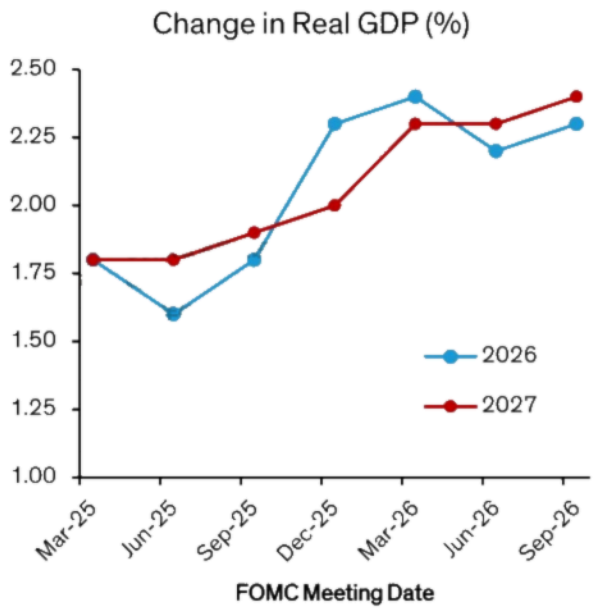


Source: US Federal Reserve, Bernstein analysis

The latest median projections for GDP growth, unemployment, and inflation (Exhibit 4 to Exhibit 7) help explain the shift in the dot plot. FOMC participants revised GDP growth expectations higher for both 2026 and 2027 versus June's estimates. More importantly, they now expect core PCE inflation to reach 3.7% in 2026 (up from 3.6% in June) and remain at 2.3% in 2027, while the unemployment rate forecast fell to 4.1% from 4.3% in June.

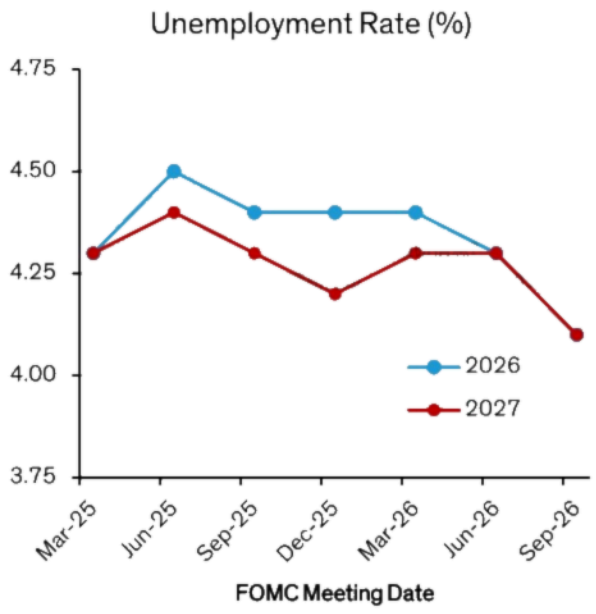
If refining capacity remains constrained, which has already driven diesel futures up 90% since early March (Exhibit 8), core PCE inflation expectations for 2027 could be revised higher, potentially pushing the dot plot up further.

EXHIBIT 4: **Fed Officials' real GDP expectations for 2026 and 2027**



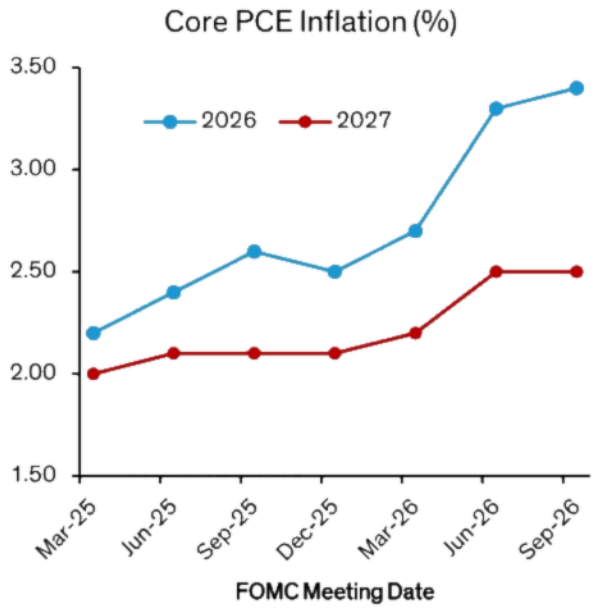
Source: US Federal Reserve, Bernstein analysis

EXHIBIT 5: **Fed Officials' unemployment rate expectations for 2026 and 2027**



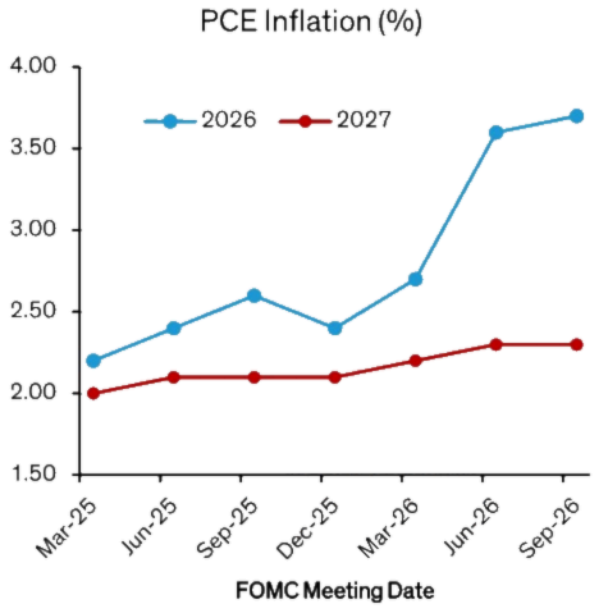
Source: US Federal Reserve, Bernstein analysis

EXHIBIT 6: **Fed Officials' core PCE inflation expectations for 2026 and 2027**



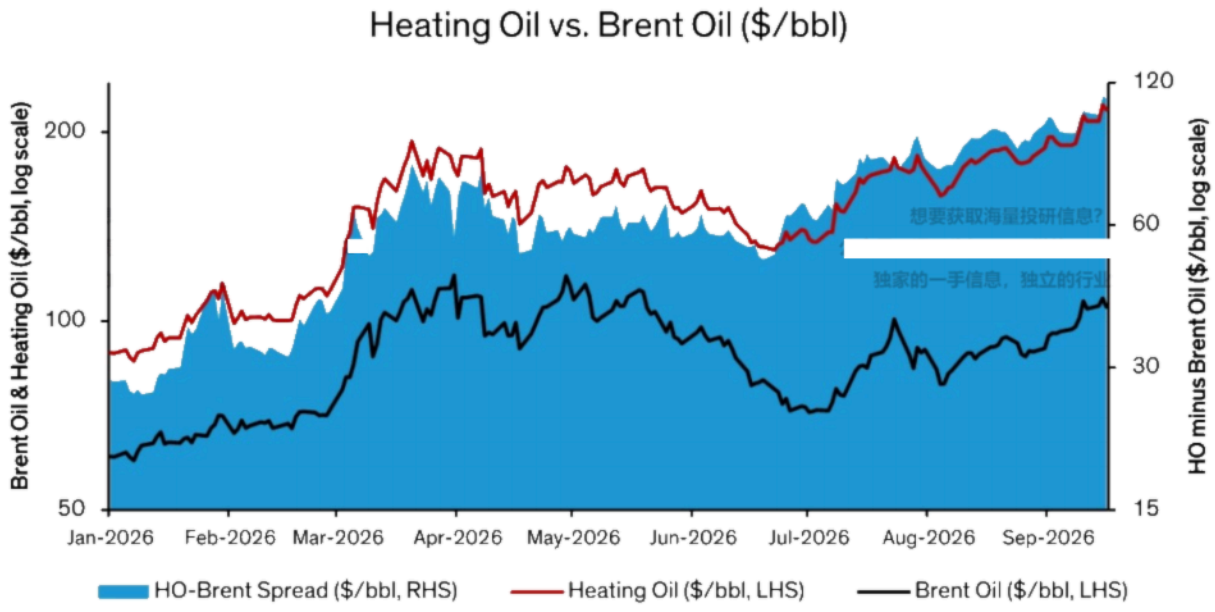
Source: US Federal Reserve, Bernstein analysis

EXHIBIT 7: **Fed Officials' PCE Inflation expectations for 2026 and 2027**



Source: US Federal Reserve, Bernstein analysis

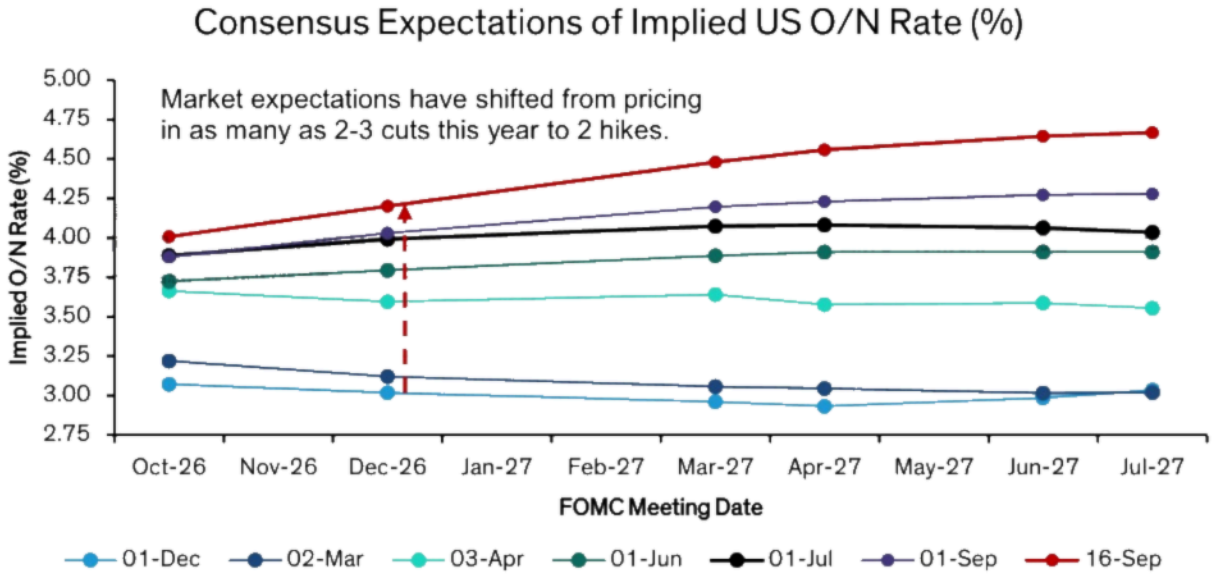
EXHIBIT 8: **Heating oil (a good proxy for diesel) prices have climbed from around $110/bbl to nearly $200/bbl. Higher refined oil prices have reignited concerns about inflation and further Fed rate hikes, particularly after August core CPI came in above expectations**



Source: Bloomberg, Bernstein analysis

Combining the latest dot plot with Warsh's comment that he would be "hard pressed" to describe current interest rates as restrictive enough to slow the economy, **we, like the market, see scope for further rate hikes in 2026 and 2027.** FOMC participants see up to two 25bp hikes as appropriate by 2027 (Exhibit 2), while markets are currently pricing in 2-3 hikes by mid-2027 (Exhibit 9).

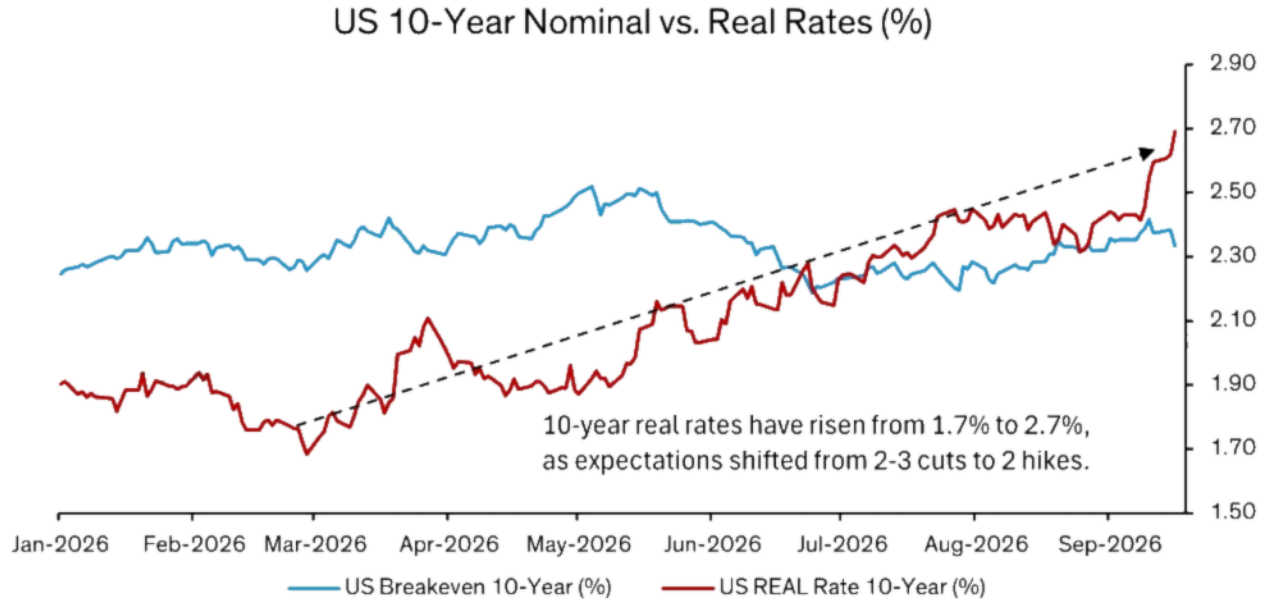
EXHIBIT 9: **Market expectations have shifted sharply - from pricing in 2-3 cuts this year to 2 hikes, as inflation risks accelerate. Warsh has also placed greater emphasis on the inflation as "the plain fact is that inflation is too high and has been for too long".**



Source: Bloomberg, Bernstein analysis

Higher inflation expectations have pushed up expected US federal funds rates, lifting real rates in turn (Exhibit 10). While some attribute the rise in rates to concerns about the US fiscal outlook, we believe this year's move has been driven primarily by higher near-term inflation expectations.

EXHIBIT 10: **Higher diesel and gasoline prices have pushed market expectations from 2-3 rate cuts in early March to 2 hikes, while the US 10-year breakeven inflation rate has remained relatively stable at 2.3%-2.5%.**



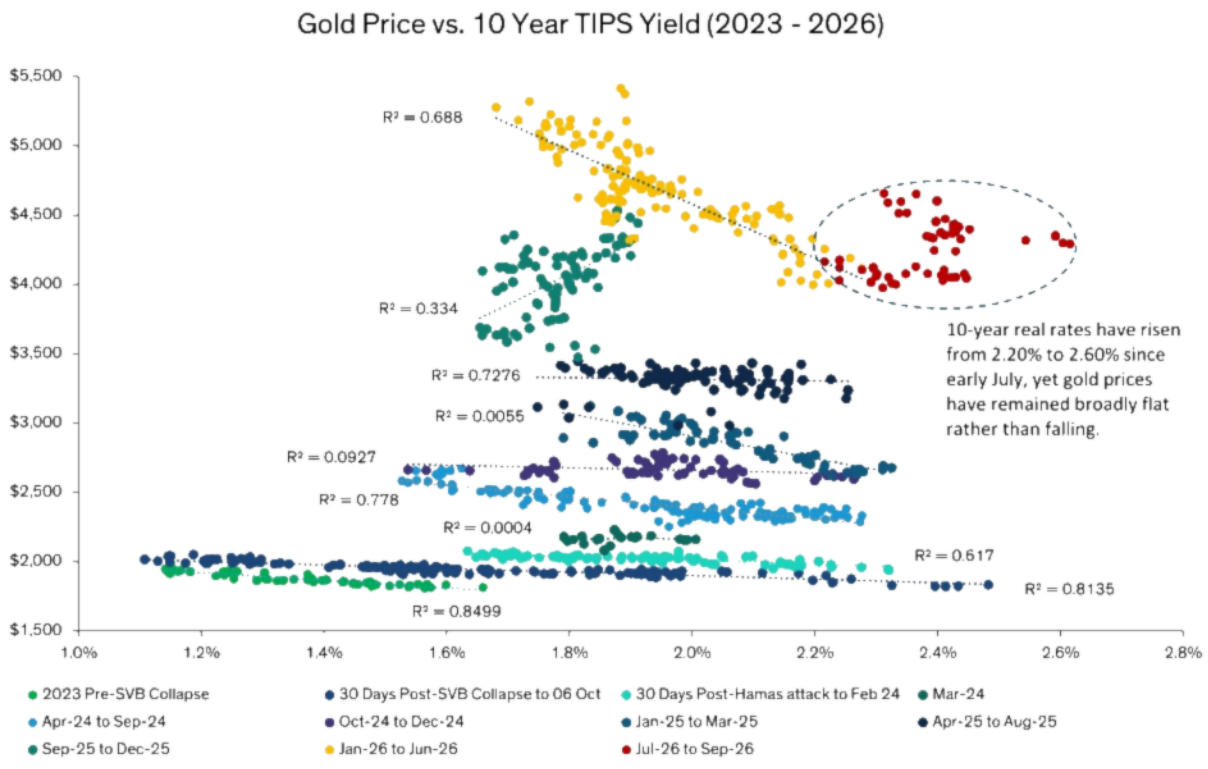
Source: Bloomberg, Bernstein analysis

ISN'T RISING RATES BAD FOR GOLD?

Yes, rising real rates are typically bad for gold - and we expect rates to go up from here - BUT… (1) we still expect demand from Central Banks, and (2) ETFs flow data in July and August have been encouraging. ETFs holdings in August was the highest year-to-date, even as the market has priced in a much higher policy rates.

As shown in Exhibit 11, the relationship between gold and real rates is not linear. In a short period (days, weeks), rising rates has led to lower gold prices. However, in medium-term (months), gold might re-rate or stay flat in the face of rising rates. For example, gold prices have slightly risen from $4,030/oz in early July to c.$4,300/oz, while US 10-year real rate has gone up from 2.25% to 2.65%. This is shown in red dots in Exhibit 11.

EXHIBIT 11: **Gold showed an inverse relationship with US real rates from Jan to Jun this year. However, since July 10Y real rates have risen from 2.20% to 2.60%, yet gold prices have remained broadly flat rather than declining. Early signs of gold outperformance?**

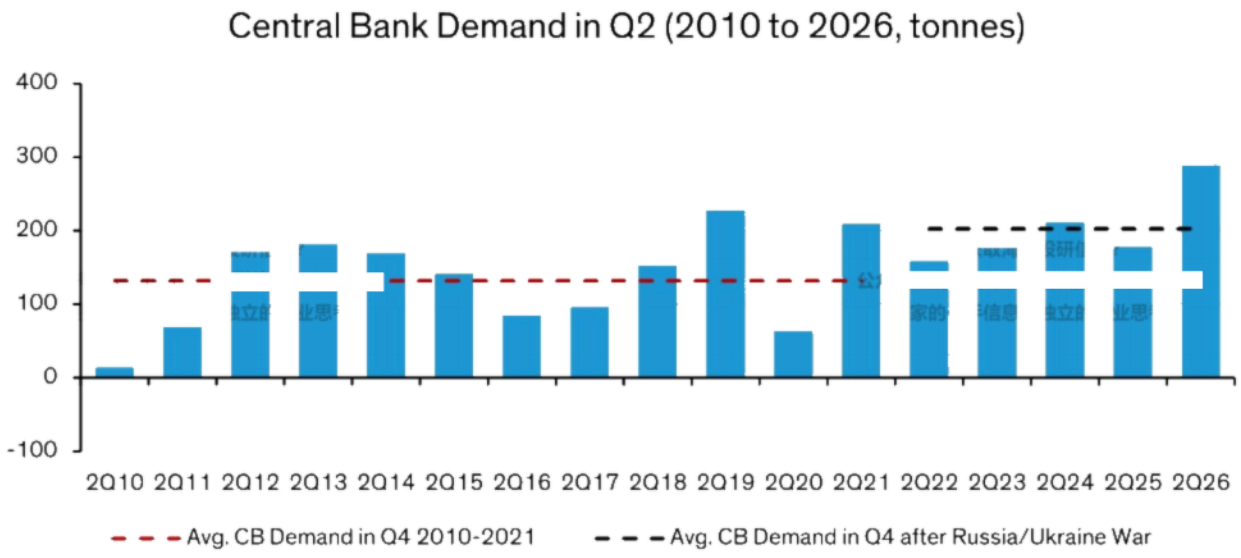


Source: Bloomberg, Bernstein analysis

CENTRAL BANK PURCHASES

We believe central bank purchases AND gold ETF purchases are the two variables explaining this anomaly. Q2 central bank demand was reportedly strong (Exhibit 12), possibly due to low(er) gold prices. Average Q2 2026 price was $4,500/oz, down from $4,873/oz average in Q1. As Q3 average so far c.$4,260/oz, we might see another robust central bank demand in Q3.

EXHIBIT 12: **Central bank gold demand surged in Q2 2026, marking the strongest Q2 since 2020. Some of this strength may have been a catch-up from the unusually weak net buying recorded in Q1.**



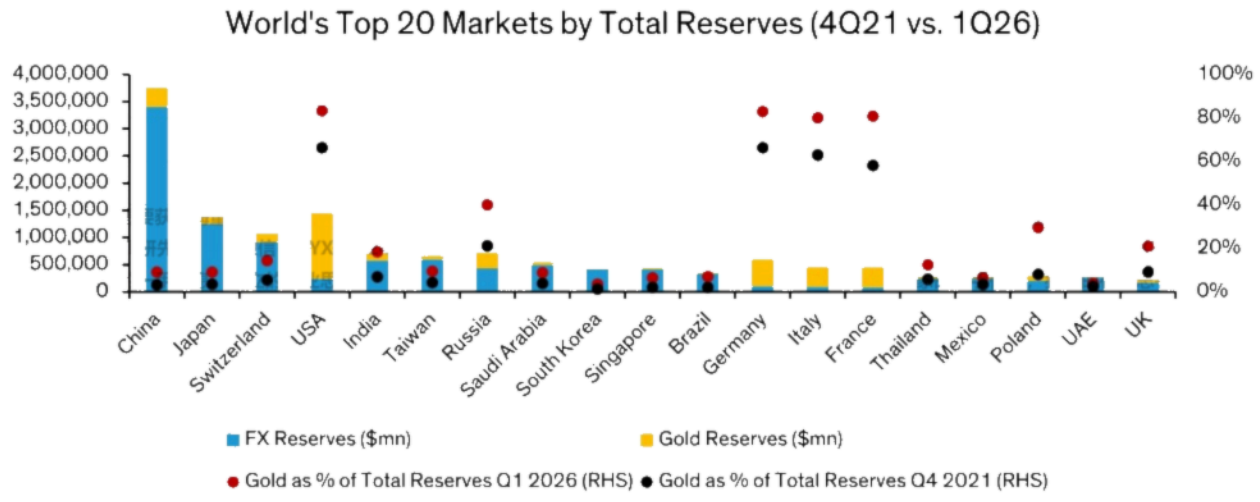
Source: World Gold Council, Bernstein analysis

We continue to believe central banks are not done diversifying reserves away from the US dollar and other G7 currencies into gold. Several countries with sizable foreign exchange reserves, including China, Japan, Saudi Arabia, South Korea, Singapore, Brazil, Mexico, and the UAE, still allocate less than 10% of their reserves to gold (Exhibit 13, Q1 2026), leaving further room for accumulation.

Further, in World Gold Council's 2026 Central Bank Gold Reserves survey (released in mid-June), central banks are still clearly positive on gold, very much in line with past surveys. About 89% expect global gold reserves to increase over the next 12 months, and this year a record 45% say they'll be adding to their own holdings - while most of the rest see levels staying flat and almost no one expects a decline. The rationale is familiar: gold holds up in crises, helps diversify portfolios, and acts as an inflation hedge. Further, it's increasingly viewed as protection against geopolitical risk and a tool for broader reserve diversification. There's also a clear shift in reserve preferences. Around 74% expect US dollar holdings to decline over the next five years, while gold's share rises. Other currencies like the euro and renminbi are broadly expected to stay where they are. In terms of funding, it's fairly split-about half plan to buy gold through domestic programmes using local currency, while roughly 38% expect to fund purchases by selling other reserve assets.

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EXHIBIT 13: **China, India, Poland, and Singapore have all increased their gold holdings in recent years. We still see scope for China, Japan, Saudi Arabia, South Korea, Singapore, Brazil, Mexico, and the UAE to raise gold's share of reserves to above 10%.**



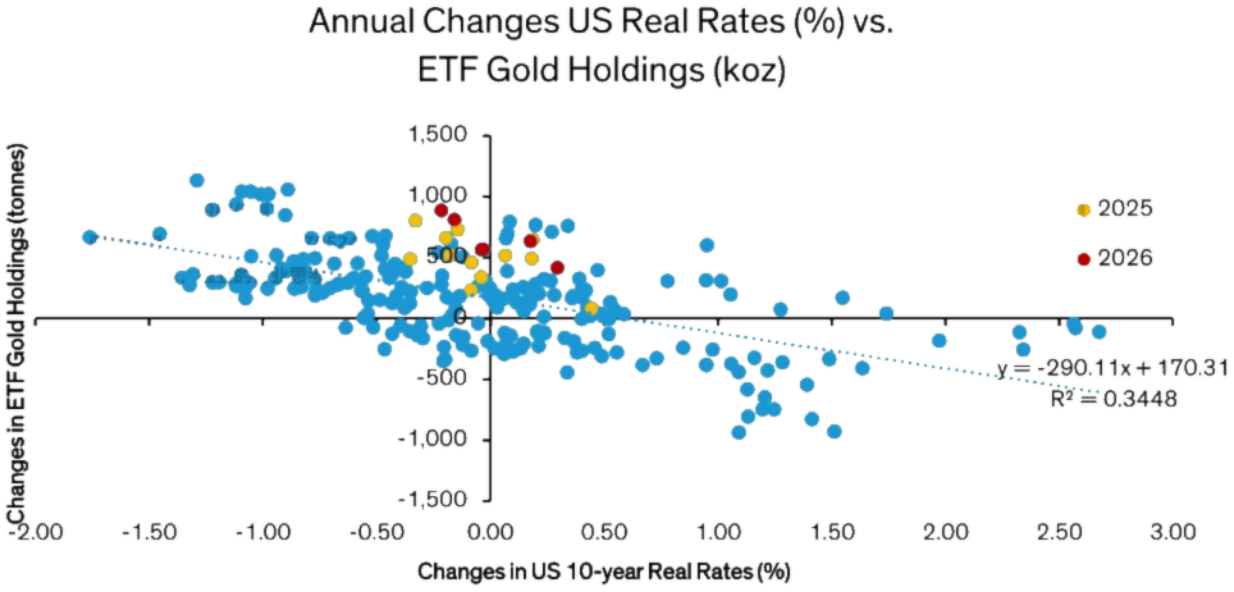
Gold-to-reserve ratios may increase because the price of gold has surged since 2021.
Source: World Gold Council, Bernstein analysis

ETF FLOWS

While ETF flows are typically negatively correlated with changes in real rates (Exhibit 14), the relationship remains positively skewed. For example, our analysis suggests that unchanged real rates would still result in roughly 170 tonnes of inflows into gold ETFs. Using the same regression framework, a 50bps increase in US 10-year real rates over the next 12 months would still imply a modest inflow of around 25 tonnes, or about 6 tonnes per quarter.

As discussed later, our price forecasts are more conservative, assuming gold ETF outflows of around 50 tonnes per quarter, broadly in line with ETF flows in Q2 2026. As a result, there is upside risk to our estimates if gold ETFs instead see modest inflows, as suggested by the regression analysis below.

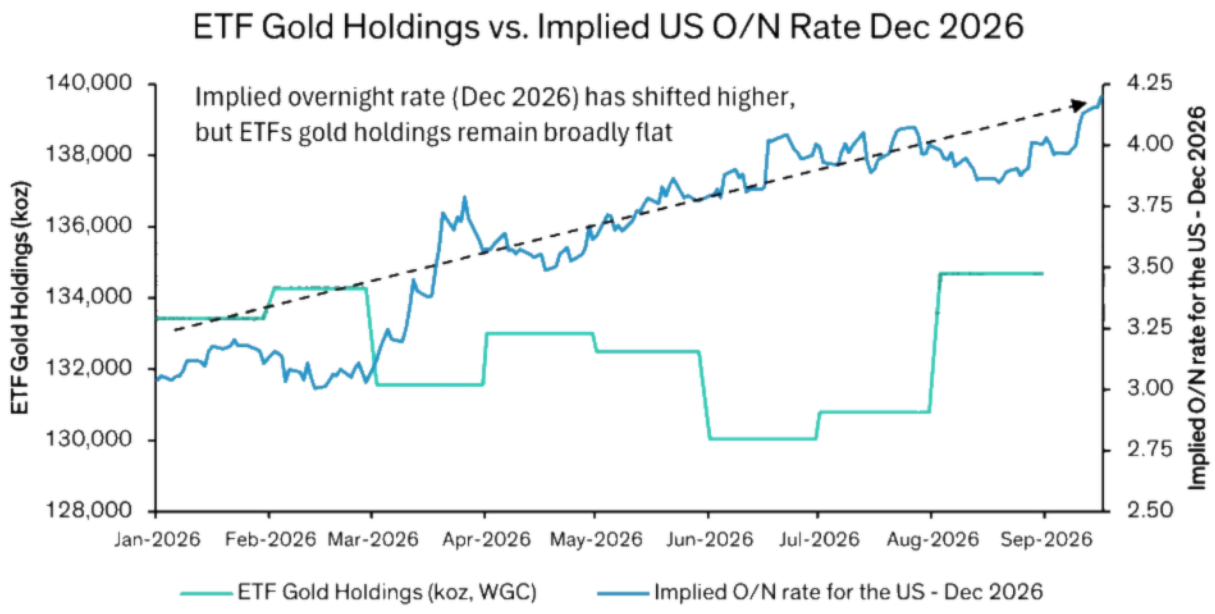
EXHIBIT 14: **Changes in real rates are typically negatively correlated with ETF gold holdings. Our linear regression analysis suggests that a 50bp increase in real rates would result in a very slight increase of 25 tonnes inflow to gold ETF.**



Data from 2015
Source: Bloomberg, Bernstein analysis

WGC's July and August ETF flow data showed inflows into gold ETFs. In fact, gold ETF holdings reached their highest level in August despite rising real rates and growing expectations of further Fed rate hikes (Exhibit 15). This resilience in ETF demand may help explain gold's strength in August and its ability to go higher even after the Fed's September rate hike.

EXHIBIT 15: **ETF gold holdings have been broadly flat this year even as the market has priced in a much higher policy rates. Could this be an early green shoot for gold prices?**



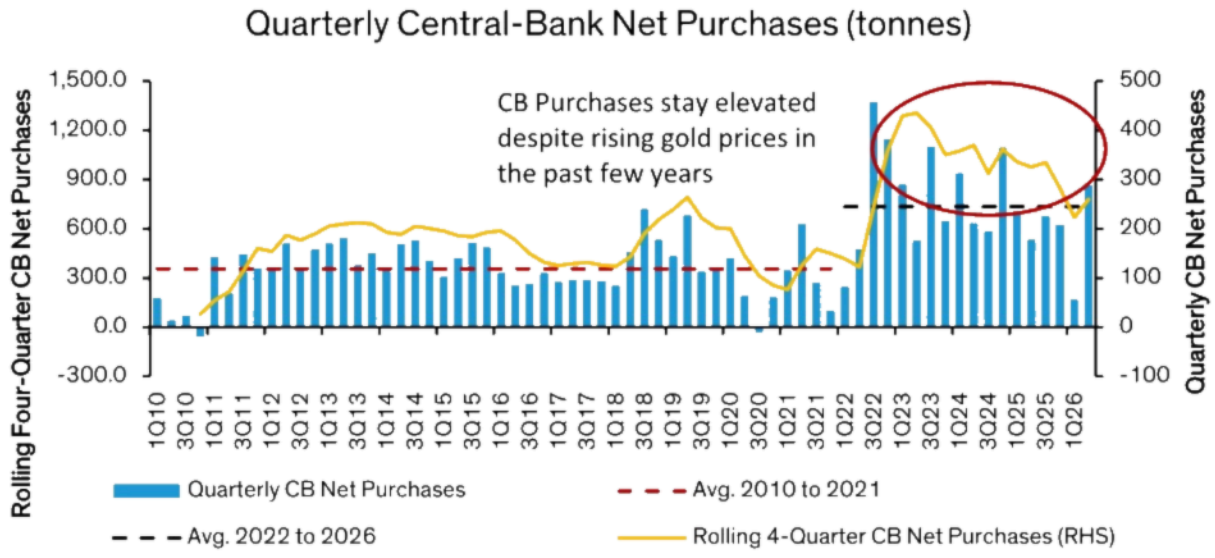
Source: Bloomberg, Bernstein analysis

REVISITING OUR GOLD PRICES ESTIMATES

Unlike industrial commodities, gold prices are not driven by traditional annual supply and demand. Instead, gold behaves like a currency and is driven primarily by real rates, and central bank purchases (especially since Russia assets were frozen in 2022).

Mechanically, rising real rates drive ETF outflow (Exhibit 14), which in turns drive gold prices lower (Exhibit 16). The exception seen in 2022 to mid-2024 was due to robust central bank purchase.

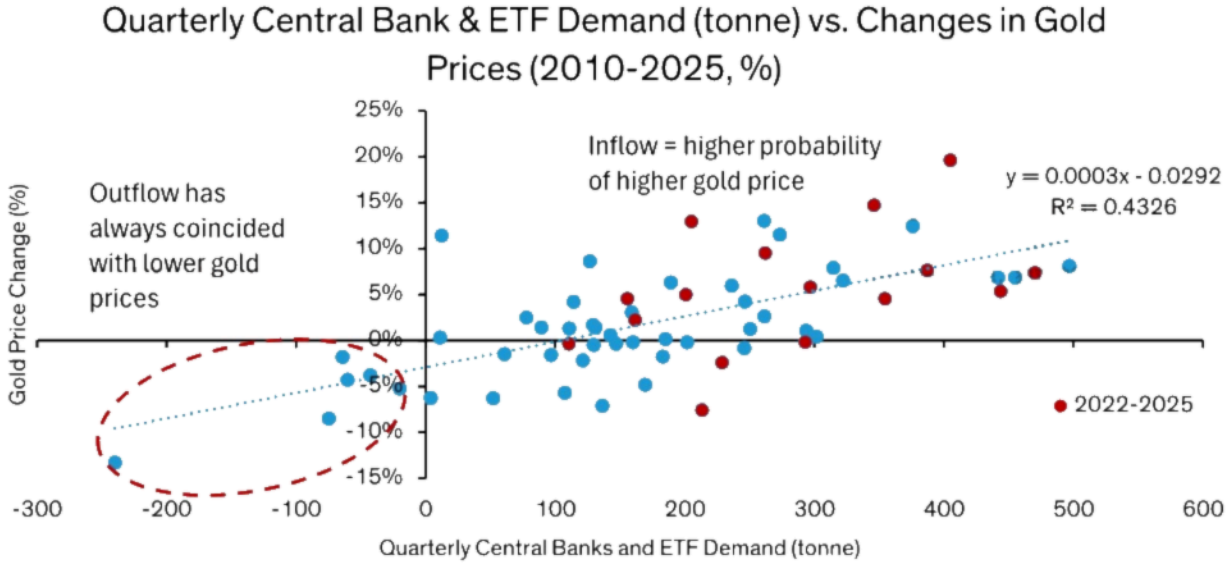
EXHIBIT 16: **Central bank gold demand has moderated but remains exceptionally strong relative to the 2010-21 average. The weaker net purchases in Q1 may reflect some central banks selling gold to support their currencies amid market volatility following the ME war.**



Source: World Gold Council, Bernstein analysis

Plotting quarterly net demand from central banks and ETFs against gold price changes since 2010 reveals a strong positive linear relationship (Exhibit 17).

EXHIBIT 17: **Net demand from central banks and ETFs is strongly correlated with gold-price movements. Periods of net outflows have consistently coincided with lower prices, while net inflows have been associated with a higher likelihood of rising prices.**



Source: World Gold Council, Bernstein analysis

Since ETFs gold holdings remain flat (as of August), even as the market has priced in a much higher policy rates, it's reasonable to hold ETFs gold holdings flat until end of the year. Assuming quarterly central bank purchases will be slightly below Q1 and Q2 2026 average (c.170 tonnes), the average for 2026 will be 150 tonnes. Applying 150 tonnes quarterly demand to our linear regression model implies average nominal gold prices of around $4,500/oz in 2026 (Exhibit 18).

We then assume net quarterly demand gradually normalizes in 2027 and 2028 before stabilizing through 2030. Applying the historical relationship between net demand and gold price changes outlined above, we derive $5,700/oz gold price forecasts in 2030.

Lastly, the implied demand is about $100bn annually. While significant in absolute terms, it remains small relative to the size of global financial markets (e.g., when compared with the market cap of the US equity market).

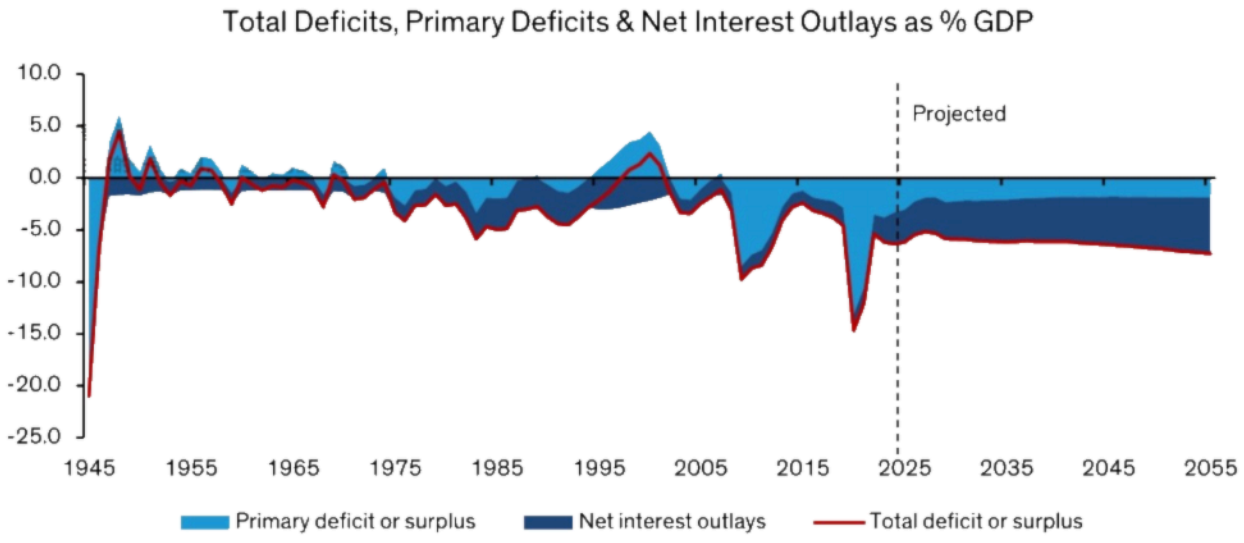
EXHIBIT 18: **ETF holdings have been slightly up this year. So, If ETF holdings continue to be flat and central bank purchases slightly below the H1 run rate of 170 tonnes per quarter, net gold demand would still be positive at around 150 tonnes per quarter in 2026.**

Year	Excess over 2010-2021 Average Demand	Net Quarterly Demand Central Bank and ETFs (tonne)	Modelled Quarterly Price Change (%)	Modelled Annual Price Change (%)	Price Target	Net Annual Demand (CB & ETF) in $bn	Net Annual Demand (CB & ETF) as % US Stock Market Cap
2025A	170%	416	8.6%	39.3%	3,445	184.4	0.27%
2026e	-3%	150	1.2%	5.0%	4,500	86.6	0.12%
2027e	5%	162	1.6%	6.4%	4,800	99.9	0.13%
2028e	5%	162	1.6%	6.4%	5,100	106.1	0.13%
2029e	0%	154	1.4%	5.5%	5,400	107.0	0.12%
2030e	0%	154	1.4%	5.5%	5,700	113.0	0.12%

SIFMA's 4Q25 equity statistics put total US equity market cap at about $68.2 trillion at the end of 2025. We assume US equity market cap to grow at 7% p.a.
Source: Sifma, World Gold Council, Bernstein analysis and estimates

Over the longer term, the deepening U.S. fiscal deficit-driven in part by rising net interest costs (Exhibit 19)-suggests that de dollarization pressures are unlikely to dissipate soon. This structural theme should continue to provide a supportive backdrop for gold demand over time.

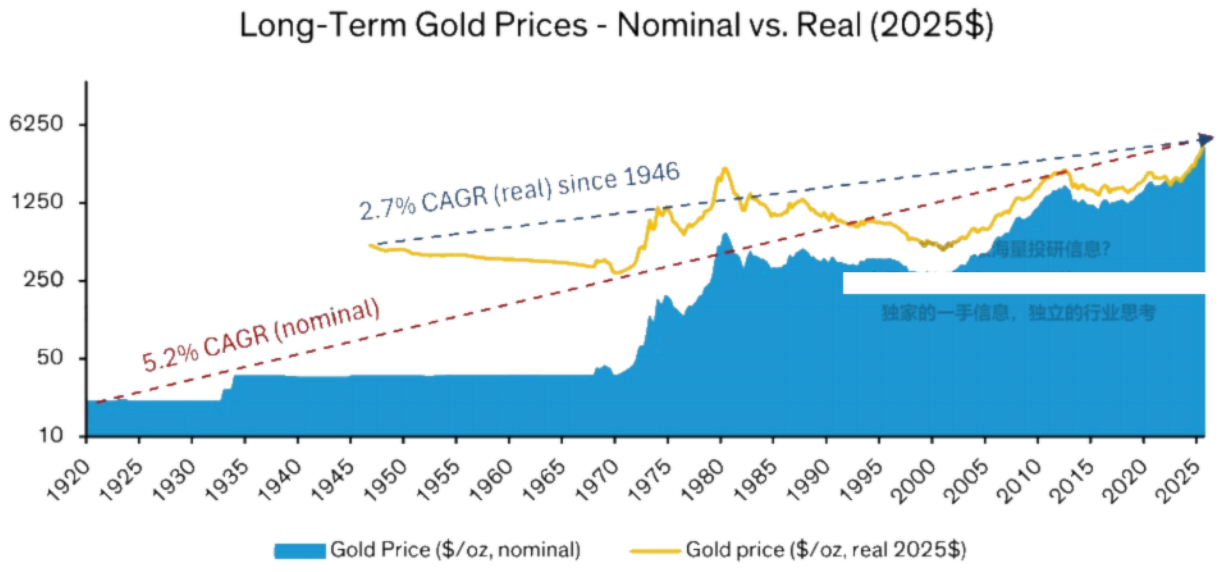
EXHIBIT 19: **US total deficit may reach 7.3% of GDP by 2055 with net interest outlays nearly triple (as % of GDP). Net interest will make up of 74% of US total deficit in 2055.**



In 2023 LT Budget Outlook, CBO estimated US total deficit to reach 10% of GDP by 2053. The decline in 2055 deficit estimate in the 2025 LT Budget Outlook can be explained by positive GDP estimate revision. CBO previously estimated US GDP at $79.5 trillion in 2053 vs. current estimate of $88.4 trillion in 2055 (+11% increase).
Source: US Congressional Budget Office, Bernstein analysis

In Exhibit 18, we estimate gold prices to rise from $4,500/oz in 2026 to $5,700/oz by 2030, implying a 6.1% CAGR over the period. This is broadly in line with gold's (very) long-term nominal CAGR of 5.2% since 1920 (Exhibit 20).

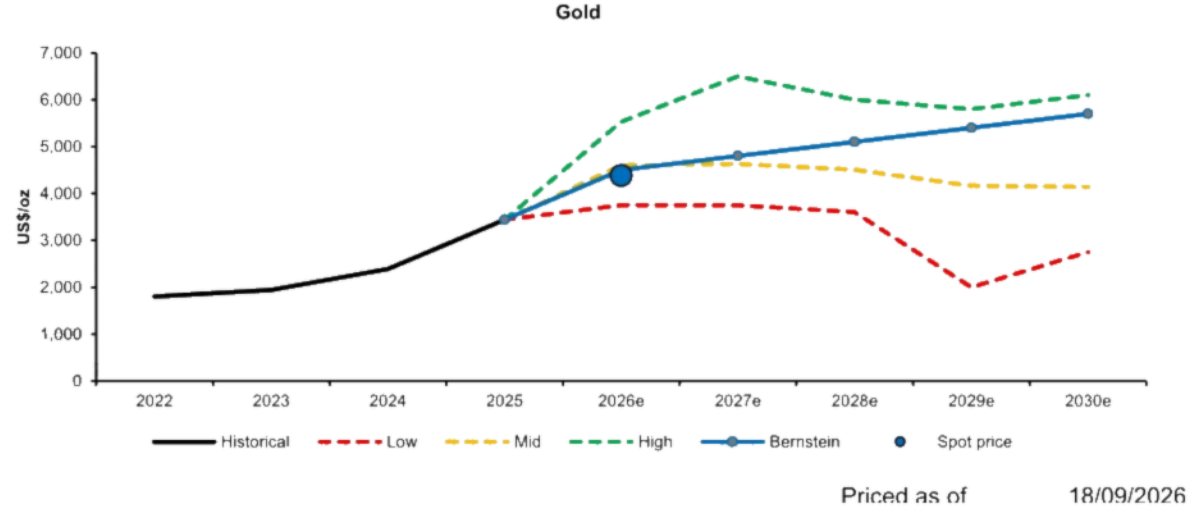
EXHIBIT 20: **Gold's long-term nominal CAGR from 1920 to 2025 is 5.2%. From 1946 to 2025, gold's real CAGR (in 2025 dollars) is 2.7%.**



Source: Bloomberg, Federal Reserve Bank of St. Louis, Bernstein analysis

EXHIBIT 21: **Gold price forecasts - consensus and Bernstein Research estimates**

Gold									
	2022	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Historical	1,803	1,943	2,387	3,440					
Low				3,440	3,750	3,750	3,600	2,000	2,750
Mid				3,440	4,604	4,631	4,509	4,162	4,140
High				3,440	5,531	6,500	6,000	5,800	6,100
Bernstein				3,440	4,500	4,800	5,100	5,400	5,700
Spot price					4,379				

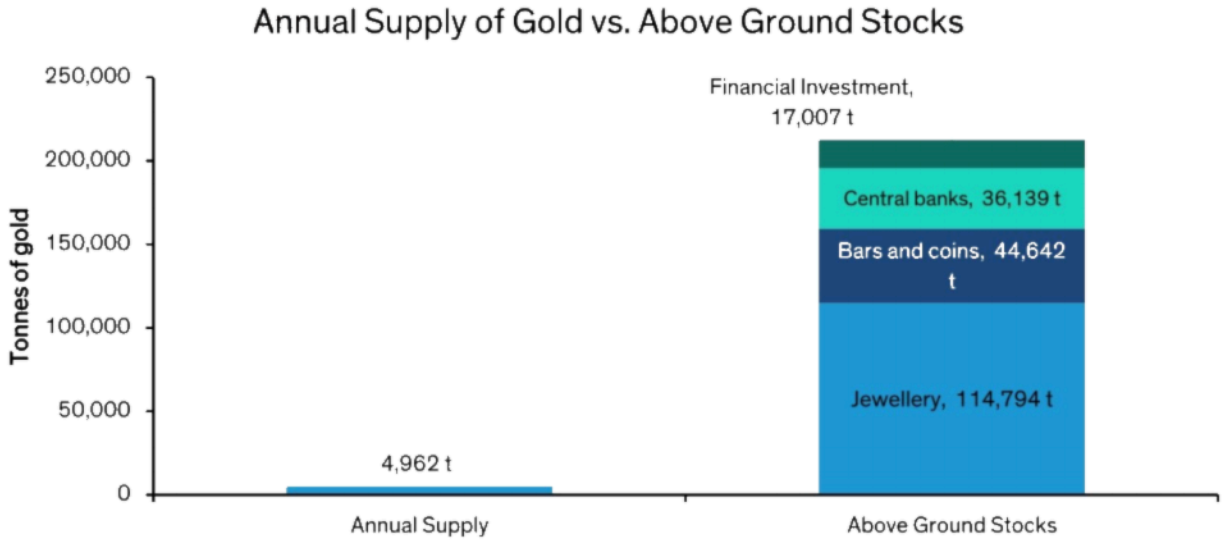


Source: Bloomberg, S&P Global, Bernstein analysis and estimates

SUPPLY VS. ABOVE GROUND STOCKS

Lastly, a reminder that most metals trade like a commodity, but gold trades like a currency. It is exceptionally inert and has been used as money and a store of value for thousands of years. Gold is widely accepted as a store of value, because there's limited supply, just like a rare whisky and aged wine. Almost every single ounce of gold that has been mined still exists somewhere on the surface (we've fired a bit into space). Hence, annual mined production is almost insignificant compared to above-ground stocks (Exhibit 22), and most demand is for financial use, such as Central Bank reserves.

EXHIBIT 22: **The annual supply of gold is insignificant compared to above ground stocks, rendering supply-demand balances (almost) meaningless**



Data as of Q1 2024
Source: World Gold Council, Bernstein analysis