

## INVESTMENT COMMUNICATION

# Gold turbulence

24 March 2026

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## Things to know

### 1.

Gold has experienced a pronounced correction, driven by three cyclical headwinds: 1) favourable US terms of trade, 2) a shift in monetary policy expectations, and 3) liquidity-driven selling pressure.

### 2.

The long-term case for gold remains intact. Policy and geopolitical uncertainty have not diminished and de-dollarisation remains a strategic objective for central banks and investors.

### 3.

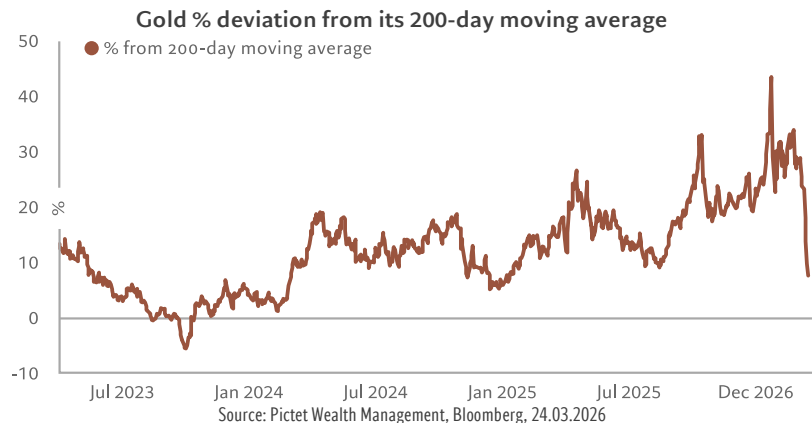
Gold continues to offer a compelling proposition for investors. We view the recent pullback as an opportunity to adjust strategic exposure and tactically position for a recovery after current headwinds abate.

## INTRODUCTION

This year, gold has come under significant pressure, falling below USD 4,400 per ounce on 24 March from an all-time high of USD 5,589 per ounce in January. The recent decline has been driven by three primary forces: 1) favourable US terms of trade, 2) a repricing of monetary policy expectations, and 3) liquidity-driven selling pressure. While these cyclical headwinds have weighed on gold in the short term, the fundamental long-term drivers—policy uncertainty, de-dollarisation, and fiscal sustainability concerns—remain firmly in place. This note examines each of these factors and considers the outlook for gold as a strategic asset.

## RECENT PRICE ACTION: A PRONOUNCED CORRECTION

After a record-breaking 65% return in 2025, the price of gold fell nearly 11% during a single week in late March 2026. This decline surpasses any weekly loss seen during the 2008 financial crisis, the dotcom crash, and the Covid-19 pandemic. The last comparable weekly drop occurred in 1983, following an aggressive US Federal Reserve tightening cycle aimed at curbing inflation.



## DRIVERS OF THE RECENT SELL-OFF

We observe three cyclical headwinds. First, the US dollar gained due to its perceived economic resilience in the face of a Middle East energy price shock. While high energy prices will have a clear impact for consumers across the globe, they will not adversely impact the US trade balance because the US is a net energy exporter. This dynamic, combined with short positioning in the USD, enabled the USD to outperform all its G10 peers since the onset of the Iran war.

Secondly, a repricing of monetary policy expectations plays a key role. Oil prices have spiked due to the Iran war, leading to inflationary concerns. In response, many central bankers have adopted a more hawkish tone. In our house view, we anticipate both a baseline and an adverse scenario. In both cases, we expect central bank rates to deviate from their current rate trajectories. As an asset with no cash flows or yield, gold is sensitive to changes in real yields and the monetary policy outlook. As a result, the change in both (relative to prior expectations) has weighed on the price of bullion. In short, the opportunity cost of owning gold has risen.

PWM policy rate projections to the end of 2026

BASELINE	Fed	BoE	ECB	SNB	Boj
70%	-50bp <i>(risk of hold)</i>	0 <i>(risk of hikes)</i>	0 <i>(risk of hikes)</i>	0	+25bp
ADVERSE	Fed	BoE	ECB	SNB	Boj
30%	-75bp	-50bp	-25bp	-25bp	0

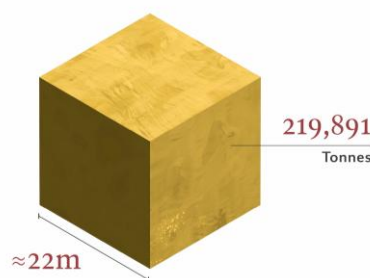
Source: Pictet Wealth Management, 24.03.2026

The third factor is liquidity-driven selling pressure. The recent sell-off has been exacerbated by forced liquidation of crowded long positions. This is evident in **de-dollarisation trades expressed through emerging markets, international equity exposure, and precious metals**. Cross-asset deleveraging, volatility and liquidity stress have also added to the selling pressure. Furthermore, there is anticipation that **Middle East central banks and wealth funds may need to raise liquidity and sell their gold holdings**, which typically represent a relatively higher share of their strategic asset allocation.

THE LONG-TERM CASE REMAINS STRONG

Despite recent turbulence, the long-term case for gold remains intact. Policy and geopolitical uncertainty have not diminished; if anything, they have increased. **De-dollarisation** remains a strategic objective for investors and central banks, which continue to seek USD alternatives amid concerns about US leadership and fiscal unsustainability. (We note the US Department of War’s recent USD 200 bn funding request to support its fight against Iran).

Gold is rare.  
The total stock of above-ground gold can fit into a 22-meter cube



Source: World Gold Council as at 11.02.2025

In summary, we believe gold offers a compelling proposition for investors focused on wealth preservation and intergenerational resilience. We view the recent pullback as an opportunity to adjust strategic exposure and tactically position for a recovery. Should the Iran conflict stabilise, oil prices may fall, and higher rate expectations could diminish. In an adverse scenario, the risk of a global recession would increase, and central banks may be forced to cut interest rates.

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