

Gold Outlook

Bull-dozer

Commodities
Precious Metals

Global

- ◆ Gold has retreated on liquidation following the strikes in Iran, escalating oil prices, a firmer USD, and higher yields
- ◆ Gold stands to resume its rally post Middle East conflict but much will depend on the outlook for oil and the USD
- ◆ We raise our forecasts across the board in anticipation of a resumption of the rally as fiscal profligacy and other risks aid prices



James Steel
Chief Precious Metals Analyst
HSBC Securities (USA) Inc.
james.steel@us.hsbc.com
+1 646 867 5600

Gold outlook

Gold hit a record high of USD5,450/oz on 30 January but has since retreated, falling to a 2026 low of USD4,405/oz on 23 March. Gold has been subject to severe liquidation as a mix of factors –surging USD, higher yields, higher oil, and sinking equities – combined to drive prices lower. We believe the bull market will return, but first and foremost a cessation of hostilities with Iran and the formal reopening of the Strait of Hormuz, and persistently lower oil prices, would need to occur. This could allow for a softer USD as forecast by our FX Strategy team later in the year and may help to ease yields and bolster equities, all of which would aid gold prices. Mounting fiscal deficits in the US and other nations are encouraging gold demand and may be a key factor going forward. In the near term, however, we expect the market to continue to chase – and react to – headlines. The recent ceasefire has already allowed gold to rally.

Geopolitics, central banks, and trade

Geopolitical risks aided gold before the Iran strikes. Shifts in the geopolitical landscape led by changes in US foreign policy, US-Sino rivalry, and Middle East and other conflicts will continue to buoy gold longer term. Central banks are moderating purchases, and some may sell due to the need to conserve FX amidst higher energy imports, but we expect greater official sector demand later in the year based on long-term diversification policies. Buying, however, will be below 2022-24 peaks and likely below 2025 levels. A resumption in trade friction may also aid prices, even if not as supportive a theme as in 2025.

Supply/demand balances

High prices are encouraging greater supply and reduced physical demand. 2026-27 mine output looks set to rise despite production challenges, but only at modest levels. Recycling rates have been less sensitive than expected to price rises but will likely rise more robustly in 2026-27. High prices are sharply eroding jewelry and coin demand in key consumer countries. So far, these supply/demand changes have yet to deter the rally, even given the pullback. Still, reduced physical demand and more supply leave greater amounts of bullion to be absorbed by investors. Coin demand is weak, but large bar demand is firmer due to institutional interest and financial deregulation in key consumers such as India and China.

HSBC average gold price forecasts (as of 8 April)

USD/oz	2026f		2027f		2028f		2029f	
	Old	New	Old	New	Old	New	Old	New
Gold	4,587	4,864	4,625	5,000	4,700	5,200	4,775	5,300

Source: HSBC. Note: Long term = five years. Our year-end 2026 and 2027 forecasts for gold are USD4,950/oz and USD5,075/oz, respectively.

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Executive summary

Gold hits record high of USD5,450/oz in January

I-ran away from gold

Gold prices reached record highs this year, hitting USD5,450/oz on 30 January. A coterie of factors including a weak USD, geopolitical and economic policy concerns, central bank purchases, rate cut expectations, and active 'fear of missing out' (FOMO) and portfolio diversification and hedge buying propelled gold to historic highs. We identified a range of reasons for gold's strength in [Gold Outlook: Bully for bullion](#) (8 January 2026) as well as other outlooks. The gold price pulled back c20% to a 2026 low of USD4,405/oz on 23 March. The decline was triggered and sustained by the financial market consequences of the Middle East conflict. Contrary to widespread expectations, gold did not rally as the war progressed but almost immediately went on the defensive as the USD attracted substantial safe-haven buying, yields surged, and equities declined. Added to this, central bank buying – a heretofore cornerstone of the bull market – cooled, with some banks beginning to sell bullion to protect their domestic currency or cover higher oil imports. The increase in oil prices with the closing of the Strait of Hormuz and disruption to Gulf production and their inflationary consequences also effectively reversed expectations for rate cuts, further compounding gold's decline.

Bloodied but unbowed

Does this signal an end to the bull market? After years of upward trajectory, will the gold price move onto the defensive longer term? We think not. We believe the bull market is "dozing" and the gold bulldozer will be back under the right circumstances. No war lasts indefinitely, and US President Donald Trump has already stated hostilities are entering a final phase, although a clear timetable has not been forthcoming. The eventual cessation of hostilities, even if oil prices remain high until the energy markets fully recover from war-inspired disruptions, could produce a positive climate for gold. Yields may retreat and equities could rally on a credible peace plan. This all stands to buoy bullion and restore the previous bull market. Even optimism based only on positive but tentative comments from the White House that the conflict will soon end can lend support to bullion. The recent ceasefire shows how quickly gold can rebound under the right circumstances.

A post-Iran climate will leave the world facing the same issues that drove gold higher before the strikes on Iran, in our view. In addition to a likely easing in yields, fiscal profligacy (aggravated by the war) and economic uncertainty can revive gold's safe haven status. Persistently high geopolitical risks – but not so high as to trigger liquidation – are likely to inspire further gold purchases. Institutional demand for portfolio diversification will likely return as gold once again proved its value as a ready means of liquidity. Central banks – which we believe to have long-term buying schedules that go well beyond the Middle East conflict – are also likely to resume buying in earnest. Tariffs and trade frictions may move back into focus but may have less of an impact than in 2025. The gold market may no longer anticipate rate cuts, but questions over Fed independence and the policy stance of the next Fed Chair could resurface and may be key in influencing gold prices. As always, the USD will play a significant role in shaping gold prices. A softer USD, as forecast by HSBC FX research, *after* the cessation of hostilities will support gold and may be key to driving prices higher.

We anticipate that gold prices will be volatile and prone to selloffs followed by spikes until a credible peace plan is worked out. Thereafter, we expect the same factors that drove the market higher to resume. There are limits to every rally, however. High prices have greatly curbed jewelry, small bar, and coin demand. Mine supply and recycling rates are rising. Increased supply and deteriorating physical demand could help cap any prolonged rally. We examine these issues in more detail in this report. In recognition of elevated two-sided risks and their implications for demand, we raise forecasts across the board but anticipate a very wide range this year. We see 2026 as very much in two segments. The pressure on prices will persist for as long as oil and the USD are high. These are both linked to Iran. Later, we anticipate a

resumption of the pre-Iranian trading pattern. We could see gold revisit its high of USD5,600/oz some time in 2H, but also see prices near or skirting the lows set earlier in the year. We see a **wide range of USD4,100-5,600/oz for 2026** and a **year-end price of USD4,950/oz. We raise our 2026, 2027, 2028, and 2029 average price forecasts to USD4,864/oz, USD5,000/oz, USD5,200/oz, and USD5,300/oz, respectively, from USD4,587/oz, USD4,625/oz, USD4,700/oz, and USD4,775/oz. We see a 2027 year-end price of USD5,075/oz.**

1. Key forecasts

% Year	GDP						Inflation					
	2025		2026f		2027f		2025		2026f		2027f	
World	2.8	(2.8)	2.5	(2.7)	2.7	(2.6)	3.1	(3.1)	3.5	(2.9)	2.8	(2.8)
Advanced	1.9	(1.9)	1.6	(1.8)	1.6	(1.6)	2.5	(2.5)	2.9	(2.2)	2.3	(2.3)
Emerging	4.4	(4.4)	4.1	(4.2)	4.3	(4.3)	3.7	(3.7)	4.0	(3.5)	3.1	(3.2)
US	2.1	(2.2)	2.1	(2.3)	2.0	(1.8)	2.7	(2.7)	3.2	(2.7)	2.6	(2.8)
US (Q4/Q4)	2.0	(2.2)	1.9	(1.9)	2.0	(1.8)	2.7	(2.7)	3.1	(2.8)	2.7	(2.8)
Mainland China	5.0	(4.9)	4.6	(4.6)	4.7	(4.7)	0.0	(0.0)	0.9	(0.7)	0.8	(0.9)
Japan	1.2	(1.2)	0.7	(1.0)	1.0	(1.1)	3.2	(3.2)	2.2	(1.9)	1.7	(1.4)
India*	7.5	(7.8)	6.3	(6.6)	6.8	(6.5)	2.0	(1.9)	4.5	(3.8)	4.3	(4.2)
ASEAN-6	5.0	(4.8)	4.2	(4.4)	4.5	(4.5)	1.6	(1.6)	3.0	(2.3)	2.7	(2.3)
Eurozone	1.5	(1.4)	0.7	(1.0)	1.1	(1.3)	2.1	(2.1)	2.9	(1.8)	2.1	(2.1)
UK	1.3	(1.3)	0.8	(1.0)	1.2	(1.3)	3.4	(3.4)	2.9	(2.2)	2.6	(2.1)
Brazil	2.3	(2.4)	2.0	(2.0)	2.2	(2.2)	5.1	(5.1)	4.0	(4.1)	4.1	(3.9)
Mexico	0.6	(0.5)	1.5	(1.5)	2.0	(2.0)	3.8	(3.8)	4.3	(4.3)	4.4	(4.0)

Source: HSBC Economics, Bloomberg. Note: *India data is calendar year forecast here for comparability. GDP aggregates use chain nominal GDP (USD) weights and inflation aggregates calculated using GDP PPP (USD) weights. Parenthesis show forecasts from the Global Economics Quarterly Q1 2026. We have adjusted the mix of economies in our advanced and emerging economy aggregates in alignment with IMF definitions

Oil and Gold: they may not mix

The oil-gold nexus

Recent gold movement cannot be understood without examining bullion's relationship with oil and Iran events. Gold is perceived as a safe haven and quality asset. Gold often rallies in times of elevated geopolitical risk as it provides investors with diversification and hedging properties. It is regarded as both a commodity *and* a form of currency. Its safe haven properties make it a "risk-off asset" utilized by investors during periods of elevated risk. Oil is a key commodity. Oil is considered a high-risk, cyclical "risk-on" asset as it generally rises with economic growth. It also reacts to geopolitical risks and its volatility can spill over into financial markets. It is a good proxy for global demand, often moving in tandem with equities, with higher demand implying good economic growth. However, during periods of supply-driven shocks, such as appears to be the case with the Middle East conflict and closure of the Strait of Hormuz, it can stoke inflationary impulses and be a drag on stocks. Recent heavy equity market declines can be attributed to the global unease set off by the Middle East conflict and the escalating price of oil in particular.

Most academic literature on the subject argues for a close positive relationship between the two. Specifically, a decline in oil prices was often followed by an extreme drop in gold prices and vice versa. This relationship may have weakened, however, and some academic literature including *Analysis of crude oil and gold price volatility and their correlation during socio-economic crises* by Jinhua Liang and Inam Ullah and published in *Resource Policy* (2025) argues that there is no relationship. The current academic literature does not take into account the most recent oil and gold price fluctuations in reaction to the Middle East conflict.

An important link between oil and gold is the US dollar. Both are valued and traded in USD and, historically, tend to have an inverse relationship with the USD. When the USD rallies, it typically puts downward pressure on gold and oil prices, as both commodities are priced in USD. Conversely, a weaker USD can lead to higher gold and oil prices. The relationship between the

USD and gold is especially complex and subject to the interplay between geopolitical tensions, inflation expectations, real yields, investor sentiment, and traditional supply/demand factors including mine supply, recycling, and jewelry demand.

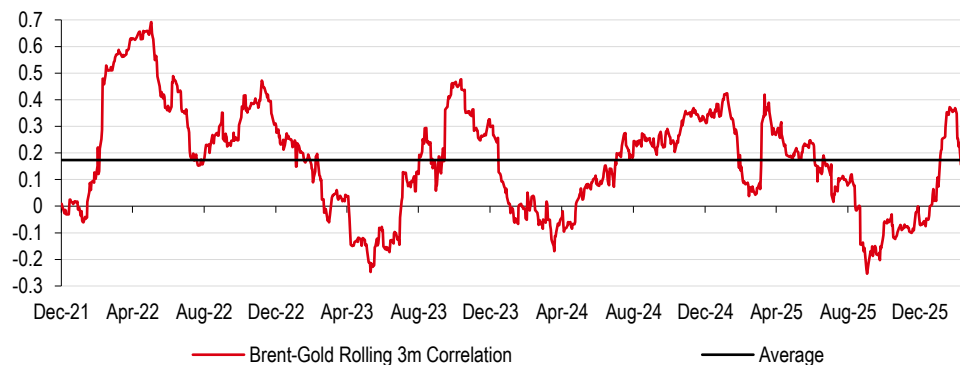
Not a good predictor

The correlation between gold and oil prices is also complex, dynamic, and asymmetrical. Historically, there was a strongly positive relationship between oil prices and gold price, notably in the 1970s and 1980s when both rallied sharply and then fell. This link, however, appears to have faded. The relationship is driven by oil price movements but is weak. It does, however, appear stronger between Brent and gold than between West Texas Intermediate (WTI) and gold, according to *Analysis of crude oil and gold price volatility and their correlation during socio-economic crises*. The study still concludes that oil prices are a relatively poor predictor of gold prices.

When viewed on a longer-term basis, we see a volatile relationship. The three-month rolling correlation between gold and oil was very strong in the run-up and aftermath of the invasion of Ukraine in 2022. The relationship subsequently weakened and turned negative later in 2023 as gold mounted USD2,000/oz on the back of heavy central bank buying. The correlation periodically turned negative in the face of elevated risks and central bank buying for gold, and more moderate – but still volatile – gold buying.

Since our last publication on the subject (9 March), the three-month rolling correlation between Brent crude and gold has dropped from 0.36 (the highest since April 2025) to 0.12, more in line with the five-year average correlation of 0.15 (exhibit 2). This sharp decline suggests the relationship in returns between the two assets is declining despite the escalation in the Middle East conflict, which drove geopolitical risk and oil prices sharply higher.

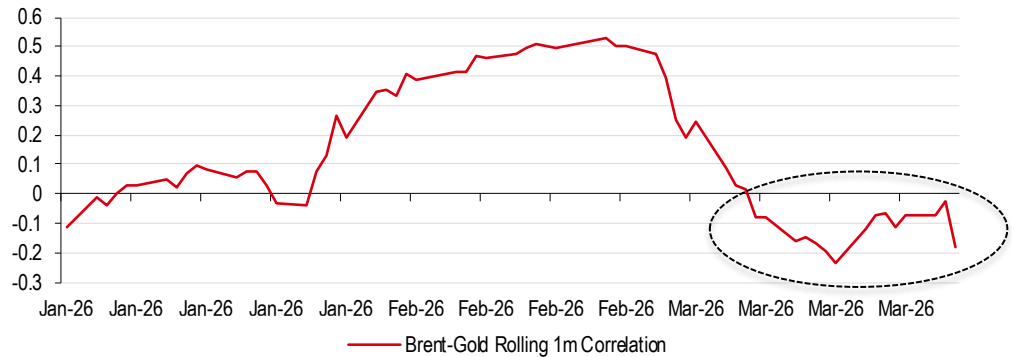
2. Rolling 3-month correlation between Brent and gold retreats to five-year average



Source: LSEG Datastream, HSBC

When broken out into a higher-frequency one-month timeframe (exhibit 3), we can see that one trading day is responsible for such a sharp decline. Between Friday, 6 March, and Monday, 9 March, the rolling one-month correlation retreated from a still-weak positive correlation of 0.24 all the way down to -0.01 as Brent crude spiked by 12% and gold sold off by 2% on 9 March. Since that day, the relationship between the two assets has displayed a consistently negative correlation on the one-month timeframe despite the strong positive correlation in February lifting the three-month timeframe to a still-positive relationship. In recent trading days, the relationship between the returns of Brent crude and gold has been weak but negative. This is in contrast to the run-up of the Middle East conflict, where the one-month correlation reached as high as 0.53 on 25 February, three days before the strikes began.

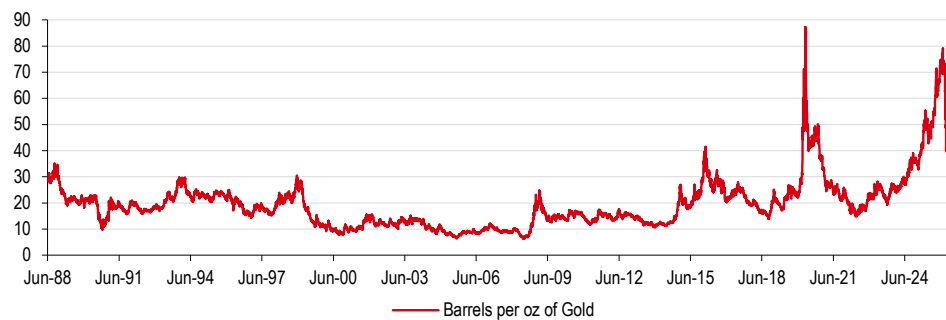
3. On a one-month frequency, the drop is attributable primarily to one trading day



Source: LSG Datastream, HSBC

Another way to look the relationship is to gauge how many barrels of oil it takes to purchase an ounce of gold. For most of the past 50 years, between 10 and 30 barrels of Brent crude had the equivalent purchasing power of an ounce of gold. As of 9 March, it took c40 barrels. This same measure was recently near all-time highs when it reached 77 barrels in January 2026. The only other time this measure had been this high was in April 2020, when the number peaked at 87 barrels as Brent’s value declined sharply amidst the COVID-19 pandemic.

4. Barrels of Brent per ounce of gold has increased in recent history but fallen since Middle East conflict began



Source: LSEG Workspace, HSBC

We have noted the USD/gold relationship in previous outlooks. We believe USD strength in the wake of the escalating Middle East conflict has weighed on gold, with equity market losses further prompting liquidation. At the same time, the Strait of Hormuz closing and shutting in of Gulf production has rallied oil. The oil/gold relationship is not even across different crisis periods, and oil prices appear to have lost their power to predict gold prices in recent times. Therefore, we would not look for oil to be a predictor or indicator of gold prices. In some cases, it may be the opposite. The recent ceasefire with hopes of the Strait of Hormuz reopening has demonstrably weighed on oil and catapulted gold higher.

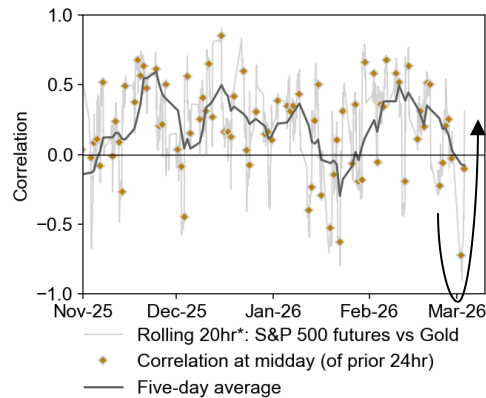
Complicated relationships

In search of safe havens, the USD has clearly come out on top. This has pounded gold lower as investors turn to the greenback and away from gold. Elevated financial market stress as a result of the Middle East conflict and equity slides is prompting bullion liquidation. Other safe havens including the JPY and CHF have also done poorly. In this sense, bullion is acting like an insurance policy that is effectively being “cashed in” by investors. As pointed out by HSBC FX research, the

Gold ceases temporarily to act as a safe haven but can recover until this buying resumes

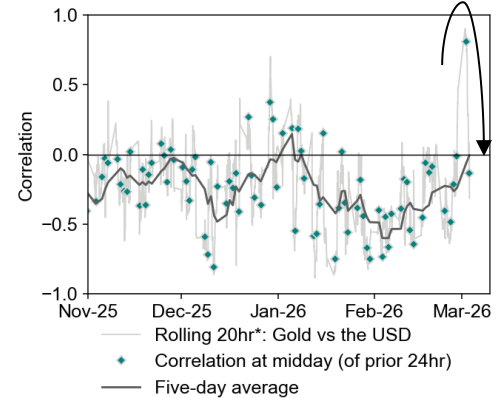
USD's primacy comes despite weakness in the US Treasury market, with the inflation leg of market stagflation fears dominating bond markets globally. The USD's outperformance is also shrugging off the more modest hawkish shift in US policy rate expectations compared with many other G10 nations. Since the strikes on Iran, the market has taken at least 25bp of easing out of the Fed's expected path for end-2026. This is also negative for gold.

5. High-freq. correlation: equities vs gold



Source: Bloomberg, HSBC
 Note: * takes the prior 20 trading hours where both markets were traded

6. High-freq. correlation: gold vs USD



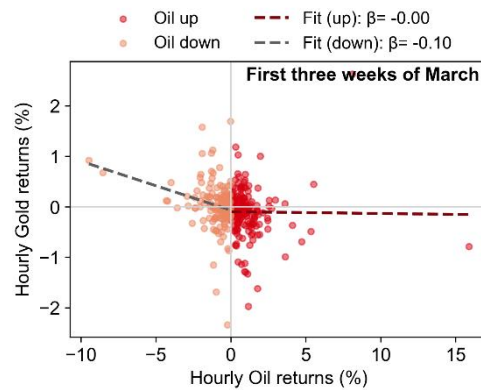
Source: Bloomberg, HSBC
 Note: * takes the prior 20 trading hours where both markets were traded

There are some resemblances to 2022, when gold started the year around USD1,800/oz and rallied to USD2,000/oz by April in the wake of Russia's invasion of Ukraine. It then struggled as its safe haven attributes were overshadowed by a stronger USD. It did not get back above USD2,000/oz until April 2023 but began to recover in late 2022 on heavy central bank and retail buying.

Gold was undoubtedly the best-performing safe haven in 2025. Recently, there has been a positive equity-gold correlation. That briefly went very negative on Monday, 2 March, as gold initially gained in response to the Middle East conflict but reversed heavily 3 March as the USD dominated gold trading. The gold-USD correlation, which is usually inverse, went positive in the first day of trading after the strikes on Iran. We cautioned that this could happen and that when both the USD and gold go higher simultaneously it is a sign of elevated risk as investors seek both safe havens. Gold could not hold gains in the face of even greater USD gains. The heavy selling in gold may subside if the USD does not keep sprinting higher, but as the conflict widens, this may not occur. In order to recover – or even hold steady – gold would need key safe haven buying which has gone to the USD. The prospect of a prolonged conflict may trigger a resumption in gold purchases, although it did not in the case of Ukraine until months later.

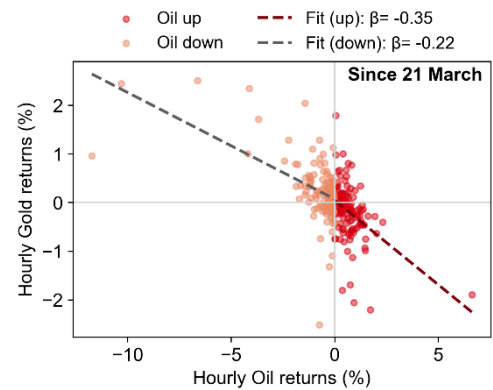
Focusing back on oil and gold, March saw the strongest asymmetric response to oil price changes. Gold appeared completely insensitive to a rising oil price, as declines were more often linked to liquidation-based moves (exhibit 7). More recently, it's the opposite: gold has been much more sensitive to oil over 21 March to 8 April (exhibit 8). In this period, gold has fallen more quickly when the oil price rises than gold rallies when oil falls.

7. Oil vs gold: first three weeks of March



Source: Bloomberg, HSBC

8. Oil vs gold: 21 March-8 April



Source: Bloomberg, HSBC Note: Up to 14:00 BST on 8 April

Monetary policy, debt, and the USD

Monetary impact on gold

Gold is an asset without a yield. Therefore, in theory, investors will tend to find it more attractive in times of low and negative real interest rates and less attractive during periods of rising or high real rates. Despite this, longer-term yields such as the US 10-year Treasury remained elevated through much of 2024 and 2025 as the gold market rallied to historic highs. We discussed the reasons for this in previous outlooks including ([Gold Outlook: Bully for bullion](#), 8 January 2026) Suffice to say central bank and high retail and institutional demand disrupted this relationship. Until recently, the anticipation of rate cuts was also key to explaining why gold prices kept shooting higher in the face of positive real rates. High rates at the long end of the yield curve, however, have had more of an impact on gold since the beginning of the Middle East conflict. This may be because they are linked to slumping equities, surging oil, and a stronger USD, all of which have weakened gold considerably.

What is HSBC's outlook for short- and long-term rates, and how might this impact gold? Ryan Wang, HSBC's US economist, expects unchanged policy rates this year. He points out the last FOMC meeting in March left rates on hold, keeping fed funds flat 3.5-3.75% in an 11-1 vote, with Governor Stephen Miran the sole dissenter, voting for a 25bp cut. At the press conference that followed, Chair Jerome Powell emphasised the broad uncertainty surrounding the Federal Reserve's updated economic forecasts, largely stemming from the Middle East conflict and associated surge in energy prices. Consequently, the FOMC's forecast for PCE and core PCE inflation were revised upward, but forecasts for other economic variables still reflect a labour market remaining in broad balance. The Middle East conflict presents a double-sided shock to growth and inflation that could have opposing impacts on appropriate monetary policy, says Mr Wang. The potential downside risks to growth would be amplified if asset valuations were to decline and lead to negative wealth effects and labor market weakness. These risks could leave the FOMC in a difficult position of having to balance its dual mandate of price stability and maximum employment.

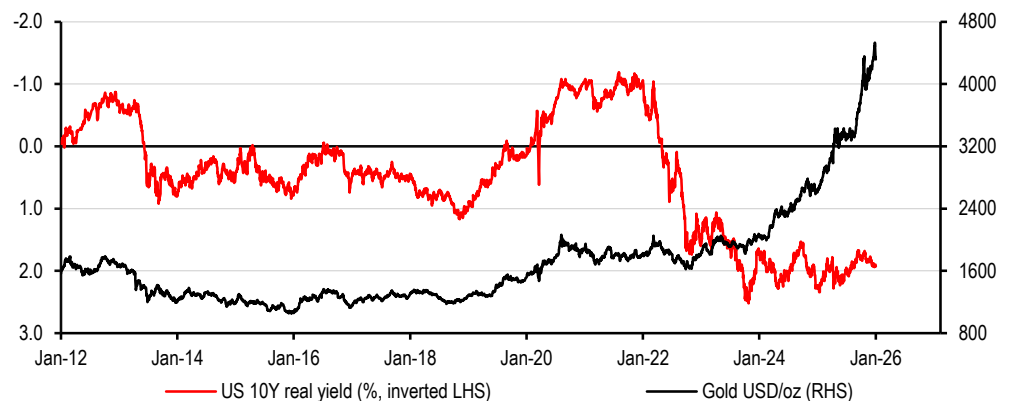
Pre-conflict, the market had been pricing in over 50bp in rate cuts by end-2026 but is now pricing in for less than one 25bp cut in policy rates. Mr Wang continues to forecast an unchanged federal funds target range of 3.5-3.75% through 2026 and 2027. This is important for gold. The rampant rally in late 2025 and early 2026 was heavily – but not solely – predicated on expectations of at least 50bp in cuts this year. As this is now unlikely to be the case, we expect the likely lack of rate cuts has not only helped weaken gold but may cool future rallies for at least this year. As discussed by both Mr Wang and HSBC's Global Chief Economist Janet

High rates at the long end of the yield curve have recently helped weaken gold

Previously anticipated rate cuts may not materialize; this may weigh on gold

Henry ([Global Economic: Running out of gas](#), 25 March 2026), there are dual-sided risks. The longer the Middle East conflict persists and the Strait of Hormuz remains closed, the greater the magnitude of a likely energy supply shock, pushing down growth and pushing up inflation. On the face of it, this looks gold positive as rising unemployment could tip the FOMC towards a rate cut. On the flip side, a greater and more persistent inflationary shock could prompt a return to rate rises. This would clearly be gold negative. But even unchanged rates, as Mr Wang is forecasting, would be a net drag on gold, we believe. Recent Fed speakers have tended to err on the side of caution, which implies no early change in policy.

9. Gold and real rates



Source: LSEG Datastream, HSBC

In previous outlooks, we pointed out a disconnect between the previously well-established inverse relationship between real long-term rates and gold, which broke down in 4Q22, when positive real rates did little to deter the gold rally. We attributed this to rapacious central bank and retail buying which offset this traditional relationship. Over time, it is quite feasible that the influence of real longer-term rates will again begin to reassert itself and restore at least some of the traditional inverse relationship with gold. In that light, what are our expectations for longer-term rates? Most immediately, HSBC rates strategists believe the market's first-order response to the Middle East conflict – pricing out Fed rate cut expectations – was justified. That said, the bar for a hike remains high. This is due to the Fed's dual mandate of fighting inflation and maintaining employment. Thus, there is some level of caution around the second-order growth impacts of the oil price shock as a consequence of the Middle East conflict. Especially pertinent to the US, elevated gasoline prices can weigh on real disposable incomes, while elevated rates can pressure financial assets and cause a negative wealth effect. This raises the question of what impact a prolonged conflict would have on yields. A protracted conflict would require increasing fiscal commitments and add upward pressure to the US deficit, raising Treasury issuance needs and therefore pressuring rates. HSBC strategists expect 10-year Treasuries at 4.30% by end-2026. All else being equal, this should be a drag on gold.

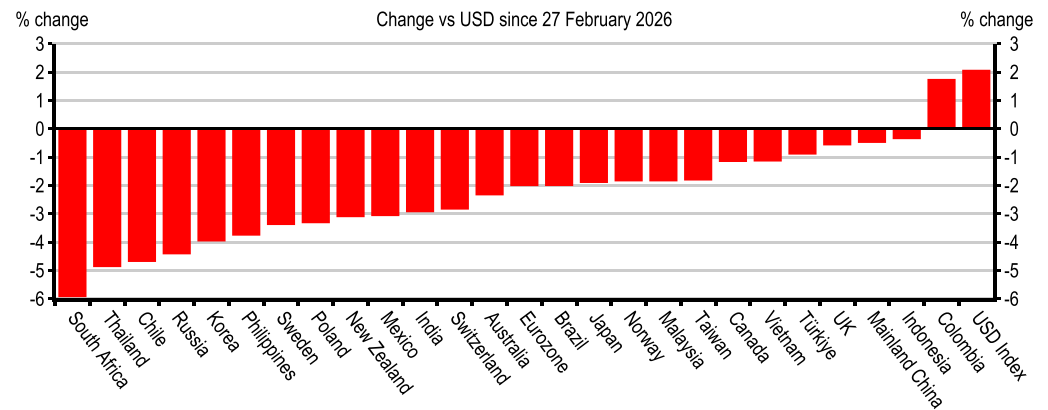
The next Fed Chair and gold

Pre-Iran, the financial markets – and gold – were focused in part on White House attacks on Fed independence, including legal actions against Chair Powell over cost overruns in the construction of new Fed offices and efforts to remove Governor Lisa Cook. Attention centred on Kevin Warsh, the White House nominee for Fed Chair when Mr Powell's term expires. According to the HSBC economics team, an FOMC led by Mr Warsh (by May, assuming confirmation) might still opt to keep rates on hold in 2026 in the context of a difficult balancing act. Under the economics team's "ugly" scenario, the higher inflation goes, the more that markets might continue to move in the direction of pricing rate rises. But that could lead to pressure on various asset markets, which could lead to negative wealth effects and tighter financial conditions. If so, Fed funds rate rises might not follow, though as we noted even an unchanged rate policy could also be gold negative.

Perceived threats to Fed independence have galvanized the gold market

Beyond immediate rate policy, and as stated in our previous outlook, perceived threats to Fed independence have helped galvanize the gold market. In [Gold & the Fed: What could trigger another leg to the gold rally?](#) (6 August 2025), we examined the threats to Fed independence historically and the impact on gold. We believe this topic merits revisiting as it could resurface *after* events in Iran have settled down. It appears that when the Fed acquiesced, at least in part to political pressure, gold rallied sharply. The 1970s was the most notable of these periods. During periods when the Fed pursued policies contrary to White House priorities, namely restrictive policies, gold fell noticeably. White House criticisms of Chair Powell and the legal case surrounding efforts to remove Governor Cook are unprecedented, to date. The Fed has so far maintained its independence, but any concerns under the next Fed Chair could reinvigorate perceptions about the central bank's independent decision-making. Mr Warsh has to date championed Fed independence, but the market, including gold, will closely track how or if the White House attempts to influence the Fed.

10. The USD has strengthened since the Middle East conflict began



Source: Macrobond

Gold and the USD generally trade inversely to each other

The USD is key to gold

Historically, USD levels have exerted considerable influence on gold, which normally trades inversely with the USD. A weaker USD played a prominent role in engineering and sustaining the gold rally up to the Middle East conflict. While the FX research team says that it's been extremely difficult for the currency market to navigate headlines around the Middle East conflict, what recent events mean for the currency market is that the USD's decline has been arrested. This has had important ramifications for gold. As the USD has rallied, gold has declined. An easing of tensions post-Middle East conflict would likely mean a resumption in USD weakness – and gold gains. The current geopolitical situation in the Gulf is not enough to alter the bedrock fundamentals that imply USD softness longer term. USD has strengthened since the conflict began, with distinctly negative implications for gold. USD is likely to maintain the upper hand if oil prices, risk aversion, and cross-asset volatility all stay elevated, says the research team. This will not last indefinitely, however. It is also possible that if the conflict causes significant enough inflation increases there could be a sudden repricing of the Fed outlook into hiking territory. In this case, the USD could turn stronger and gold decline. The US's position as an energy exporter also supports USD for as long as oil remains high.

Certainly geopolitical tensions in the Middle East have once again reinforced the USD's role as a primary safe haven currency. However, there are reasons not to look for the USD to stay strong beyond the conflict, and the FX team looks for USD softness to re-emerge. The team points out the environment to 2022, with the Russia-Ukraine War beginning, which saw the USD rally. Previously, the USD had other supportive drivers, including a hawkish Fed and weaker global growth. These factors are now absent. Fiscal profligacy will also weigh on the USD longer term. A resumption in USD softness later in 2026 is key to our view of a stronger gold price later in 2026.

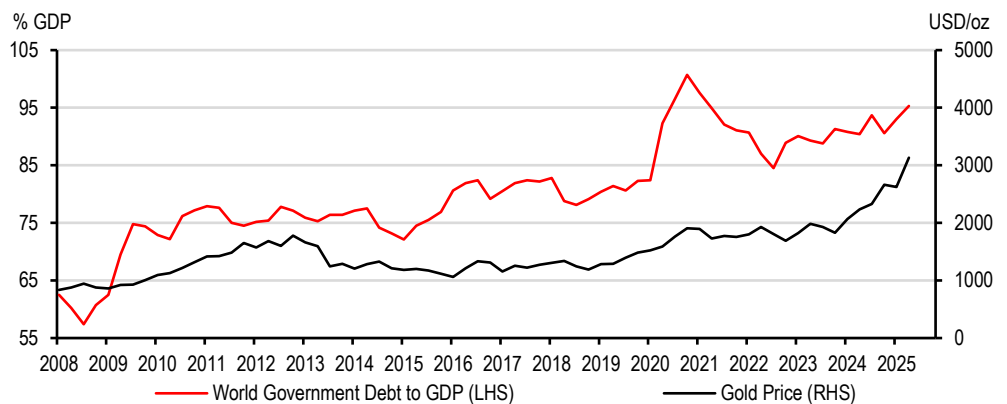
Fiscal deficits have aided the gold rally and may continue to support prices

Gold is getting fiscal

We believe mounting US fiscal deficits – and those of other countries – have aided the gold rally and may continue to do so. Indeed, fiscal and debt concerns could possibly come to rival the impact of monetary policy’s influence on gold next year. While geopolitical risks have moved front and center in influencing gold, we think mounting debt in the OECD, notably the US, may be a stealth factor encouraging safe haven gold buying. According to the IMF, US debt approached 100% of GDP in 2025, with deficits projected to rise from 5.5-5.9% of GDP by 2030. President Trump and a Republican-controlled Congress passed the One Big Beautiful Bill Act at a cost of USD2trn over the next five years, which will add to the debt. Government debt is growing in other nations also. According to HSBC’s macroeconomics team, the prospect of even looser fiscal policy against a backdrop of already very high debt burdens has contributed to the rise in long-term interest rates in countries outside the US.

Government debt is increasing around the world, not least of which is due to higher defence spending. High debt leaves monetary and fiscal authorities less room to respond to shocks. High debt levels are a drag on the broader economy as they often raise the cost of capital and complicate monetary policymaking. They can even encourage financial repression. Taken high enough, it can even threaten financial stability, especially in emerging markets. All of this tends to be gold positive. In [US Fiscal Deficits: Understanding the USD2trn shortfall](#) (4 September 2025), Mr Wang wrote that the US federal budget deficit is expected to grow to cUSD2.05trn in fiscal-year 2026, or 6.5% of nominal GDP. Deficits above 6% of GDP likely mean rising debt-to-GDP ratios, which are already near 100% (from c80% in 2019). Higher interest rates also increase debt servicing.

11. Global public debt-to-GDP ratio and gold



Source: Bloomberg, HSBC

Why do government deficits matter for gold? Historically, gold rallies and investor demand rises during periods of rapid increases in debt and especially when debt-to-GDP ratios rise. Recent articles in *The Economist* and other financial publications point to the economic and financial risks of too much debt. Gross public debt as a share of GDP in advanced economies stands close to an all-time high of 110%, and rising interest rates since 2022 have made debts far more burdensome. Furthermore, there seems to be little political appetite to rein in debt and levels look set to rise. If this goes on for too long, says *The Economist*, governments start to face pushback. In addition to the bond markets requiring higher rates, new borrowing as well as the rolling over of existing debt gets more difficult. If governments do not pursue less profligate policies, says *The Economist*, a country’s creditworthiness may erode in a way which can easily spiral out of control. Outside of outright default, the article also cites the potentially inflationary impact of rising debt levels across the world. All of this can encourage safe haven gold demand. Growth in fiscal debts and the risks and financial market impact that accompany it may be a key source of support for gold.

High government debt can have a dislocative impact on financial markets and aid gold

Rapid growth in public debt can lead to “crowding out” as public demand for funds reduces the capital available for private – and presumably more productive – investment. Too-high public debt can distort the capital markets and investors may be reluctant to assume greater amounts of government bonds. At high levels of debt, the service on the debt can absorb a bigger and bigger share of government spending. This can strain future budgets and lead to a fiscal crisis. High debt can also have a dislocative effect on financial markets besides government bonds, notably equities. Gold has shown itself to be much more sensitive to changes in public debt than to private. The lack of fiscal probity is becoming an issue in the financial markets, which can indirectly boost gold.

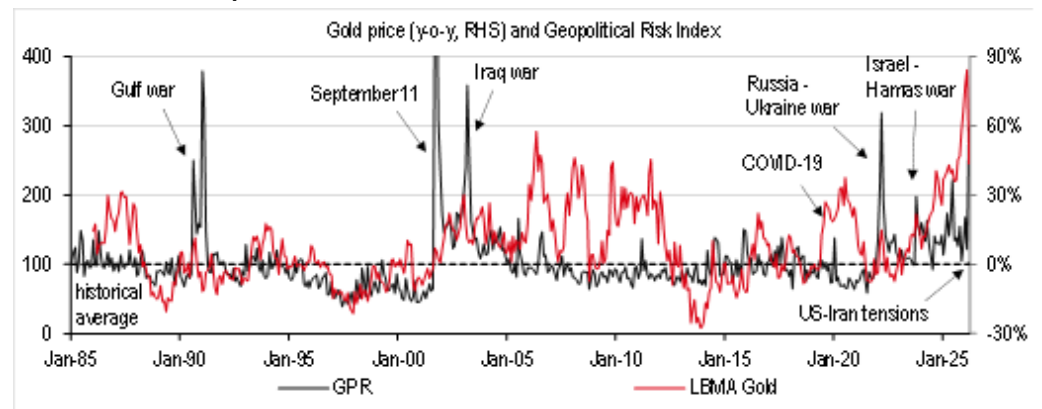
Geopolitics, uncertainty, and trade

Risk and uncertainty driving gold

Geopolitical events are likely to continue to be a strongly bullish influence on gold for the foreseeable future

We explained the relationship between geopolitical risk and economic policy uncertainty and gold in previous outlooks, including [Gold Outlook: On the march](#) (3 October 2025). Heightened geopolitical risks create global uncertainty and for years played a key role in propelling gold higher. This was true up to a point. The risks associated with the Middle East conflict proved great enough to trigger equity declines, rising yields, and a surging USD, all of which weakened gold. In the medium to longer term, the conflict should end. In that atmosphere, we believe geopolitical risks are likely to stay high enough to support gold, but not prompt liquidation.

12. Gold and Geopolitical Risk Index



Source: Macrobond, Geopolitical Risk Index, HSBC

We outlined geopolitical risks besides Iran in previous outlooks, notably [Gold Outlook: Bullly for bullion](#), 8 January 2026. HSBC’s macroeconomics team also points to a high geopolitical risk climate. We believe this will be enough to support gold later this year and in 2027, without prompting heavy liquidation. We made the point in [Gold Outlook: The exceptional metal](#) (2 April 2025) that there has been a near-persistent rise in gold prices since 9/11, but more especially in the past five years, indicating a near-continuous state of heightened risk and anxiety that has not been alleviated, as in previous epochs. We believe we will go back to that scenario.

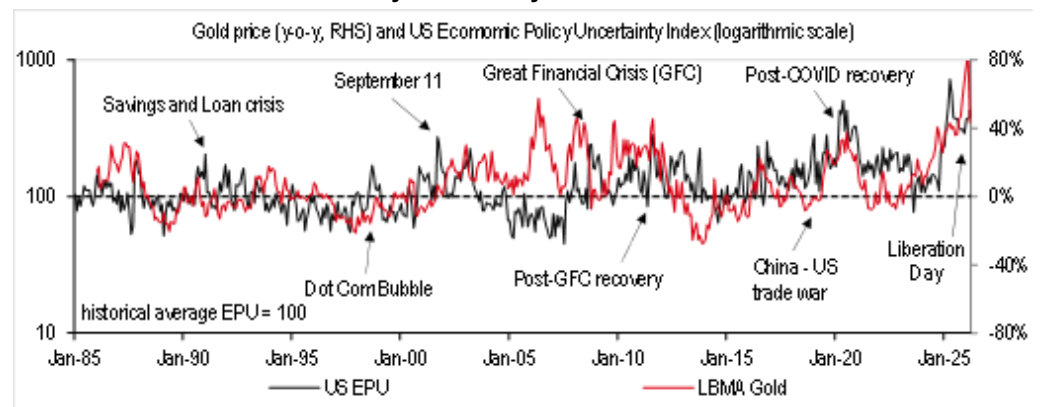
Gold is utilized during periods of risk and uncertainty

Gold tends to outperform when market conditions turn uncertain

Gold tends to outperform when market conditions turn uncertain, and sentiment begins to drag on traditional asset classes. To evaluate the relationship between gold prices and measures of uncertainty, we consider two variables: the Geopolitical Risk Index (GPR) and the US Economic Policy Uncertainty Index (EPU). For the former variable, the onset of a global geopolitical shock such as a military conflict often precludes periods of elevated uncertainty as markets assess the potential implications and this sudden rise in speculation can catalyze the gold market. Its status

as a safe haven unlocks a wave of inflows from investors fleeing traditional asset classes, as evidenced by the sharp appreciation in gold prices following the various geopolitical shocks of the past few decades. This relationship is particularly evident when the risk event disrupts an existing sense of normalcy around the geopolitical climate (when the GPR rises from a low base), but somewhat counterintuitively, compounding risks will not always lead to further gains in gold. The emergence of subsequent risk events shortly after an initial shock may actually erode the structural support the metal tends to enjoy as sentiment begins to weigh on the prospect of further gains. Furthermore, though this measure can be a helpful tool to indicate the direction of gold prices, it does not effectively predict the extent or duration of a potential rally and the latter variable – economic uncertainty – does a better job. The index’s relationship with gold is somewhat straightforward and modestly correlated ($R^2 = 0.38$). The gold price seems to track the general direction of the EPU index with few exceptions and, when elevated, economic uncertainty can act as a structural support for gold. Elevated economic uncertainty often implies a deterioration of macroeconomic conditions and, thus, the return profile of traditional asset classes, from which the fundamentals of gold are largely detached.

13. Gold and US Economic Policy Uncertainty Index



Source: Macrobond, US Economic Policy Uncertainty Index, HSBC

Trade and gold

Trade issues have been pushed to the background in the face of the Middle East conflict, but could come back to the fore after hostilities die down and governments look to maximize domestic industries. We outlined the inverse relationship between trade growth and gold in [Gold Outlook 2024: Fed up](#) (8 January 2024) and [Gold Outlook: Uncharted territory](#) (10 April 2024) as well as other outlooks. Suffice to say, a slackening in global trade growth or an outright decline often reflects volatile or negative economic conditions that tend to bolster gold. The converse is also true, according to our analysis, as periods of rapid trade expansion typically coincide with weak gold prices. The war has already disrupted trade flows. After Iran, there may be a further reconfiguration of trade flows and an even greater focus on energy, military, and economic security. This should support gold.

Gold prices tend to be inversely related to trade flows

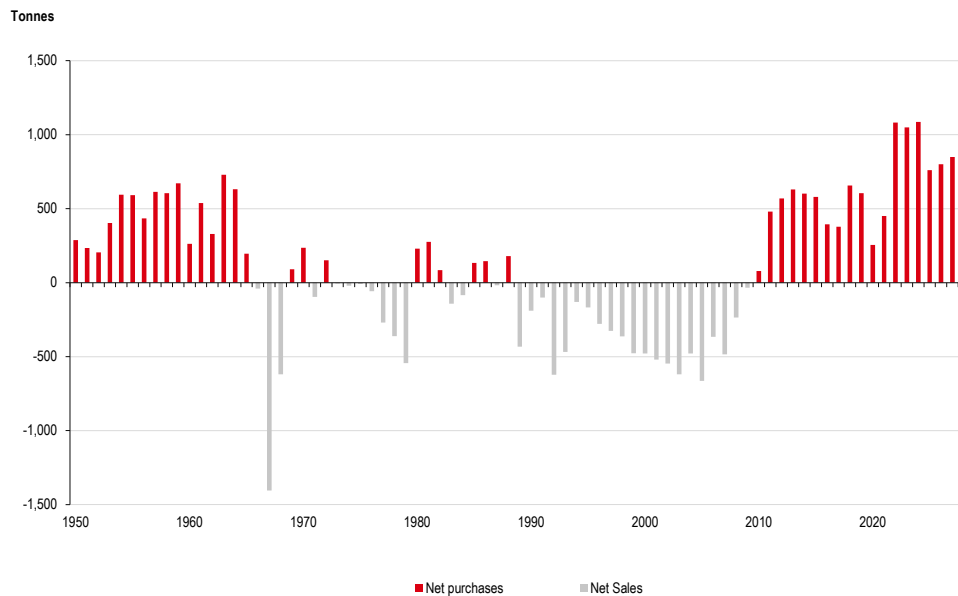
Central banks

Central bank gold demand has cooled but remains positive

Gold: a “reserved” metal

The dramatic rise in central bank demand is one of the most significant developments in the gold market in recent years. The near-50% rise in price in 2022-24 was primarily – not exclusively – driven by central bank demand for gold. After averaging 455t for the previous 10 years, central bank demand between 2022 and 2024 was regularly near 1,100t, the most since 1968 when gold operated under the Bretton Woods System, playing a key role in taking gold above USD4,000/oz and eventually USD5,000/oz. After hitting 1,092t according to the World Gold Council (WGC) and IFS in 2024, purchases eased to 863t in 2025. This was due to the impact of high prices (exhibit 14). We covered the rationale and economic logic for increased central bank purchases, as well as the utility of gold in a country’s foreign exchange reserves, extensively in [Gold Outlook: Banking on gold](#) (12 April 2023) and [Gold Outlook: Defying gravity](#) (11 July 2024).

14. Central bank purchases/sales, 1950-2024 and 2025-27f



Source: Metals Focus, LSEG GFMS, World Gold Council, HSBC estimates

In recent months, the reserve banks of Poland, Kazakhstan, Türkiye, mainland China, and the Czech Republic have been standout buyers, while Singapore and Uzbekistan have been sellers. So far this year, according to the WGC, there have only been net purchases of 5t in January. Hard data for February and March were not tabulated as of writing, but we believe net demand is down. The war in Ukraine, escalating energy import bills, and additional defence expenditure may compel some central banks to liquidate gold holdings to husband foreign exchange reserves. Rather than a negative, we believe this reaffirms gold’s status as a safe haven and portfolio diversifier. The governor of Poland’s central bank said that additional expenditure on defence of USD13bn could be financed from gold sales, although he appears to have dialled back on this and gave no sale details. According to CNBC, quoting official sources, the central bank of Türkiye sold 58t of gold in the last two weeks of March. Official gold reserves fell by 6t in the week ended March 13 and by another 52t in the week ended March 20, bringing total reserves to 513t – the largest drop in seven years. According to CNBC, more than half of the gold was used to borrow USDs through swap transactions, while the remainder was sold

directly on the open market. The gold sales also exceeded the outflows from all gold-backed exchange-traded funds (ETFs) globally, which amounted to some 43t during the period, making Türkiye the world's largest single exporter of gold.

Central banks buy gold for much the same reason as institutional investors, and when they sell, it's for similar reasons – to safeguard a wider portfolio. We believe central banks will resume purchases in the wake of a settlement in Iran, but for now the high price of gold and volatility may be keeping some central banks from buying bullion while the need to conserve foreign exchange and cover energy and additional defence expenditure may encourage some to sell. We are careful not to exaggerate the possibility of heavy sales, however. Lower oil would quickly alleviate one of the main reasons for a central bank to sell bullion, in our view.

According to the WGC, central banks bought 863t in 2025 vs 1,092t in 2024. In light of historically high prices and the need by some (but only a few) central banks to sell gold, we reduce our 2026 forecast for official sector demand to 680t (from 800t). We expect a resumption in buying later this and next year and leave our 2027 forecast of 850t unchanged as we believe portfolio and USD diversification, combined with geopolitical risks, will support central bank demand. Furthermore, over time, we believe reserve managers – and others in the gold market – will become more used to high prices and will step up purchases. Unlike other gold market participants, central banks can afford to wait and can adopt multiyear investment horizons, allowing them to bide their time.

Investor demand

ETFs bounce and can support higher prices

A curious feature of the gold market is that, until earlier in 2025, prices moved counter to changes in ETF holdings. Holdings hit a record-high 111.5moz in 2020, in response to COVID-19-related safe haven buying and monetary easing; holdings declined with only a relatively few, brief surges, such as in the wake of Russia's invasion of Ukraine and the beginning of the events leading to the Israel-Hamas conflict, dropping to 82.85moz by the beginning of 2025. ETF flows seemed to contradict price movements, but declines in the face of repeated rallies may be explained by new entrants in the market that may not be the traditional participants and who are not as active in the ETF space. This changed in 2025, when ETF demand increased measurably by c16.2moz, standing at 99.02moz at year-end, translating to a substantial 504t.

The events surrounding Iran have led to mild liquidation in ETF holdings from 98.95moz at the beginning of the year to 97.46moz as of writing, a drop of 17t. The recent ceasefire triggered increased demand. Declines could resume if financial stress resumes and the need for liquidation in the financial markets resumes. But as 2026 unfolds and we move beyond the Middle East conflict, institutional investors are likely to continue to utilize gold ETFs for their portfolio diversification and potential price appreciation properties. If financial markets wobble and geopolitical risks remain high – but not high enough to prompt liquidation – managed and portfolio money may further also shift into ETFs. The prospect for a mildly softer USD, as forecast by HSBC FX research, may stoke ETF accumulation later in 2026. Gains, however, may have limits. HSBC's view is that further rate cuts will not be forthcoming. Historically high prices can, in turn, curb accumulation and may become an incentive to liquidate. We expect investor appetite for ETFs to remain positive in 2026 but think it may moderate later in the year. After a decline of 86t in 2024 and an estimated build of 504t in 2025, we anticipate a still-significant increase of 325t (previous: 425t) for 2026 and moderate further to 300t (previous: 350t) for 2027. While ETF demand may cool from 2025's red hot levels, we still expect the combination of risks and need for safe haven and portion diversification to sustain a high level of EFT purchases, supporting gold prices.

ETFs hit a record high during the COVID-19 pandemic at 111.5moz in 2020

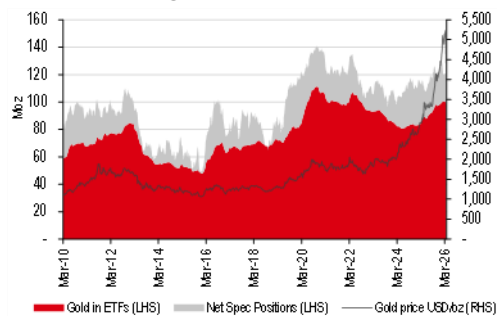
ETF demand rose in 2025 but eased this year

Net long positions on the CME have dropped

Movement in net longs on the CME reflects a bullish market, but there are limits

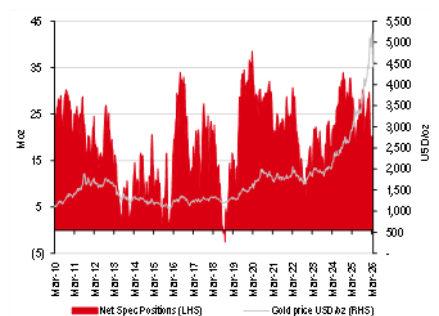
Net long positions on the CME also strongly influence gold prices but can be highly volatile and fluctuate considerably more than ETF holdings. A review of the recent history of CME positions may yield a clue to future prices. High net long positions played a key role in taking gold above USD3,000/oz and subsequently above USD4,000/oz and USD5,000/oz. See our previous outlook, [Gold Outlook: Bullish for bullion](#) (8 January 2026), for a more detailed timeline of net long movements and prices, but suffice to say the relationship is positive. Net longs were at a high of 28.35moz at the time of our 8 January outlook and now stand at 20.16moz, a decline of more than 8moz – a sizable drawdown. This helps to explain the price rout. The current net long position is not low historically and is still consistent with high prices. These levels do not reflect OTC or ETF markets. Gross longs dropped sharply to 25.82moz, or by more than 8moz from 33.97moz, at the time of our last outlook. Gross shorts are still quite low, at 5.66moz, and down from our last outlook at 6.89moz. What may be important for prices is that the excessively heavy, not to say overextended, long positions from early in the year have been cleared out. This may leave room for longs to rebuild. In exhibit 15?, we show ETFs and net long positions, while in exhibit 16 we show net long positions only.

15. Gold prices, gold in ETFs, and net speculative long positions



Source: Bloomberg, HSBC

16. Gold and net speculative long positions



Source: Bloomberg, HSBC

Physical demand

Jewelry demand: still the weakest link in the gold chain

High prices continue to erode underlying gold jewelry demand. Traditionally, jewelry dominates the physical gold market, but we estimate that due to high prices, jewelry’s share of global physical gold consumption has fallen from around half in recent years to less than one-third currently. As such, while it is still a notable determinant of physical demand, it does not exert quite as much influence on prices as in other periods. Record-high gold prices did immense harm to jewelry demand in 2024 and 2025. According to the WGC, virtually every consumer region showed notable signs of demand destruction in 2025. The WGC reported a whopping 18% decline in gold jewelry consumption to 1,542t in 2025, after an already weak 2024 when physical demand fell more than 11% to 1,887t. This represents the lowest level of demand since 2020, when the impact of the COVID-19 pandemic cut consumption to 894t. Before that, we have to go all the way back to 2009 (height of the Global Financial Crisis) to find a year when jewelry demand comes in under 2,000t. Declines accelerated in 2025 when gold broke above USD3,000/oz and later in the year USD4,000/oz. Most large jewelry-consuming nations experienced a double-digit drop in gold demand, with the greatest declines in the more price-sensitive non-OECD world, where c70% of gold jewelry is consumed. The rapid price acceleration squeezed margins, which in combination with different hedging practices compelled retailers and merchants to pass along cost increases to consumers. Jewelry demand in the OECD world, including North America, Western Europe, and Japan, also fell notably but not to the same degree, as these economies have substantially wider margins and are better placed to absorb price shocks.

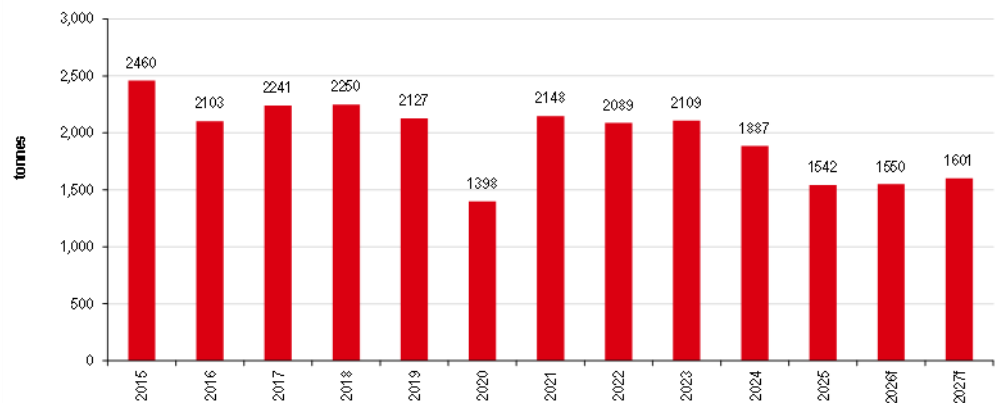
Jewelry’s share of total demand has fallen

There has been little price response to demand destruction...yet

Where's the price response?

To date, the decline in this key component of physical demand has yet to noticeably impact gold prices. Furthermore, we do not attribute the recent price pullback to the reduction in jewelry demand. Unlike institutional and more speculative investors, where relatively few market participants make large-scale purchase or sale decisions, the jewelry market is composed of millions of relatively small buyers and sellers worldwide transacting business every day and is thus less concentrated. Therefore, changes in purchasing patterns can take many quarters to feed through to underlying gold prices. This contrasts with institutional and more speculative investors who are generally the driving force in determining daily prices, with their ability to move quickly in and out of the gold market and trade significant amounts of bullion. We reviewed the academic research concerning gold jewelry demand in [Gold Outlook: Uncharted territory](#) (10 April 2024).

17. Jewelry demand



Source: Metals Focus, World Gold Council, Gold Fields Minerals Services, HSBC

That gold can set repeated highs in the face of pronounced weakness in the single biggest physical demand category speaks not only to the overwhelming impact investment is making in the gold market, but also to jewelry's reduced influence in setting prices. Declines registered in the jewelry market as well as coins and small bars have effectively financed greater consumption in investment. If the reduction in jewelry demand has apparently little impact on price, then how should we view likely ongoing weak demand? The decline may eventually impact prices under the right circumstances. Should investor demand for gold continue to slow, substantial amounts of physical gold, usually absorbed by the jewelry market, could materialize and weigh on prices. We believe the recent pullback in prices would have to continue for many months for this to have an impact on prices. Were this to occur, however, weak demand could make itself felt in price. When viewed in raw tonnage terms, the data may be somewhat misleading, however. While the volume of gold used in jewelry declined by 18% in 2025 due to soaring prices, the value of gold jewelry *purchased* globally rose a record 18% to USD172bn. This may imply a possible recovery in physical demand should prices retreat significantly for a prolonged period. Demand destruction in jewelry has yet to weigh decisively on the rally.

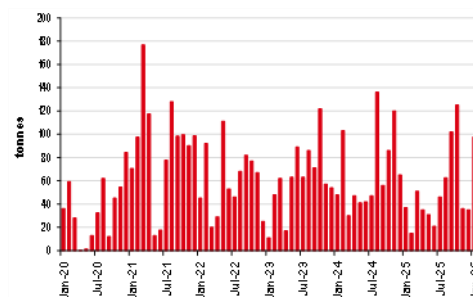
Losing its shine

Mainland China and India are the two largest consumer markets for gold. Therefore, their pace of gold imports can yield clues not only to jewelry appetite but also to demand. China can attract the equivalent of as much as one-third or more of global mine production in imports in normal years, but imports slumped in 2025. According to official customs data, China imported 43.6t of gold this January vs net export of 4.7t for January 2025. For 2025, China imported just 365.2t, down 48% from 2024. A positive Shanghai Gold Exchange premium implies steady import demand for gold. Low imports reflect more the decline in jewelry, small bars, and coins as

institutional demand remains strong and is sustaining some level of imports and likely accounts for a growing share of import demand. Broadly speaking, institutional demand for gold may be strong but will likely be offset by weaker coin, small, and the jewelry demand.

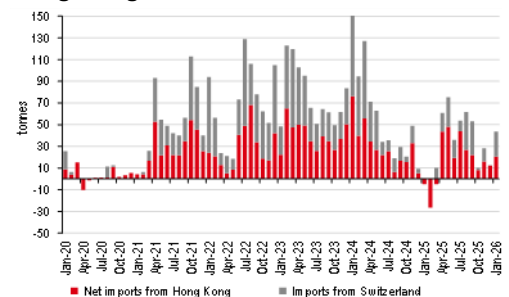
India is usually the world's second-biggest importer of gold after China, but India won the top import slot by a wide margin in 2025. Having almost no domestic gold mining industry of its own, all new demand not covered by recycling must be met by imports. According to customs data, India imported 597t of gold in 2025, down 27% from 2024. While demand in the run-up to the Diwali festival, a traditional gift-giving period, and personal income gains sustained a base level of imports in 2025, this was more than offset by the impact of higher prices. January 2026 imports were a robust 98t, up 160% from January 2025. Rocketing fuel and food costs, as well as ongoing historically high prices and risks to the INR, may be counted on to weigh on import demand this year. As India is still a large bullion importer in value terms, still-high prices could lead to deterioration in India's current account balance, prompting the government to reimpose some or all of the tariff cuts instituted in 2024, which could further restrain import demand. While prices have retreated, we do not regard the pullback as substantial enough to boost imports, but changes in India's financial regulations could aid gold demand. In February 2026, India's market regulator (SEBI) allowed actively managed equity funds to invest up to 35% of assets in gold and silver instruments, providing greater flexibility as demand for hard assets rises. This move, along with revised valuation norms for mutual funds using spot prices, aids institutional investment in gold. We believe anticipation of this helped boost imports. This may go some way to offset very steep declines in jewelry, coin, and small bar demand. Exhibits 18 and 19 show India and mainland China imports.

18. India gold imports



Source: HSBC, LSEG Datastream, Bloomberg, Indian customs data

19. Mainland China gold imports from Hong Kong and Switzerland



Source: Hong Kong Census and Statistical Department, Bloomberg, HSBC

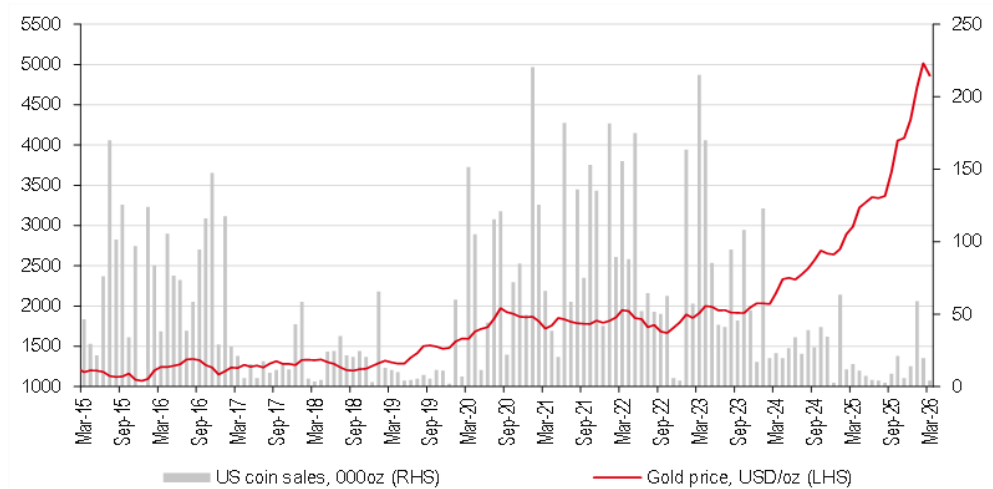
All that glitters

What is the outlook for jewelry demand this and next year? Demand fell by double digits in 2025 in response to rocketing prices. We believe prices have not retreated enough to reinvigorate demand. There are demand constraints beyond just price. Economic ramifications of the Middle East conflict and jump in oil and food prices will cut into disposable consumer income, especially in heavy oil-importing and gold-consuming countries such as China and India. The uncertainty generated by the conflict and negative impact on financial markets, and any rise in unemployment, may curb demand for luxury goods such as gold jewelry. As noted earlier, overall spending on gold jewelry is up, though this is not translating into greater demand volume.

There is likely a base level of demand that gold jewelry is unlikely to go below. According to Polaris Market Research, global spending on jewelry hit a record-high USD286.15bn in 2025 and is projected to rise at a 8.7% CAGR to USD608.65bn by 2034. Growth rates do not necessarily translate into greater gold or even precious metals demand, however, as the bulk (c75%) of jewelry sales are from non-luxury, non-precious metals markets. Gold should win some share of these projected increases in demand, but short of a fall in prices to closer to USD3,000/oz, which

we see as highly unlikely, we do not expect a sharp increase in gold jewelry demand. After falling to 1,542t in 2025 from 1,888t in 2024, we see gold jewelry demand bottoming out but expect historically high prices and economic uncertainty to limit gains. Consequently, we maintain our forecast of 1,550t in 2026 and 1,601t in 2027. More importantly, perhaps, the decline in jewelry demand leaves more bullion on the market that so far has been absorbed by the investment community. Should the investment-led rally stumble more seriously than it has already or halt for a prolonged period, then the sizable amount of bullion normally absorbed by the jewelry and other physical markets could weigh on prices. We do not think this is a factor in the current pullback in price but it may be more of a factor later in 2026 and 2027.

20. US Mint gold coins



Source: US Mint, LSEG Datastream, HSBC. Data as at end-December 2025.

Bars and coins

Gold bars and coins comprise a smaller segment of the market than jewelry, but are still an important component of demand

Gold bar and coin purchases, while traditionally a smaller demand contributor than jewelry, are still important components. This segment of demand also provides a good window into both retail and a small portion of institutional investor sentiment. Combined bar and coin demand in 2025 rose 16% to 1,374t, according to the WGC. 2024 was almost unchanged at 1,183t compared with 1,195t in 2023. Like jewelry, their influence tends to be felt in the longer term and is often not clearly recognizable. While jewelry demand has slumped, bar and coin demand is up. Large-bar demand has been robust, at least until March. We suspect that, on balance, it will likely recover later in 2026 and into 2027, while small-bar and coin demand, which reflects smaller-level retail demand, has been generally soft. The demand for gold as an investment buoyed consumption. A succession of new highs generating a feeling of FOMO, uncertainty over the global economy, geopolitical risks, the prospect of Fed easing, and USD weakness buoyed investor demand globally, despite – and some cases because of – higher prices. All these factors have cooled – or reversed – since the eruption of the Middle East conflict.

Coin demand still looks weak

The decline in coin demand is an indication that retail demand is weak. Demand fell in 2025 by 15% to 170.5t, the lowest in decades. This comes after a weak 2024 when gold coin demand fell a whopping 32% to 199.9t. We believe this weakness is carrying over into 2026. Coin data are more readily available than bar data. The US Mint is the world’s largest producer of gold coins (a portion is exported) and is usually a good barometer for global demand. Exhibit 20 shows the latest data. For 2025, the US Mint sold 170,500oz of gold coins, down from 412,000oz in 2024, which itself was a heavy drop from 1.1moz in 2023. The latest data for March 2026 puts US Mint sales at just 4,000oz, down 75% from March 2025 and historically still very low.

While sales between mints can vary, the market is experiencing a real drop in demand as indicated by lower coin premiums. The massive price rise of the past few years is the main culprit for declining coin sales. The cost of a 1oz gold coin jumped well above USD5,600/oz earlier in the year – a level that seriously undermines demand. As with jewelry, we do not regard the recent price pullback as sufficient in itself to increase demand. Weak demand for the past two years may, in part, be due to near-record purchases in 2022-23, which effectively sated the market. This implies that most investors who may have wished to buy coins have likely already done so at much lower prices. Additionally, record-high gold prices are increasing the handing in of old coins to the secondary market, which notably depresses new-coin demand. Immediate sales data may not be widely available or up-to-date for other mints, but indications such as low premiums and weak sales information from retailers and merchants strongly imply lower coin sales globally. Non-OECD bullion buyers are especially reluctant to pay high premiums for coins, often preferring small bars.

Bars far outpace coins and are likely to stay strong

Data regarding bar demand are not as readily available or up to date as for coins. 2025 bar demand topped 1,000t for the first time since 2013, at 1,068t, up 24% from 2024 – itself a strong year. The latest hard data show robust demand. 4Q25 bar purchases rose 37% to 324t, reflecting a price-led shift in preferences from quasi-investment purchasing of jewelry and coins to physical gold bars, notably larger bars, fuelled by investor uncertainty and safe haven demand and geopolitical and economic risks all fuelled by FOMO. These risks play more to encouraging demand for bars than for coins and jewelry. This was true in 2025 and we think this pattern continues in 2026, at least up to the strikes on Iran. There may be some constraints to demand, especially for small bars. The price of the popular 10g bar in India is cINR235k and increasingly outside the reach of many potential buyers. The outlook for some components of large bars may be more positive in some regards, but it also took a knock, we believe, with the Middle East conflict, which encouraged some investors to liquidate bar holdings, although this was matched by buying from other quarters. On balance, large-bar demand may still be on the upswing. Along with India, the Chinese market is key for bar demand. In December, the Indian Pension Fund Regulatory and Development Authority allowed for gold and silver ETFs to be included in pension fund allocations, with a combined exposure of 5%. Pension funds may also deploy exchange-traded derivatives for hedging within a 5% limit. This follows on from previously reported China government measures allowing some insurance companies to buy gold. As stated since the Middle East conflict, we have seen a combination of liquidation but also steady buying, most notably from China as the Shanghai Gold Exchange premium remains positive.

Large bar demand for institutions is robust

High prices are weighing on small bar demand

After falling to 170t in 2025, we estimate coin demand may drop further in 2026, but raise our forecast to 150t (from 146t). High prices and increases in the handing in of old coins are likely to erode demand. We maintain our 2027 forecast of 170t as secondary supplies swamping the market are gradually absorbed and risks encourage consumer demand next year. After a jump in 2025 demand for medals and non-official coins to 135t in response to steady ceremonial demand for medals, we expect a significant decline due to prohibitive costs, and maintain our forecast of 80t in 2027 and 75t in 2027. Large-bar demand in the non-OECD and OECD has been more mixed of late, but we expect it to recover as 2026 proceeds. After a very strong 2025, we reduce our 2026 forecast to 925t (from 978t) and leave 2027 at 795t. As demand has weakened in response to financial market volatility and the need to liquidate bullion, or refrain from new purchases, we expect buying to resume in the wake of the Middle East conflict. We believe economic uncertainty and geopolitical risks will then be sufficiently high to restore demand but not so high as to trigger liquidation. However, high prices in the face of fresh negative economic or political events will inevitably weigh on consumption. **We forecast combined bar and coin and medal demand at 1,155t (from 1,085t) for 2026 and 1,040t for 2026 (from 1,140t). This still leaves our 2026 and 2027 forecasts for combined coins, bars, and medals above the 10-year average of 1,070t.**

21. Gold: supply/demand balance actuals and forecasts

(Tonnes)	2020	2021	2022	2023	2024	2025	2026f	2027f
Supply								
Mine production	3,482	3,589	3,649	3,655	3,645	3,672	3,825	3,930
Old gold scrap	1,293	1,136	1,141	1,239	1,366	1,404	1,501	1,475
Producer hedging	-39	-7	-11	69	-54	-74	20	30
Total supply	4,736	4,718	4,779	4,950	4,957	5,002	5,346	5,435
Demand								
Jewelry	1,398	2,148	2,089	2,109	1,887	1,542	1,550	1,601
Electronics	250	272	252	249	271	269	272	276
Dentistry	12	11	10	9	9	9	9	9
Other industrial uses	42	47	47	47	47	47	48	48
Other fabrication	304	330	309	305	327	325	329	333
Total fabrications	1,702	2,478	2,398	2,417	2,214	1,867	1,879	1,934
Bar hoarding	543	813	804	782	863	1,068	925	795
Official coins	293	295	334	294	199	170	150	170
Medals	69	85	99	115	126	135	80	75
Exchange-traded funds	877	-286	-124	-258	-86	504	325	300
Total investment demand	1,782	907	1,113	933	1,102	1,877	1,480	1,340
Official sector net purchases	255	450	1,082	1,049	1,092	863	680	850
Total demand	3,739	3,835	4,593	4,399	4,408	4,607	4,039	4,124
Balance = net investment	997	883	189	551	549	395	1,307	1,311
Gold price (average, USD/oz)	1,393	1,799	1,802	1,941	2,390	3,695	4,864	5,000

Source: Metals Focus, World Gold Council, Gold Fields Mineral Services, HSBC

Mine supply

Going for the gold

Mining accounts for c75% of annual gold supply, with recycling a distant but growing second. Given that mining is the dominant source of supply, gold mine production trends clearly have a significant impact on price. Changes in output volumes generally only impact prices over the longer term, however. Gold prices have increased in response to escalating prices. The production response, however, has significantly lagged rising prices. Output gains, though material, are slowing. Despite gold's stellar rise in 2025, annual mine production grew fractionally y-o-y to a record-high 3,672t, according to the WGC. The most recent data for 4Q25 output shows double-digit increases from Ghana, Australia, Canada, and Chile. The increase in Ghanaian output was due to the commencement of Newmont's Ahafo North project and increased production at AngloGold Ashanti's Obuasi mine. Canadian output was buoyed by the startup of three new mines – Blackwater, Back River, and Valentine Lake. Australia saw widespread production from across the nation. Chilean output was boosted by the ramp-up of Salares Norte after weather disruptions earlier in 2025. As impressive as some of these increases are, they were largely offset by double-digit declines in Argentina, Indonesia, Mexico, and Mali, as well as modest declines elsewhere. In the case of Indonesia, which also declined, the aftermath of bad weather and a shift in production at Batu Hijau cut into output. Declines in the other producers were due to a mixture of suspension of operations in some mines, the expiration of land agreements, and lower output due to reduced grading.

Production costs are rising rapidly, at rates above inflation. Company data show all-in sustaining costs below USD300/oz in 2002 before rising to above USD1,200/oz by 2022. We estimate they are now well above USD1,600/oz currently, based on company reports. The staggering increase in diesel and other fuels as a result of the Middle East conflict will push costs well above this level, but by how much and for how long will largely depend on the length and severity of the conflict. Royalty costs accelerated markedly in 2025, due partly to profit-sharing agreements with national governments. As costs are less than half of the gold price, however, there is no incentive to reduce output even with high costs. We estimate that even the

Mining is the biggest single source of new supply to the market

highest cost producers well above USD2,000/oz are still profitable. Some producers, however, are not meeting all-in sustaining margins due to local problems such as shutdowns and disruptions. The gold mining industry reports production costs using a range of metrics, with actual reporting practice varying significantly from company to company. Standardised metrics provide further transparency into the costs associated with gold production. AISC aims to better reflect the full cost of keeping the mine in business.

Outlook positive near term

High prices provide more than ample incentives for producers to increase output wherever possible. The surge above USD5,000/oz has producers straining to get product out, which has not been dimmed by the recent pullback. As a consequence, we expect gains from virtually every producing region. Standout increases are likely from Mali and Ghana with the resumption of output at Loulo-Gounkoto in Mali and ramp-ups in Ghana. Canadian output should increase with some major mines expanding output and new projects coming onstream. Recovery in the giant Grasberg mine in Indonesia after interruptions last year will boost Indonesian output, in our opinion. Australia is likely to see modest but sustainable growth as investment earlier in the mining cycle increases output in a broad range of producers. Small scale and artisanal mine increases are also bound to occur given the high price. Matched against these increases are other long running factors that will curb output. This includes the closure of clapped out and exhausted mines, falling grades in some mines, likely technical issues and maintenance delays, and the possibility of labor and equipment shortages or weather disturbances. Even assuming some drawbacks, we look for healthy increases in output this year and next. We look for strong gains near term, with the growth trajectory easing as the decade progresses.

Higher near to medium term, but not long term

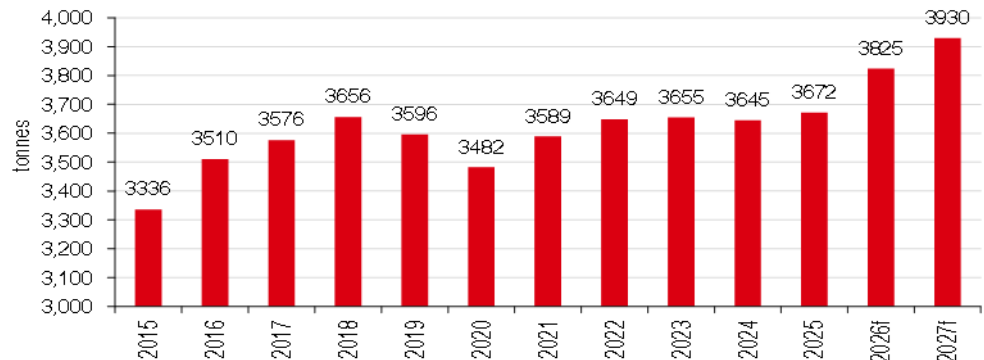
Higher prices clearly are not translating into commensally higher production, and aggregate levels of mine production growth should not be overstated. A longer historical view of gold production shows the industry has had a very difficult time increasing production by more than 1% or so a year for more than decade. We believe that it will be challenging for the industry to increase production in the short term. A plethora of challenges make it increasingly hard to produce more gold globally, even in the face of escalating prices. We have reviewed challenges and obstacles in previous outlooks, notably [Gold Outlook: Defying gravity](#) (11 July 2024) and [Gold Outlook: The exceptional metal](#) (8 April 2025), and we refer readers to these reports for greater detail. Declining reserves and reserve depletion remain the two greatest challenges.

While high prices are an incentive, they do not guarantee ever-higher mine output. The commissioning of new projects and ramp-ups will likely sustain production on a gentle upwards slope for the next few years, though gains may putter out by the end of the decade. As prices are likely to stay above costs, we expect new projects to be commissioned, but many deposits globally have been exploited and accessible high-grade deposits are increasingly hard to find. Skilled and professional labor and managerial talent is also in short supply. Mine output is almost certain to continue to increase until 2027 and likely to 2028. Beyond 2028, we look for output to edge slightly lower but remain historically high. Losses from closures of run-down facilities and diminished production from mature facilities will offset projected gains later in the decade, in our view. Head grades are likely to again fall and are projected to be on a downward trend that will persist until 2029, limiting output. **Looking ahead, we are positive on mine supply in 2026 and 2027. We raise our 2026 output forecast to 3,825t (from 3,775t) and by 100t for 2027 to 3,930t.** Like the decline in jewelry demand, steady increases in mine supply in the past few years have apparently not dented the rally. Should investor demand cool, however, greater mine supply could weigh on prices and at the least may help cap rallies.

Global output is on an upward trajectory, for 2026 and 2027

While high prices are an incentive, they do not guarantee ever-higher mine production

22. Mine production



Source: Metals Focus, World Gold Council, GFMS, HSBC estimates

Recycling supply

High prices are stimulating scrap supply of gold

After mining, scrap is the second-largest contributor to gold supply. While the bulk of gold scrap is derived from jewelry, recovery from industrial waste (mostly electronic items including computers and handheld instruments) is a growing supply component. Jewelry and industrial flows are markedly different. Jewelry recycling is largely discretionary and dictated heavily by prices, whereas industrial scrap is more a function of business and product cycles, as well as environmental regulations.

A curious – and notable – feature of the recycling market is the generally modest response so far to sharply higher prices. We believe this is changing. According to the WGC, recycled gold supply rose 3% y-o-y to 1,404t in 2025. We have to go back to 2009 and the Global Financial Crisis to find recycling rates above 1,400t. Normally we would expect a much more vigorous supply response to record-high prices. One explanation may be that, in the face of rampant gains, some holders may have refrained from handing in material for FOMO on future gains. This attitude may change with the pullback in price.

Some holders may have refrained from handing on material for fear of missing out on future gains

Given prices are well above USD4,000/oz and likely to stay at least historically high, we think this will ultimately lead to more gold being mobilized, leading to increased discretionary recycling. High prices will also work to stimulate recycling in electronics and other products that were previously not thought to be worth the effort. At the margin, increases of this nature can increase scrap supply. The Asian markets by and large refrained from recycling heavily in 2025, with the exception of China. There, weak jewelry demand compelled retailers to liquidate inventory. We may not see that repeated this year. In the case of India, a significant amount of gold has been pledged as collateral against consumption loans. This potentially withdraws a significant volume of gold from the system that may otherwise have contributed to recycling supply. Economic hardships and higher oil and food prices may compel greater recycling this year at least. In 2025, recycling supply came in at 1,404t, according to the WGC, topping 1,400t for the first time since 2009, when the GFC buoyed recycling supply. **We maintain our 2026 forecast at 1,501t and raise 2027 to 1,475t (from 1,425t) as persistently high prices bring more gold onto the market but at a diminishing rate.**

Hedging supply

Producer hedging contributes relatively little to supply, but that may change

Hedging also impacts supply but is modest compared to recycling. After an increase in 2023 to 69t, the market returned to de-hedging in 2024 (54t), with de-hedging accelerating in 2025 to 74t according to company reports and the WGC. This brings the global hedge book down to just 120t, according to the WGC – a huge drop from 3,000t in 2000, when the book exceeded annual mine output. Producers were content to deliver into maturing hedges and failed to take out new hedges. Recent hedge strategy may be geared to options strategies to protect price downside, rather than selling calls and giving away potential upside. Recent declines may encourage some new hedges but, overall, producers have a collectively anti-hedge mentality. We believe high prices may encourage some new hedging. After de-hedging rose to 74t in 2025, we lower our forecast for a net increase in hedge supply to 20t (from 80t) in 2026 and to 30t in 2027 (from 75t) as some mining companies return to hedging should prices moderate.

Conclusion

Near-term momentum bullish but volatile

Where to now?

For as long as hostilities continue in Iran, the Strait of Hormuz remains closed, and oil prices stay high, the USD could be strong and gold weakens. The most recent developments of a ceasefire and the promise to reopen the Strait has already buoyed gold, but it is too early to tell as of writing if hostilities are ending on a longer-term basis. Other pressures on gold include further equity declines and high longer-term rates. As uncomfortable as this is for the world's consumers and investors, the length of the conflict is limited, in our view, and while the ramifications in global energy markets may reverberate for some time, we expect a gradual return to the climate from before the Middle East conflict. This could lead to the resumption of the gold rally, though possibly in not quite as virulent a form as before.

The bull market can recover post Middle East conflict

A post-conflict climate, we believe, will leave the world facing the same issues that drove gold higher before the Iran strikes. The gold bull market has longevity and traction, and many of the bedrock fundamentals that propelled it higher – geopolitical risks, economic policy uncertainty, a likely resumption of USD weakness, and tectonic shifts in the global landscape and central bank buying – will likely continue. We believe fiscal profligacy is a particularly bullish development in the long run. This all stands to buoy bullion and restore the previous bull market. What we expect more than anything else, however, is volatility and the market to chase headlines in the near term.

Tariffs and trade frictions may move back into focus but have less of an impact than in 2025. The gold market may no longer anticipate rate cuts, but questions over Fed independence and the policy stance of the next Fed Chair will resurface and may be key to influencing gold prices. Central bank activity will be important. We do not expect the rampant demand of the 2022-24 period, and purchases will likely be lower than 2025 also, but there are sound reasons for central banks to want to continue to accumulate gold.

High prices are limiting key physical demand, including jewelry small bar and coin demand

Current prices clearly are high enough to materially limit jewelry and coin and bar demand, primarily in price-sensitive emerging markets but also in less-sensitive Western markets. At the same time, high prices are encouraging additional recycling supply even as mines strain to increase output. To date, the apparent reaction to these developments has not dimmed the rally. We only expect this to change if investment demand remains weak. Still, we expect increasing amounts of bullion on the physical markets that will have to be absorbed by the investment market if prices do not adjust lower. We believe investor demand will recover, but not until later in 2026 and only after a credible end to the Middle East conflict.

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Issuer of report

HSBC Securities (USA) Inc.
66 Hudson Boulevard
New York, NY 10001, USA
Telephone: +1 212 525 5000
Fax: +1 212 525 0354
Website: www.research.hsbc.com

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[1276572]

Global FX Research Team

Global Head of FX Research

Paul Mackel +852 2288 5523
paulmackel@hsbc.com

Precious Metals

James Steel +1 212 525 3117
james.steel@us.hsbc.com

Asia**Head of Asia FX Research**

Joey Chew +65 6658 5186
joey.s.chew@hsbc.com.sg

Jackit Wong +852 2841 8245
jackit.w.s.wong@hsbc.com.hk

Jingyang Chen +852 2996 6558
Jingyang.chen@hsbc.com.hk

Europe/CEEMEA

Daragh Maher +44 20 7991 8888
daragh.maher@hsbc.com

Murat Toprak +44 20 7991 5415
murat.toprak@hsbcib.com

Nick Andrews +44 20 7991 2376
nick.andrews@hsbc.com

Tom Wookey +44 20 7991 3367
thomas.wookey@hsbc.com

Americas**Head of LatAm FX Strategy**

Joseph Incalcaterra +1 212 525 5606
joseph.f.incalcaterra@us.hsbc.com

Clyde Wardle +1 646 610 3260
clyde.wardle@us.hsbc.com

Allison Buck +1 212 525 4119
allison.buck@us.hsbc.com