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Gold: a strategic asset in a changing macro and geopolitical landscape

Gold has regained prominence in recent years, not as a short-term tactical trade, but as a strategic asset within institutional portfolios. At Santander Asset Management, our view on gold has been built progressively and in layers, integrating financial, macroeconomic and structural considerations. This disciplined framework helps explain both gold's strong performance and the episodes of volatility observed more recently.

A thesis built in layers

The starting point of our gold view was primarily financial. During 2022–2023, real interest rates reached elevated levels, with growing expectations that monetary tightening was approaching its peak. In such an environment, with cash and bond yields close to cyclical highs, the opportunity cost of holding gold was more likely to decline. This created an attractive asymmetry for gold relative to other defensive assets and represented the dominant driver in the early phase of our thesis.

Following the post-COVID inflation shock, the framework broadened. Rather than assuming a return to the very low and stable inflation environment of the pre-pandemic decade, our central scenario has been that inflation dynamics would become more challenging, even if cyclical inflation moderated. Greater tolerance for inflation volatility increase the relevance of assets that can help preserve purchasing power over the medium term. In this context, gold gained traction as inflation insurance rather than a short-term inflation hedge.

A key structural turning point occurred in 2022 with the freezing of Russian foreign exchange reserves. This event accelerated an already ongoing trend toward diversification of official reserves away from the US dollar. Since then, sustained demand from central banks—particularly China and other emerging economies—has become a structural feature of the gold market. In our view, this represents a long-term shift rather than a cyclical phenomenon.

This dynamic is reinforced by the historically high levels of public debt across developed economies. Within this framework, gold functions also as insurance against policy risk, not merely as protection against inflation.

Finally, our framework reflects a more fragmented and multipolar global order, with less coordination and a more strategic use of currencies and financial assets. In such an environment, gold regains relevance as a neutral reserve asset, not linked to any single geopolitical bloc. These structural drivers underpin a persistent baseline demand for gold.



Current market dynamics and tactical considerations

Since early 2025, gold prices have been influenced by a strong resurgence of investor demand, both institutional and retail. At times, these financial flows have partially displaced traditional sources of demand such as jewelry and industrial uses. Given the relatively narrow nature of the gold market, this has resulted in sharp price appreciation, higher volatility and periods of heightened market tension.

Gold rose by around 25% at the start of 2026 before experiencing an abrupt correction. The immediate catalyst was the announcement of Kevin Warsh as the proposed candidate to chair the US Federal Reserve, which the market interpreted as a signal of a potentially more disciplined approach to inflation control and balance sheet management. This temporarily reduced perceived policy risks that had supported gold prices.

From our perspective, this correction should be viewed as a healthy adjustment rather than a reversal of the underlying thesis. It helped unwind concentrated positioning and allowed the market to stabilize. Notably, gold subsequently recovered part of its losses, suggesting that the structural drivers remain intact.

Given the current environment and the growing role of financial flows, we do not rule out continued episodes of elevated volatility relative to historical norms. These dynamics reinforce the importance of managing gold exposure within a disciplined portfolio framework.

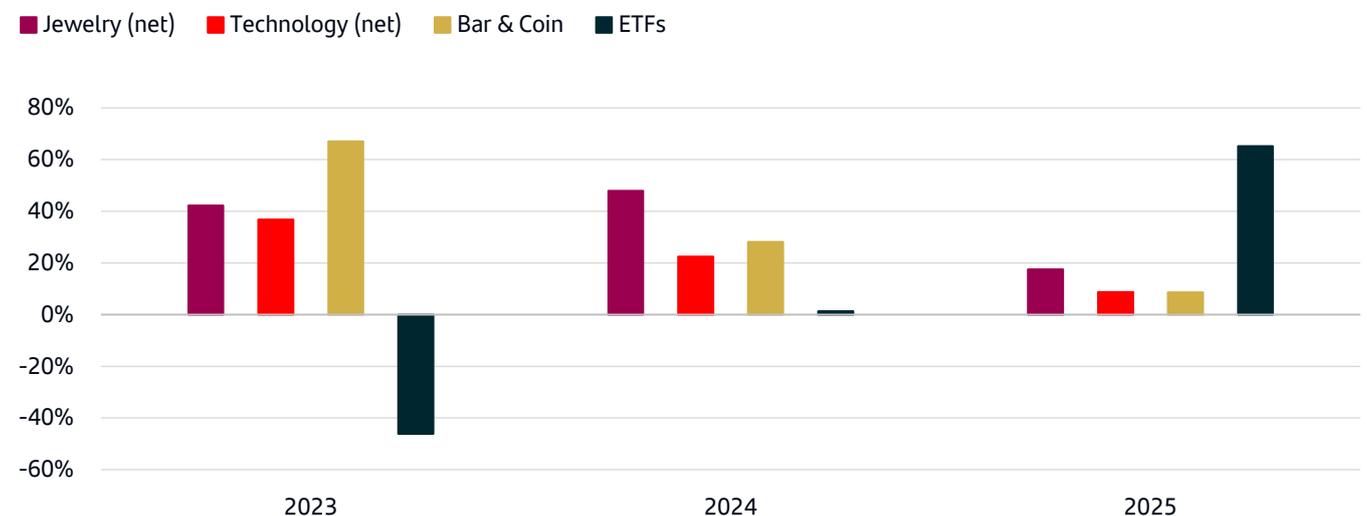
Looking ahead

Looking forward, we believe gold’s strategic role remains well supported by structural forces, even as short-term price movements may be volatile. Increasingly, institutional investors are reassessing gold as a diversifying asset within portfolios, in some cases relative to long-duration government bonds. Within Santander Asset Management’s House View, gold continues to play a meaningful role as a strategic diversifier in an uncertain and evolving global landscape.

Graph 1: Gold Demand in U.S.

Sources: Metals Focus, World Gold Council.

The recent rally in gold has been driven by a strong resurgence of investor demand, which at times has outweighed traditional sources such as jewelry and industrial uses. In a relatively narrow market, this shift has amplified price movements and contributed to higher short-term volatility.



* Data as of 31 December 2025. Net jewelry and technology demand computed assuming 90% of recycling comes from jewelry and 10% from technology.

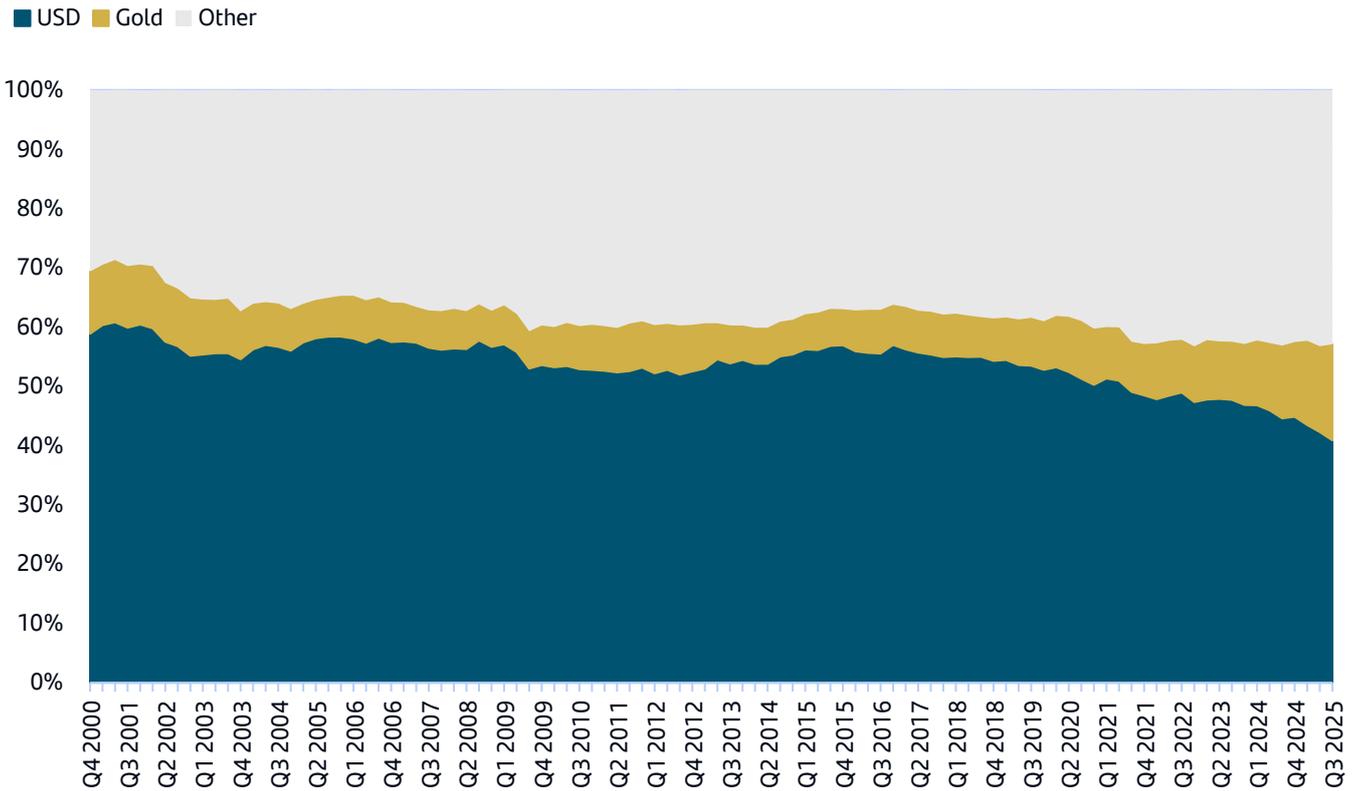


Graph 2: Central Banks Reserves Evolution

Source: IMF, LSEG Workspace, Santander Asset Management

Since 2022, central banks have increased their allocation to gold as part of a broader diversification of reserves. This trend reflects structural considerations around neutrality, policy risk and the evolving global monetary landscape, and supports a more persistent baseline demand for gold.

% Share of Central Bank Reserve Assets



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