



Why gold in 2026?

Australia's macro shifts and the case for gold

Marissa Salim

Australia's economy continues to grow, but resurgent inflation and the Reserve Bank of Australia's (RBA) decision to resume tightening in February 2026—diverging from some of its peers—raises questions around portfolio allocations. Australia's unique geopolitical positioning, with its fortunes tied to increasingly affluent trade partners within the Indo-Pacific while being strategically aligned with the US, has created an asymmetry that makes portfolio diversification crucial.

Against this backdrop, gold's role in Australian portfolios warrants renewed attention. This paper finds that gold has delivered positive returns across all RBA rate regimes since 2010, appreciated notably in AUD terms since 2022, and provides meaningful downside protection during equity stress. For Australian investors, a strategic allocation to gold offers both a macro hedge and a portfolio diversifier at a time when uncertainty takes centre stage.

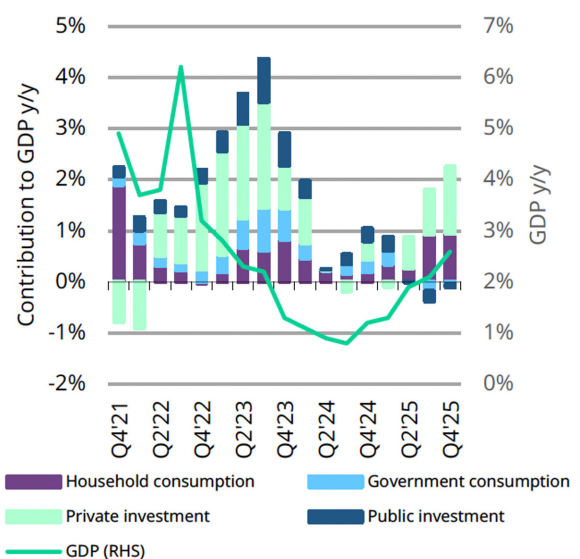
The 2026 macro picture

Economic resilience and inflation pressure

Australia's economy has extended its growth streak through 17 consecutive quarters in Q4 2025 with GDP expanding 2.6% y/y. This comes on the back of private investments (see Figure 1), which grew at their strongest pace since Q4 2021, led by growth in dwelling construction and in data centres in New South Wales and Victoria.¹

Figure 1. Australia's gold jewellery demand exhibits some cyclical signs

Quarterly y/y changes in finished industrial goods inventory and gold jewellery demand*



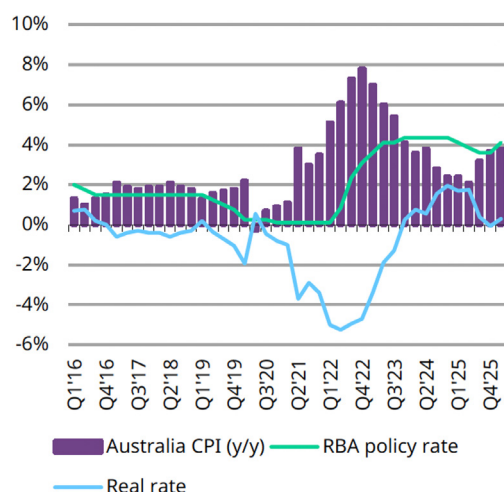
Source: Bloomberg, World Gold Council

*Sectors' contributions based on their % in GDP during the quarter and y/y growth. Data to Q4 2025.

However, this growth has been accompanied by resurgent inflationary pressures. Strong private sector demand and labour market tightness, with unemployment hovering around 4.2%, continue to generate wage pressures that may feed through to consumer prices. Meanwhile, electricity costs have also surged since mid-2023 as Australia navigates the energy transition from coal to renewables, further adding to structural inflationary pressures.

These challenges have shifted the RBA from a cautious hold to active tightening. Australian CPI rebounded to 3.8% in January 2026, and the RBA raised the cash rate by 25 basis points to 3.85% in February—the first hike since November 2023 (see Figure 2). The recent war in the Middle East sparked further inflationary concerns, prompting the RBA to hike rates again in March to 4.1%, citing geopolitical risks and the resultant inflationary pressure as key reasons.²

Figure 2. RBA hikes rates as inflationary pressure mounts
Inflation and interest rates in Australia*



Source: Bloomberg, World Gold Council

*Based on quarterly CPI, average RBA targeted cash rate; Q4 inflation data based on the average of the monthly CPI while Q1 inflation refers to January CPI.

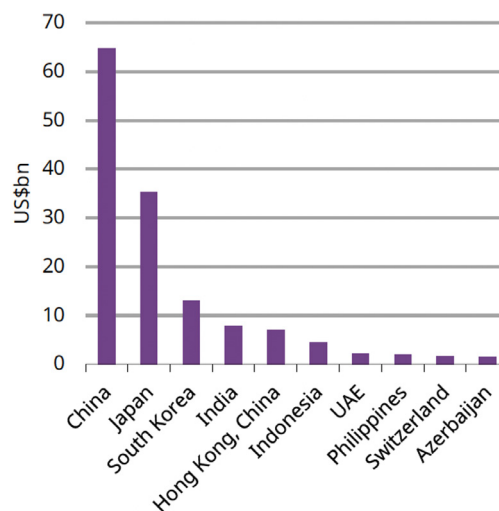
Trade uncertainties loom

Australia's geopolitical position with the West and its trade reliance on Asian countries mean it is vulnerable to geopolitical shocks and economic uncertainties. While Australia's political stance aligns with Western countries, Asian countries such as China, Japan, South Korea and India, contributes the most to Australian trade surplus (see Figure 3). This puts the country 'between a rock and a hard place', especially if tensions between the East and the West rises. Such uncertainties could lead to negative impacts on its economy.

What does this mean for Australian investors? First, local investors should rethink the relationship between bonds and equities. Inflationary concerns are likely to keep the RBA on a hawkish bias in future rate decisions. Both rising inflation potential and possible further rate hikes are likely to push up local yields, weighing on

Figure 3. Asian countries contribute the most to Australian trade profits

2024 Australian trade surplus by country, top 10*



Source: Bloomberg, World Gold Council

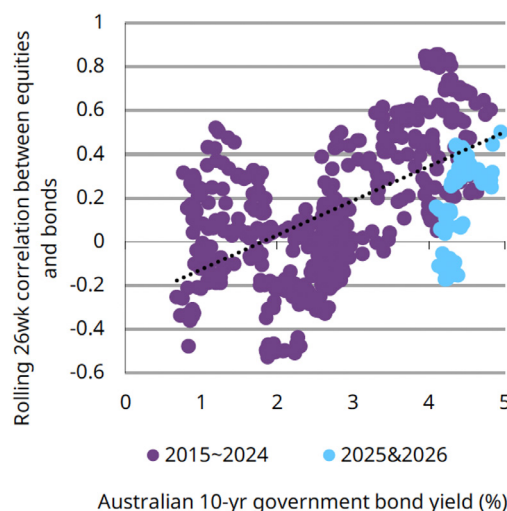
*Based on the most recent annual data available.

bonds. Further, our analysis shows that the correlation between bonds and equities rises alongside bond yields (see Figure 4)—as inflation and higher rates adversely affects both assets.

Meanwhile, renewed spikes in geopolitical risk could pose headwinds for the Australian economy, given its heavy reliance on exports. Historical patterns suggest that geopolitical risk shocks tend to cluster, and during most such episodes, both domestic and global equities have come under pressure (see Figure 5 on the next page).

Figure 4. Bond-equity correlation rises with yields

26-week rolling correlation between Aussie bonds and equities & local bond yields*



Source: Bloomberg, World Gold Council

*Based on weekly averages of the ASX 300 Index, the Bloomberg AusBond Index and 10-year Australia government bond yields between 1 January 2016 and 13 March 2026.



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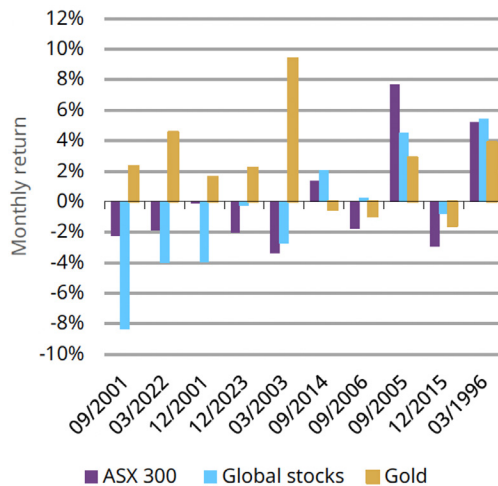


The quote

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Figure 5. Equities have generally suffered losses during geopolitical risk spikes

Monthly performances of gold, ASX300 and MSCI World Index during top 10 geopolitical risk spikes*

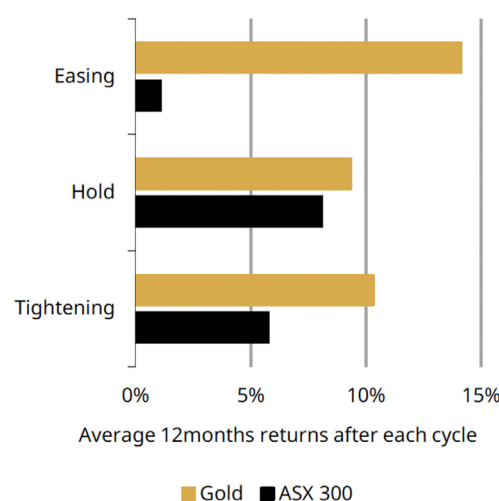


Source: Bloomberg, World Gold Council

*Based on monthly averages of ASX300 Index, MSCI World Index, LBMA Gold Price PM in AUD, and the Geopolitical Risk Index.

Figure 6. Gold outperforms equities across all RBA regimes on average

12-month average returns after a cycle starts*



Source: Bloomberg, World Gold Council

*Monthly data used between January 2010 and February 2026. Based on LBMA Gold Price PM in AUD and the ASX300 Index.

Gold's strategic place in Australian portfolios

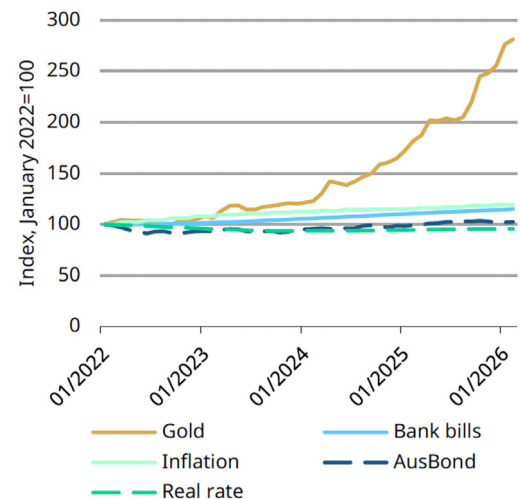
An asset independent from Australian's macro drivers

Investors consider opportunity costs when allocating into any asset class, and with the RBA back in tightening mode, a natural question arises: Do Australian rate cycles meaningfully impact gold returns? As it turns out, not much.

Gold has historically delivered positive returns across

Figure 7. Gold has appreciated rapidly compared to cash and bonds since 2022

Performance of gold, cash and bonds*



Source: Bloomberg, World Gold Council

*Based on monthly returns of Bloomberg AusBond 0+ Index, LBMA Gold Price PM in AUD, Bloomberg AusBond Bank Bill Index; real rate = Bank Bill yields—CPI. Data as of February 2026.

tightening, hold and easing environments, with no clear evidence that rising rates impair its performance, when priced in AUD. Moreover, gold delivered a higher average 12-month forward return than Australian equities in every RBA regime. The gap is most pronounced during easing cycles, when gold returned 14%—partially fuelled by potential AUD depreciation during such times—and equities returned around 1% on average (see Figure 6).

This is mainly because gold is driven by supply and demand dynamics determined globally. For instance, global geopolitical risks, inflation and major central banks' monetary policy paths collectively impact investment demand for gold from investors worldwide—including those from Australia. This underscores gold's role as a global asset that is largely independent of Australia's domestic monetary cycle.

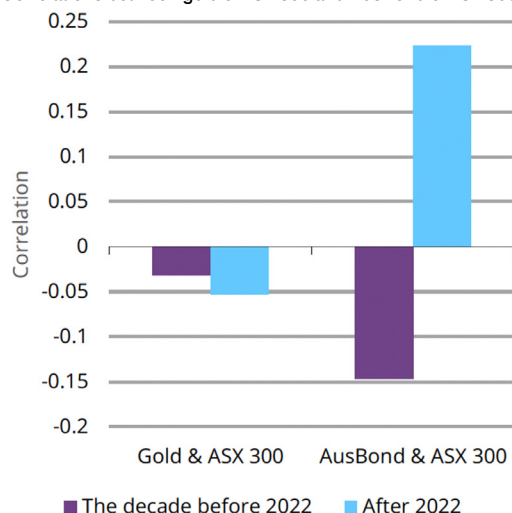
In fact, the past four years provides a meaningful stress test. The RBA started tightening in 2022, making cash deposits attractive after ultra-low rates. Between 2022 and now, gold appreciated by approximately 181%, which more than offset the opportunity cost of holding a non-yielding asset. During this period, fixed income investors saw real returns fall to around 95 cents to the dollar, with nominal returns rising by around 2% (See Figure 7).

An effective portfolio risk diversifier

As correlations between local bonds and equities continue to rise, investors' search for effective diversifiers has intensified. Since 2022, structurally higher global inflation and more frequent geopolitical shocks have driven bond-equity correlations higher, as discussed earlier. Yet gold has maintained a consistently negative relationship with Australian equities over time, offering investors a reliable source of diversification and portfolio resilience (see Figure 8).

Figure 8. Gold's correlation has been consistently negative with Australian equities

Correlations between gold & ASX 300 and AusBond & ASX 300*



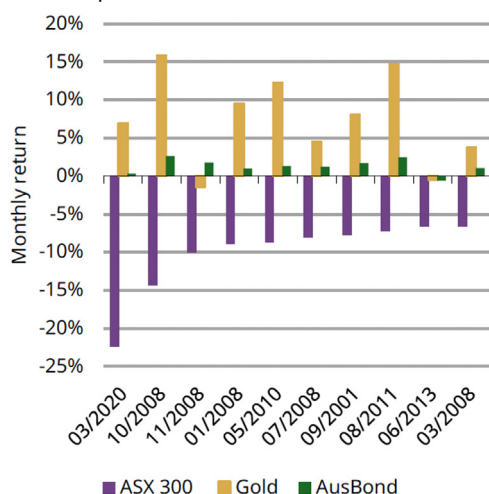
Source: Bloomberg, World Gold Council

*Based on daily returns of Bloomberg AusBond 0+ Index, ASX 300 Index and LBMA Gold Price PM Index. All calculations are in AUD. Data as of 17 March 2026.

Indeed, gold has been put to the test during periods of systemic market stress and over the years has proven to be the asset class that performed better than others during such periods (see Figure 9). Further, gold has also generally cushioned portfolio losses when geopolitical risks spike (See Figure 5 on the previous page)—the most recent case in point being the US-Israel-Iran conflict where gold rose on the first trading day after the war broke out.

Figure 9. Gold has performed well during Australian equity stresses

Returns of gold and AusBond during worst 10 months of Australian equities*



Source: Bloomberg, World Gold Council

*Based on monthly data of Bloomberg AusBond 0+ Index, ASX 300 Index and LBMA Gold Price PM Index. All calculations are in AUD. Data as of February 2026.

Key takeaways

Gold's performance is driven by a diverse set of global factors that operate largely independently of domestic interest rate policy. In light of the following considerations, the question for Australian investors is no longer whether gold belongs in portfolios, but how can it not.

Gold performs well across all interest rate market regimes. Since 2010, gold has delivered positive 12-month forward returns whether the RBA was tightening, holding or easing, with no clear evidence that rising rates impair performance in AUD terms.

The case for diversification has only grown stronger. Geopolitical uncertainty, while episodic, keeps the diversification argument for gold intact, as each new shock tests a portfolio's ability to sustain through the episode.

The opportunity cost argument. This often works against gold, but since 2022, gold appreciated notably in AUD terms while cash deposits yielded around 3% and fixed income instruments saw real returns fall.

In summary, we believe gold's role as a strategic asset for Australian investors remains highly relevant, more so now than ever. **FS**

Ray Jia, research head APAC ex India & trade engagement deputy head China, World Gold Council also contributed to this paper.

Notes

1. Australian Bureau of Statistics, 'Australian national accounts: National income, expenditure and product', Commonwealth of Australia, 6 March 2026. Available from <https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product/latest-release> [accessed 2 June 2026].
2. Reserve Bank of Australia (RBA), 'Statement by the Monetary Policy Board: Monetary policy decision', media release, RBA, 17 March 2026. Available from <https://www.rba.gov.au/media-releases/2026/mr-26-08.html> [accessed 2 June 2026].



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