

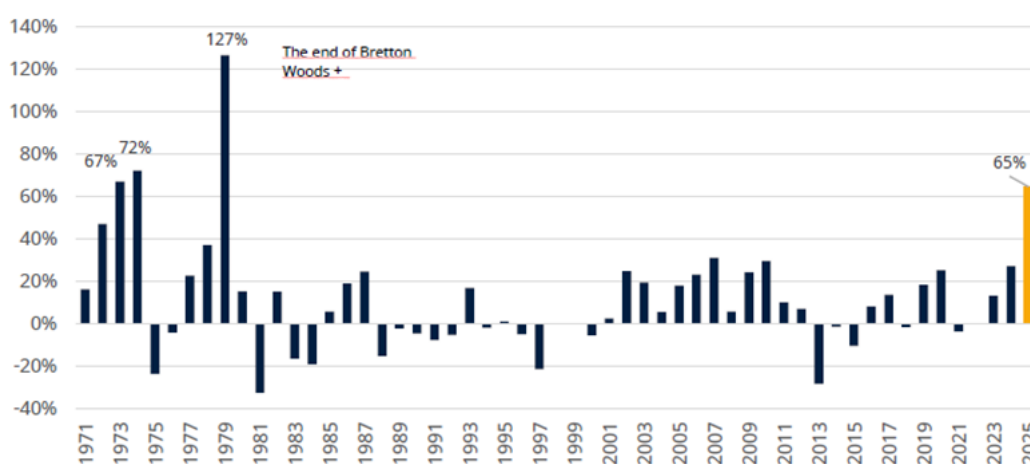
Gold and gold equities: the outlook for 2026

James Luke, Senior Portfolio Manager, Gold and Commodities at Schroders

Not since the crises of the 1970s has gold performed as strongly as in 2025. Amidst geopolitical uncertainty playing into short-term movements, James Luke, Senior Portfolio Manager, Gold and Commodities, considers the bigger picture.

The gold price reached 45 new all-time highs during 2025, and the 65% price gain in the year dwarfed anything experienced in the 2000s bull market. In the modern era only the early and late 1970s have witnessed this scale of increases (see chart, below). This price trend applies to gold as well as the broader precious metal complex. The question at the front of investors' minds is: can this price trend be sustained?

Chart 1: YoY changes in gold prices since Nixon "temporarily" closed the gold window in 1971



Source: Bloomberg

Gold price history: the wider context

The early 1970s saw the US end the Bretton Woods monetary system – originally agreed in 1944 – by “temporarily” suspending dollar convertibility into gold. President Nixon exerted massive influence on the Federal Reserve Fed to reduce interest rates into the 1972 election, and then the global economy suffered an inflationary oil shock in 1973. The result was a dollar credibility crisis and a huge gold bull market with three consecutive annual price increases of 40%-plus.

Today’s geopolitical and fiscal backdrop shares similarities with the early 1970s, but there are also some big differences.

Similarities between the early 1970s and today

- *The monetary status quo comes under pressure.* 1970s: the end of Bretton Woods. Today: the “dollar standard” backed by US treasuries.
- *The White House pressuring the Fed to boost the economy by rate-cutting into an election.* 1970s: the presidential election of 1972. Today: 2026 mid-term elections.
- *A major competition between great powers.* 1970s: US vs Soviet Union. Today: US vs China.
- *Extreme US equity market concentration.* 1970s: The Nifty 50 stocks, seen as “good to buy at any price”. Today: MAG 7.

Differences between the early 1970s and today

- *Global fiscal fragility.* Then: US debt/GDP ratio was approximately 35%. Today: the US debt/GDP ratio is over 120%.
- *US political polarisation and wealth inequality.* This is more extreme today than in the early 1970s.
- *Chinese industrial strength and financial resources* are orders of magnitude greater than the Soviets ever achieved.
- *Transformative potential of AI* as a binary technological driver.
- *Depressed energy markets* (for now) and much lower oil intensity of GDP globally.

Interestingly, the first two of these differences (fiscal fragility and wealth inequality) trace their roots, via the 2008 Global Financial Crisis and the quantitative easing (or “money printing”) that followed, right back to 1971. This was when the move to a pure fiat currency system laid the ground for the massive accumulation of debt-backed spending that followed.

When we look back from 2030 at the chart above, what will we see? No-one can say, but the comparison above does nothing to dent our conviction that the evolution of gold from being viewed as rate sensitive cyclical hedge to a core “anti-fragile” secular portfolio allocation has a long way to run.

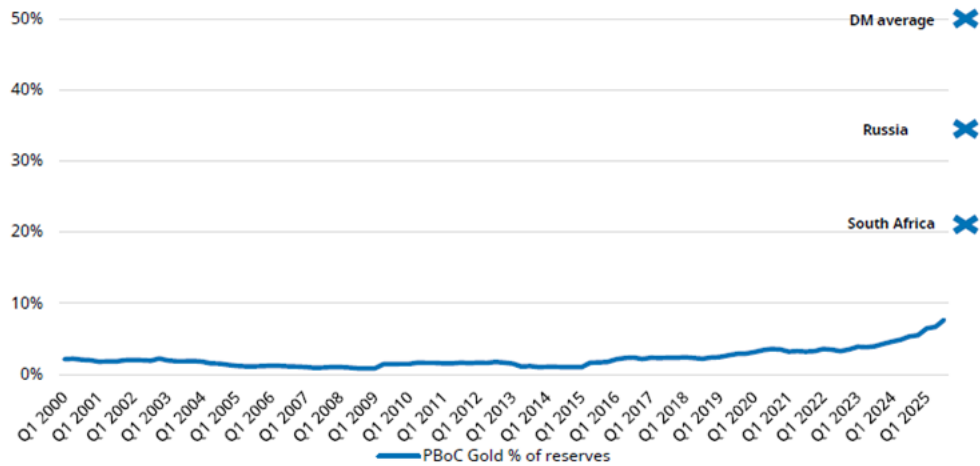
The secular top will be reached when either the geopolitical and fiscal drivers are resolved (ushering in a new status quo) *or* demand itself is undeniably saturated. We don’t think either of those requirements are near to being met.

News flow in early 2026 continues to speak loudly to long-cycle geopolitical and fiscal themes. The threat to Federal Reserve independence – and US institutional credibility that a criminal investigation of Chair Powell represents – is clear. From a pure “debasement” perspective, the return to Fed money printing via “reserve management purchases” of treasury bills (US\$40 billion per month), plus buying of mortgage backed securities from Fannie Mae and Freddie Mac (US\$200 billion to help cap mortgage rates) also feed the fiscal dominance theme.

China’s role is pivotal. Indeed, China’s role in the broad precious metal bull market is underemphasised, and makes this cycle very different to previous cycles.

As the chart below highlights, Peoples’ Bank of China’s gold holdings, at 8% of total assets, suggest Chinese reserves remain 92% denominated in US dollars or in the currencies of US allies (EUR, Yen, or GBP). We mark South African, Russian and DM gold/reserve averages on the chart for reference. In the context of both future sanctions risk, as well as deepening credibility issues for US treasuries themselves, 8% seems too low.

Chart 2: People's Bank of China (PBOC) Gold Reserves (% of total reserves) – 8% seems very low!



Source: World gold council, Schroders

Silver and platinum jump higher

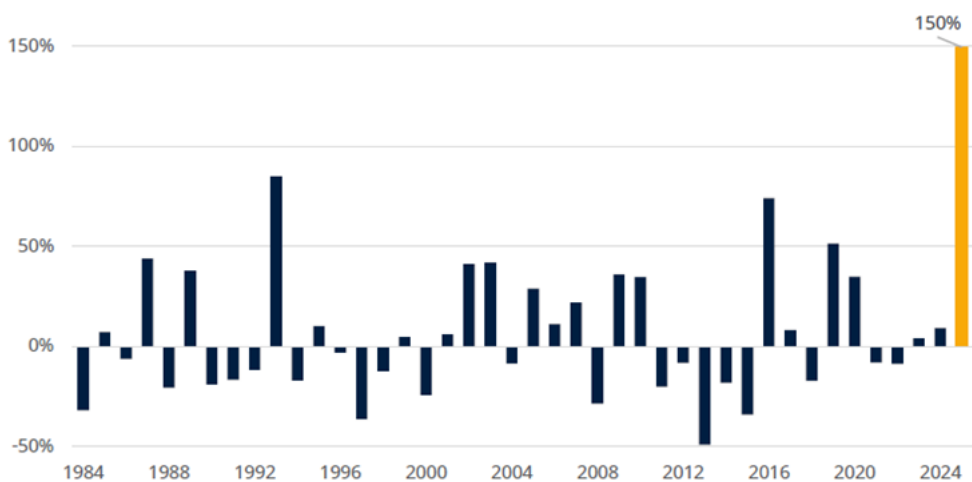
Late in 2025 white metals (silver and platinum group metals) also woke up as extreme tightness gripped the markets. Volatility will remain much higher than gold in these markets, but upside potential remains significant.

Gold equity outlook

Gold equities ended December up ~4% (average of major indices), leaving major gold equity benchmarks up between 150% (Philadelphia gold and silver) and 169% (FTSE Gold miners) for the full calendar year.

Overall 2025 was a record year and looks like a complete outlier for gold equities. Scepticism of further gains to come will be significant – and is understandable.

Chart 6: YoY percentage change in gold equities (Philadelphia Gold & Silver Index)



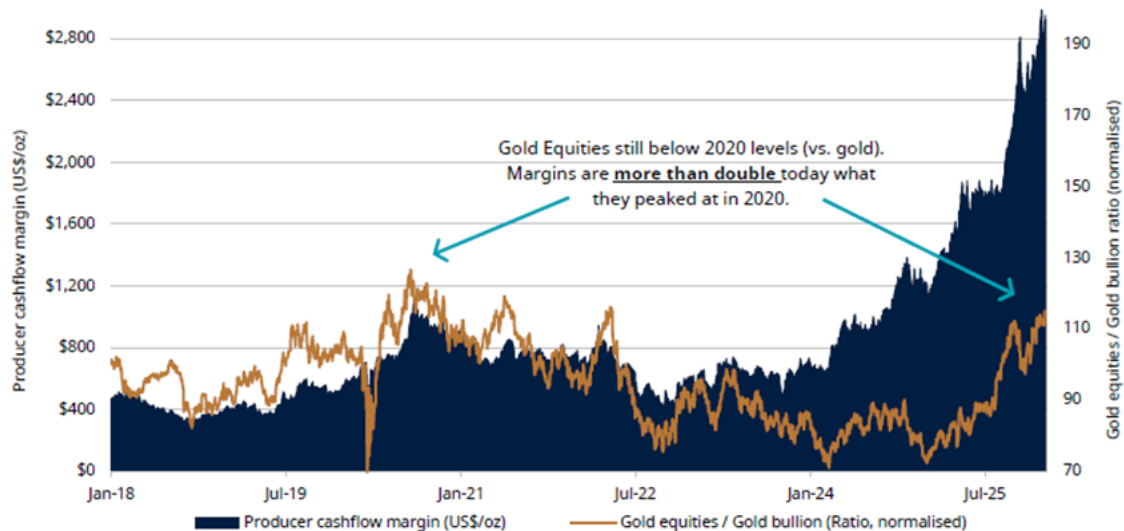
Source: Bloomberg.

Gold equities: valuations relative to margins

If you look at the average price ratio of gold equities to gold bullion over the 2022/23/24 period, gold equities are around 25% higher despite a completely transformed margin and returns environment.

As we continue to point out repeatedly, it surprises us that despite operating margins that are >150% higher than the brief peak of 2020, *gold stocks remain cheaper relative to gold bullion today (on a price basis) than they were then.*

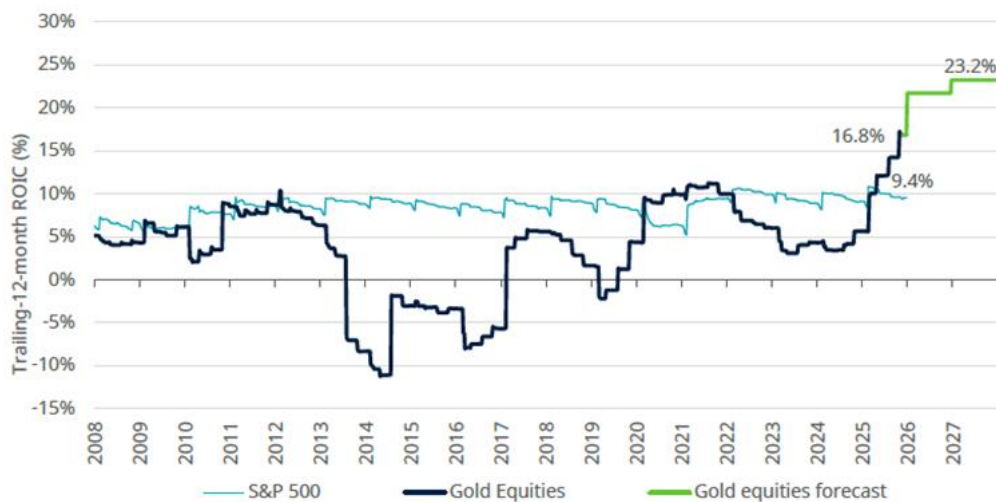
Chart 7: Gold producer cashflow margin (dark blue) vs. relative performance of gold equities vs. gold bullion (gold line)



Source: Schroders, Bloomberg, Cormark, Company reports.

On a return on invested capital (ROIC) basis gold equities surpassed the S&P 500 in 2025 on a trailing 12-month basis. ROIC for the sector was outright negative in the 2013-2015 bear market. Looking forward, ROIC estimates for gold equities are set to rise to more than 20% and are comfortably more than double the S&P500 (chart 8).

Chart 8: Gold equity ROIC >100% higher than S&P 500 in 2026e



Source: RBC. Historic gold equities ROIC based on S&P/TSX Global Gold Index and forecast based on RBC coverage universe.