JULY 2026

Flash

Gold: Target change
Hit by the Middle East conflict, saved by central banks?

Key Messages

1. Gold has performed weakly since the start of the US-Iran conflict in the Middle East, i.e. the end of February. Year-to-date the performance stands at a tepid -6%.

2. Some oil-importing countries have sold gold to protect their local currencies, with Turkey being the standout example. However, other central banks continued to buy gold at a solid pace in the first half of 2026.

3. Retail investors were net sellers of gold-linked ETFs in the second quarter of 2026. A correction in short-term rates and a depreciation of the US dollar would help ETF flows to turn positive again.

4. We expect gold prices to recover in the second half of 2026 due to solid central bank buying and renewed retail investor interest. Although we are keeping our Positive view on gold, we have lowered our 12-month price target from USD 5,500 to USD 5,000 per ounce given the structural headwinds of a strong US dollar and higher short-term interest rates.

Structurally supportive on gold, despite short-term headwinds

Gold's near-term weakness continues to be driven by the Hormuz conflict, on the back of higher rates and a strong US dollar. Despite the short-term headwinds, the structural bull case remains intact and has probably strengthened further.

Central banks are continuing to buy at a solid pace, despite significant selling from the Turkish central bank in March, the sole month with a negative net accumulation of gold by central banks. All other months showed a positive net accumulation by central banks. Official figures show a recent uptick in central bank buying, mostly by China.

On the retail side, ETF flows have turned negative in North America, Europe and Asia over the past few weeks, owing to higher interest rates, a strong US dollar and a difficult environment for momentum trading. We expect retail flows to recover when the Middle East conflict de-escalates.

Rising government debt, particularly in the West, will remain an important theme in the coming quarters. Gold is still considered as the most effective protection against monetary debasement. The reshuffling of geopolitical power will incentivise central banks of allies and opponents of the West alike to diversify reserves into gold. We therefore maintain a Positive outlook for gold but lower our 12-month price to USD 5,000 per ounce. The short-term risk to our forecasts is a stronger dollar and higher interest rates that would continue to weigh on the yellow metal.

Mattias Demets
Commodity Strategist
BNP Paribas Wealth Management

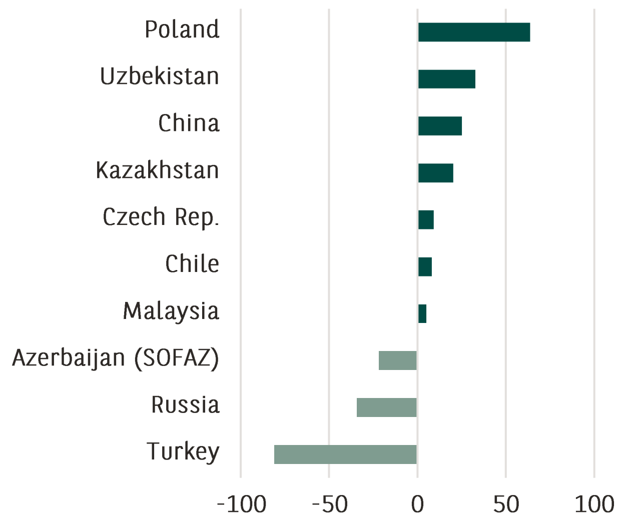
Central bank buying takes a hit from the Hormuz crisis

The remarkable performance of gold in 2025 was the result of continuous net buying from central banks and ETF inflows. In the first quarter of 2026, central bank buying took a hit due to the US-Iran conflict which began on 28 February. Higher crude oil prices forced central banks of oil-importing emerging market countries to sell gold and protect their currencies. Turkey has been the standout example, selling 80 tonnes of gold in the first half of 2026. These sales offset the combined official gold purchases by Uzbekistan, China, Kazakhstan and the Czech Republic, four of the five largest official buyers over the same period.

China sends a positive signal to the market

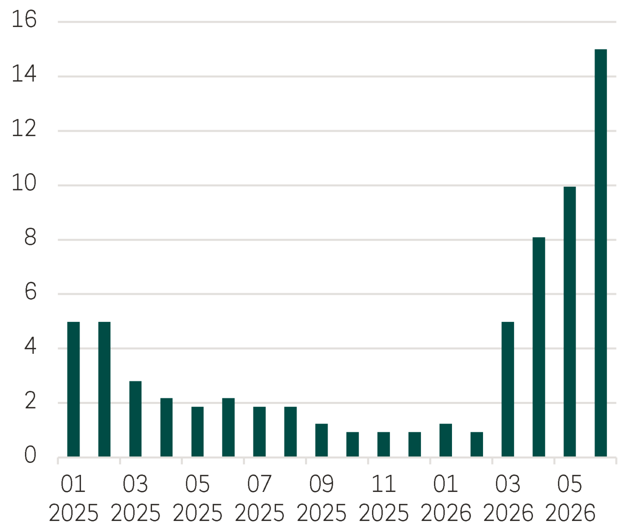
Gold sales from the Turkish central bank, are however, not to be considered structural. Excluding Turkey, central bank demand for gold has shown strong resilience. March was the only month in the first half of 2026 with a significant negative net central bank accumulation of gold, with the subsequent months showing a recovery. Positive signs are emerging, notably from China, with official central bank buying (PBoC) picking up at 15 tonnes in June, the highest (official) buying volume since the second half of 2023.

OFFICIAL NET CENTRAL BANK BUYING OF GOLD, IN TONNES



Source: World Gold Council

CHINA OFFICIAL GOLD PURCHASES, IN TONNES



Source: World Gold Council

Surveys indicate continued central bank interest in gold

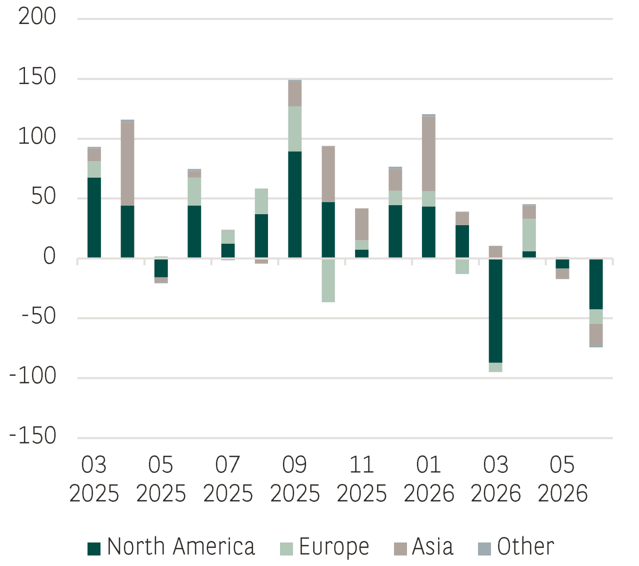
According to an annual survey by the World Gold Council (WGC), conducted in the first five months of this year, 45% of central banks expect their gold reserves to increase, while 54% expect their gold reserves to remain unchanged. Only 1% of central banks anticipate that their gold reserves will decrease. This survey is therefore slightly more positive than the survey in 2025, which was already very optimistic.

The WGC survey did not poll all central banks, and the list of participating central banks is not disclosed. Notwithstanding these limitations, the survey remains an important indicator for central bank demand. Since the US-Iran, the international role of the US as a stable geopolitical partner has further deteriorated. The incentive for foreign central banks to diversify their reserves away from US Treasuries into gold remains intact and has most probably increased, as reflected in the WGC survey.

ETF flows show subdued retail interest

Inflows in gold-tracking ETFs were a main driver of strong gold performance in 2025 and at the beginning of 2026. The start of the US-Iran conflict reversed this trend. Gold was the obvious profit-taking "victim" of investors looking to finance margin calls during the stock sell-off. ETF buying from retail investors has not recovered since the outbreak of war. Indeed, it turned systematically negative in March, May and June (April posted a slight recovery). US retail investors have sold gold-tracking ETFs, while European and Asian investors have shown little to no interest in gold. Chinese investors have recently been selling gold ETFs to buy domestic stocks.

ETF INFLOWS/OUTFLOWS IN TONNES



Source: World Gold Council

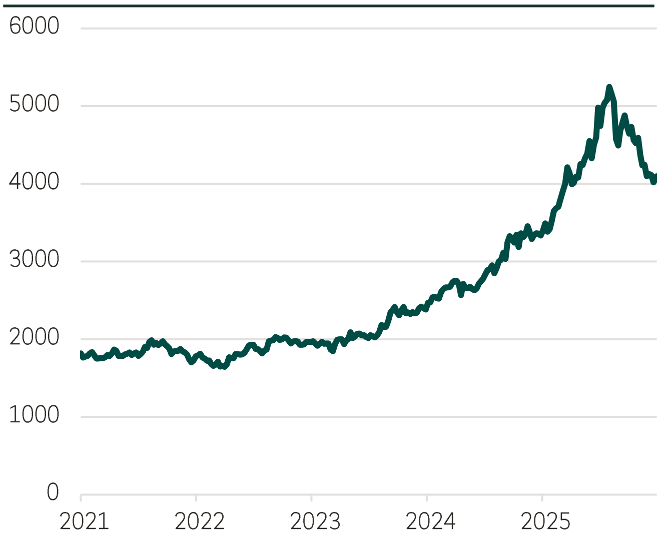
Will retail interest return in the second half of 2026?

Negative momentum for retail gold investments might reverse in tandem with a correction in short-term rates and a depreciation of the US dollar. Such a scenario depends on a de-escalation in the Middle East, which would help to ease energy prices, inflation expectations and interest rates. With retail speculation mostly eased in the markets, healthy conditions are now in place for a further rise in the gold price once the above scenario unfolds. The timing of such a recovery is uncertain, as gold has gone through relatively long consolidation phases in the past.

Structural bullish drivers remain intact

We continue to believe that longer term trends are supportive for gold as a portfolio diversifier. Fiscal deterioration, particularly in the West, will continue to be an important theme in the coming quarters as significant investments in defence and infrastructure become structural. Geopolitical instability has incentivised allies and opponents of the West alike to diversify reserves away from US Treasuries into gold. We therefore maintain a Positive outlook for gold but have lowered our 12-month target price to USD 5,000 per ounce due to the strong dollar and higher interest rates weighing on the yellow metal.

GOLD PRICE ($ PER OUNCE)



Source: Factset

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