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Gold price: New all-time high or calming of the market?

The question of the future development of the gold price preoccupies many investors and interested parties alike. Will the price of this valuable precious metal continue to rise to unimagined heights or will the market possibly calm down? It is extremely difficult to give a clear answer to this question, as the gold market is influenced by numerous factors. Nevertheless, in the following we would like to highlight a possible price development on the basis of the current indicators.

The indicators

Demand from the market:

In the jewellery industry, sales are expected to rise again compared to previous years. It is assumed that mainly China and also India will be more active in the market again. The figures for the 1st quarter this year are slightly above the figures from Q1/2021.

ETFs:

As mentioned in our last gold market report, there was an outflow in Q1/2023 overall, but there were already inflows again in March and also in April, which almost offset the outflows. In general, the market assumes that ETFs will increase slightly for the rest of the year.

Investment:

Demand for coins and gold bars, which had risen very strongly in recent years, has now fallen in the first quarter of 2023, contrary to the expectations of the experts, who had expected a decline only towards the end of 2023/beginning of 2024. However, the comparison here is with an exceptionally high level of demand: Q1/2023 is stronger globally compared to Q1/2022, but much weaker in relation to the last quarters from 2022. In this context, the strongest European market to date has been Germany, which has seen the strongest decline. The decline by investment in gold continues and this trend is now expected to continue unless other stimuli boost demand again.

In der Schmuckindustrie werden im Vergleich zu den Vorjahren wieder steigende Umsätze erwartet. Man geht davon aus, dass hier hauptsächlich China und auch Indien wieder stärker im Markt agieren werden. Die Zahlen für das 1. Quartal in diesem Jahr sind leicht über den Zahlen aus Q1/2021.

Geopolitical and fiscal development

We currently see no surprises in the fiscal policy development for the rest of the year. The monetary watchdogs of the Fed and the ECB will continue to pursue their goal of pushing inflation to normal levels and will probably implement the planned interest rate hikes as scheduled. Due to the delayed start of rate hikes by the ECB compared to the Fed, the key interest rate in Europe will continue to rise, even if this is not the case in the USA. Inflation data will therefore play an important role in the coming months with regard to central bank decisions.

It is important to keep an eye on the development of the euro, as the EUR/USD exchange rate also has an impact on precious metal prices in Central Europe. Analysts see

Gold price development spot ASK €/g as of 01/2021

the USD weakening somewhat again in the second half of the year. Consequently, if the gold price $/oz remains the same, a weaker US dollar would make gold cheaper in Europe.

The coming months will seemingly show how the situation in Ukraine will develop geopolitically. Furthermore, the political tensions between China and Taiwan remain, despite things having calmed down a bit recently. Depending on the circumstances, there could be significant implications for the gold market here.

Gold supply in the market:

Market supply comes from the global gold mining companies and the gold refiners. Here, capacities are currently sufficient according to demand. Some mining projects will be completed this year, which will lead to a slight increase in production capacities. Driven by the higher gold price, a lot of scrap gold found its way to the gold recyclers (refineries) in Q1. Compared to the previous quarter, almost 20 tonnes more fine gold were processed by refineries such as C.HAFNER. A shortage of fine gold is therefore not to be expected.

Perspective

In this gold market report we have presented to you only some of the indicators that can influence the gold price. However, there are other factors that have a similarly strong impact. This illustrates the difficulty of making forecasts about price developments. Nevertheless, one can try to interpret the current circumstances in a relatively stable market situation.

So what conclusions can be drawn from the above information? There will probably not be any massive movements. After the price jumps in March and April, further price increases may be possible in the short term. In the summer, we expect prices to calm down. In the second half of the year, lower prices are possible – if conditions remain the same.