Global Matters Weekly

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Gold's decade-long rally now rivals the S&P 500

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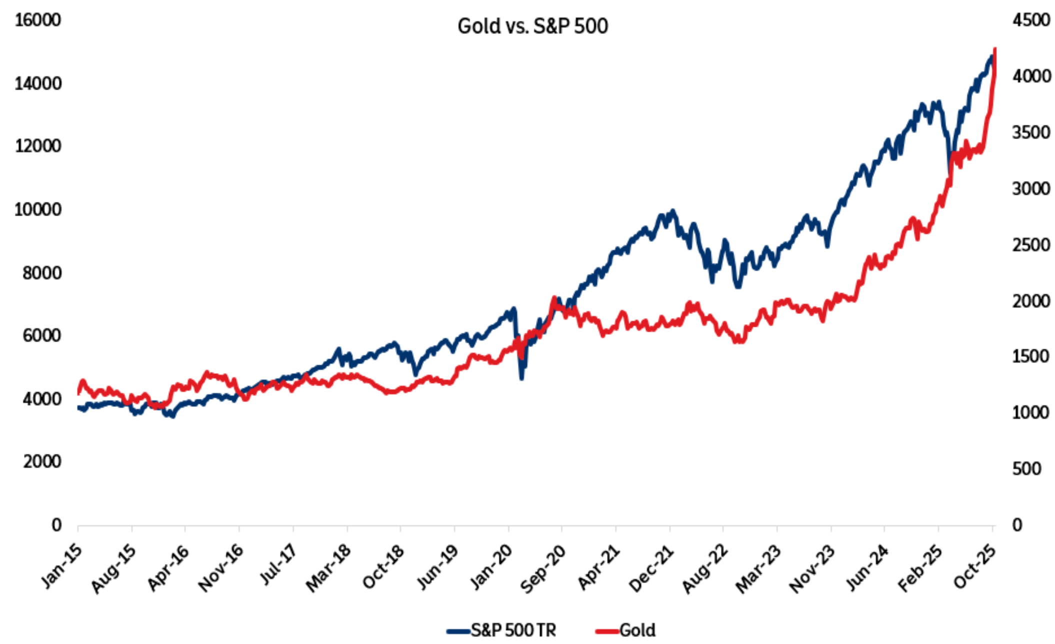

Source: Momentum Global Investment Management, Bloomberg Finance L.P. Data to 17 October 2025.

What this chart shows

This chart shows the cumulative return of investing in gold and the S&P 500 Index (with dividends reinvested) over the past 10 years.

Why this is important

The S&P 500 has had an astonishingly high return over the past 10-years of 285%, equivalent to an annual return more than 14 percent. Transformative technologies have created enormous increases in market capitalisation for companies such as Apple, Tesla and Invidia. It is therefore remarkable that gold, a commodity which has little intrinsic value and no cashflow generation, has produced an equivalent return to US equities over the past decade.

The recent surge in gold prices can be attributed to a confluence of factors. Firstly, many central banks, especially those in emerging markets, have stepped up purchases of gold as part of reserve diversification away from G7 currencies and to hedge geopolitical risk. Secondly, large inflows into gold-backed ETFs have provided new avenues of demand from institutional and retail investors alike. And thirdly, hedge funds and other speculators have increasingly positioned for higher gold prices, adding momentum to the rally—as noted by the build-up in net long positions in futures and options markets.

However, it's worth emphasising the speculative nature of the current advance. Unlike equities or bonds, gold does not generate cash flows (dividends, coupons or earnings) and so its value is heavily determined by capital flows and expectations about inflation, interest rates, central-bank policy and currency moves rather than fundamentals in the traditional sense. This means that when sentiment changes—say if real interest rates rise unexpectedly, the dollar strengthens, or central-bank buying slows—a sharp downside risk emerges. In other words: the very drivers supporting the rally today could reverse, and because gold is difficult to value on a standard discounted-cash-flow basis, losses in this asset class can come more swiftly and without the same warning signs as for yield-producing assets.

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