



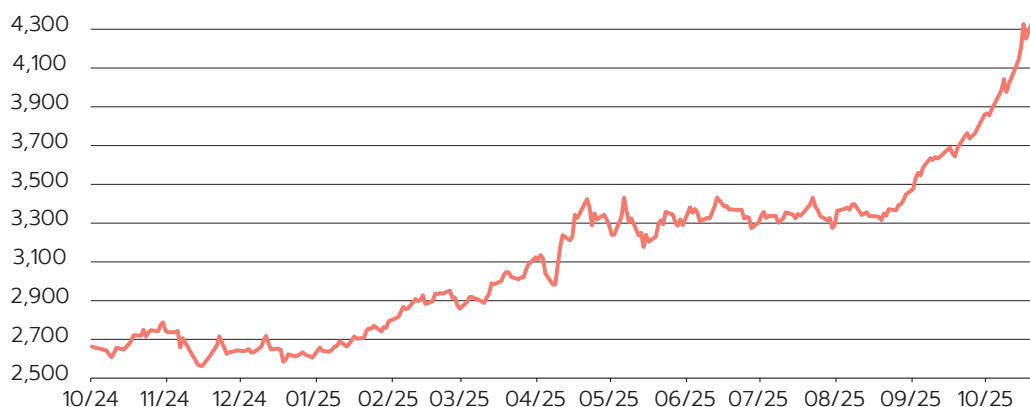
## A WORD ON GOLD, A SAFE HAVEN

# GOLD: A SAFE HAVEN BACKED BY SOLID FUNDAMENTALS

## By Benjamin Louvet, Head of Commodities Management Strategies at Ofi Invest Asset Management

Gold has crossed the historic and symbolic threshold of \$4,000 per ounce. It is up by more than 50% on the year to date, its biggest gain since 1979, when it spiked by 127% amidst the energy crisis and the accompanying inflationary surge. Some may call gold's YTD performance a speculative bubble, but a closer analysis reveals the powerful structural forces that are behind it. Far from irrational exuberance, gold's gains are playing out against a profoundly unstable economic, monetary and geopolitical backdrop that has restored its long-standing role as a safe haven.

GOLD PRICE IN DOLLARS (PER OUNCE)



Sources: Bloomberg, Ofi Invest AM, data as of 21/10/2025

### Global debt: a catalyst of demand

The main factor driving gold up remains debt levels in major economies, such as the United States, Japan and China. These levels are forcing central banks to keep rates low for the medium term, in order to ease those countries' debt-servicing burdens. US public debt currently amounts to 120% of GDP, a historic peacetime high. As an illustration, a 1% increase in interest rates ultimately results in 1.2% of GDP in additional debt servicing, a huge burden on public finances.

Falling real interest rates, into negative territory in the case of some major economies, lessens the opportunity cost of holding gold, which produces no dividends or interest. This has made gold a credible alternative to sovereign bonds, remuneration on which has fallen too low to offset monetary erosion.

Real assets have thus become more attractive in anticipation of further monetary easing by the US Federal Reserve, alongside persistent structural inflation. Gold prices have been driven up faster by the US shutdown, i.e., the closing of US federal offices, due to the failure by the White House and Congress to agree to the annual budget prior to the end of the fiscal year, on 30 September.

In addition to the US's fiscal standing, global debt is a key concern, especially the public deficits of countries such as the United Kingdom, whose government has exhausted its budget leeway, and France, where Prime Minister Sébastien Lecornu is having difficulty building a majority to pass a budget.

Against this stressful backdrop, investors are seeking safe havens, including gold, in reaction to the risk of debt-driven currency depreciation. The markets are concerned about US debt sustainability, as seen in Moody's<sup>(1)</sup> recent downgrade, which, for the first time removed its highest rating ("Aaa") from its US credit rating. This is sending investors into tangible assets, such as gold, which is not beholden to any sovereign issuer. In short, gold cannot go bankrupt.

Past performances are not a reliable indicator of future performances.

<sup>(1)</sup> Financial ratings agencies assess the risk of non-repayment of the debt of a national or local government, or a company.



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## A shift in the geopolitical paradigm

Since the invasion of Ukraine in 2022, the traditional link between real rates and gold prices has slackened. The freezing of Russia's dollar-denominated assets has undermined trust in the dollar as a safe haven, particularly in Asia. As a result, the gold price is being set more in Asia than in the West, with the increasing prominence of Chinese and Indian investors. This shift in the gold market's centre of gravity reflects a growing desire to diversify currency reserves, in a world where geopolitical tensions and economic sanctions are recasting the balances between currencies.

Nor must the central banks' impact be overlooked, as they are accumulating massive amounts of gold in order to diversify their reserves and reduce their dollar dependence. The figures speak for themselves – over the past three years, central banks have bought up more than 1000 tonnes of gold, accounting for more than 20% of the global market. 43% of central banks surveyed by the World Gold Council<sup>(2)</sup> in 2025 said they wanted to expand their gold holdings within the next 12 months, and none planned to sell any gold. Unlike bonds, which make up a large portion of their reserves, gold poses no counterparty risks. Keep in mind also that, unlike other financial market actors, central banks can generate income from their gold by lending it to other entities.

As for inflows, in addition to central banks, we seek lots of potential, as there is still very little investment in the form of gold. Gold, in fact, still accounts for less than 2.5% of financial investments<sup>(3)</sup>, which leaves lots of upside potential. Some major allocation managers recommend expanding gold allocations. One of these is Ray Dalio, founder of the investment fund Bridgewater, who now recommends investing 15% of assets into gold. Mike Wilson, Chief Investment Officer at Morgan Stanley\*, goes as far as recommending a 20% allocation.

### What are the risks for gold?

Even with its solid fundamentals, gold is not risk-free. A technical correction is possible in the short term after such steep gains, but we don't think that would disrupt the underlying trend.

The main risk is still that real rates will rise faster than expected, which would make gold less attractive to income-generation assets, such as stocks and bonds. Gold does not do this; its only gains are derived from capital gains upon resale.

Likewise, a significant improvement in the fiscal outlook in major economies could lessen the demand for safe havens.

Another factor to keep an eye on is speculation. Excessive run-ups in market exposure to derivatives or ETFs could cause instability. Such risks are moderate for the moment, but it's still worth being cautious.

## Conclusion: a strategic diversification

Precious metals are not core portfolio assets, but serve as diversification. In an uncertain world, they may play a stabilising role. An allocation in gold and, more broadly, in precious metals, must be moderate in measure, as markets in them are volatile and vulnerable to exogenous shocks.

In our view, as long as the global debt problem has not been resolved, gold will retain its safe haven status.

### What about silver? What is its status?

Silver, which is often called "poor man's gold", also has upside potential, in our view. Beyond its status as a safe haven that is more affordable than gold, industrial demand for it is booming. For, silver has a very valuable physical property – it's the metal that best conducts electricity. That's why it is used in many technologies, particularly in low-carbon ones, such as photovoltaics and electric vehicles. In 2024, these two uses already accounted for 30% of global demand.

The silver market is in deficit for the fifth consecutive year and is expected to remain so. Unlike gold, silver is both a store of value and an increasingly useful industrial component, making it an especially attractive hybrid asset for the energy transition. Silver, however, does not possess the same store-of-value status as gold for central banks.

<sup>(2)</sup> The World Gold Council is an international organisation representing the global gold industry. It also promotes gold to investors, institutions and governments.

<sup>(3)</sup> Source: Bank of America Global Fund Manager Survey, September 2025.

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