

What's next for gold?

Gold surged to an all-time high this week, boosted by expectations for US rate cuts, geopolitical tensions, and China's economic woes. How much further can it go?



Gold prices have risen on expected US Fed rate cuts, geopolitical tensions and China's economic woes

All eyes on the Fed

The key driver for the outlook of gold prices for the past year has been the Federal Reserve policy. Our US economist expects the first cut in June while swaps markets show a 65% chance of a cut in June compared with 58% at the end of February.

Gold rose to a peak of \$2,164.78/oz on Thursday before paring some of the gains. However, this week's move higher was not driven by any significant change in the outlook for when the Fed would start cutting rates.

Fed Chair Jerome Powell reiterated this week that it will likely be appropriate to begin to lower borrowing costs "at some point this year", but also said that the central bank wants more confidence that inflation is moving sustainably toward 2%. Lower rates are typically positive for gold, which doesn't offer any interest.

Treasury yields are on the way down



Source: Refinitiv Eikon, ING Research

Still, the fundamentals look supportive for gold. Gold prices have held above the key \$2,000/oz level since December, with the precious metal being supported by safe-haven demand amid geopolitical tensions. Ongoing geopolitical risk in Ukraine and the Middle East continue to provide support to gold.

Investors turn bullish on gold

As well, investors' interest in the precious metal finally returned, with the latest Comex data showing money managers adding fresh long positions, reflecting bullish sentiment in the gold market.

Looking further ahead, we believe we will see more long positions being added given higher gold prices as US interest rates fall.

Investors return to gold



Source: CFTC, WGC, ING Research

China leads central banks' gold buying spree

Gold has also been supported by strong central bank buying, particularly by China. Central banks bought 1,037 tonnes of gold last year, just shy of the all-time high of 2022, as shown by data from the World Gold Council, as reserve diversification and geopolitical concerns pushed central banks

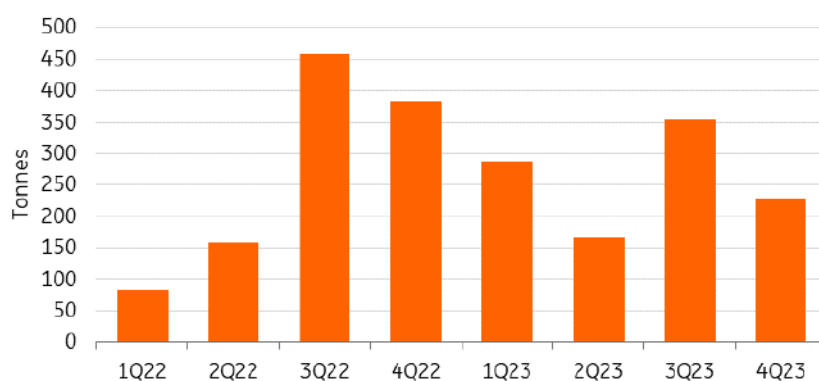
to increase their allocation towards safe assets.

Last month, China's central bank added gold to its reserves for a 16th straight month. The People's Bank of China now owns 72.58 million troy ounces, equivalent to about 2,257 tonnes, after adding about 390,000 troy ounces last month.

In the Chinese domestic market, buyers have also flocked to gold amid the country's economic woes. Swiss exports to China, which is usually a good indication of Chinese demand for the precious metal, more than doubled in January from December to 77.8 tonnes, while shipments to Hong Kong rose almost sevenfold to 44.6 tonnes, data from the Swiss Federal Administration shows.

Gold tends to become more attractive in times of instability when investors pile into safe-haven assets as a hedge against the economic climate, geopolitical tensions or inflation. We believe this is likely to continue this year.

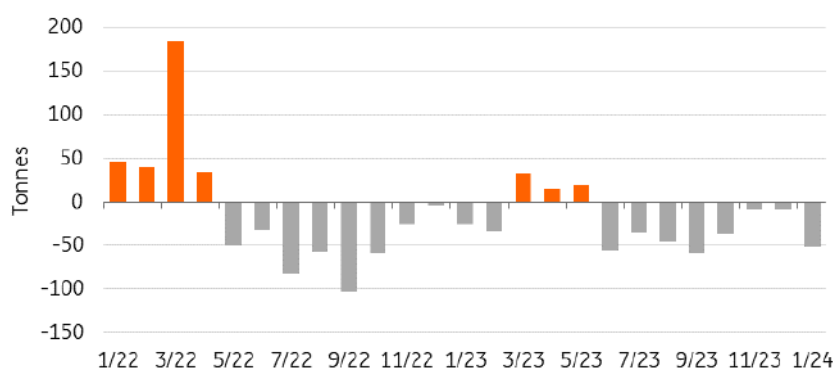
Central banks keep buying gold



Source: WGC, ING Research

However, investment demand for gold is yet to rebound. Total holdings in bullion-backed ETFs have continued to decline. Global gold ETFs collectively saw another outflow in February, extending their losing streak to nine months. North America led outflows, while Asia was the only region that captured inflows, as shown by data from the World Gold Council.

ETF outflows continue



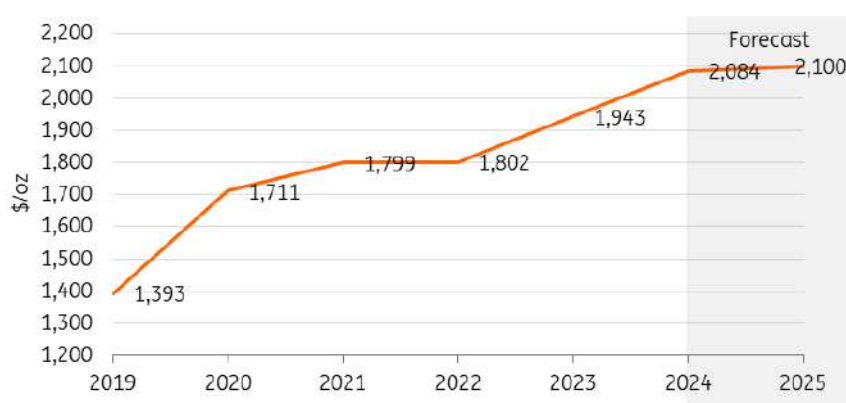
Source: WGC, ING Research

Gold eyes more gains

We expect gold prices to trade higher this year as safe-haven demand continues to be supportive amid geopolitical uncertainty with the ongoing wars and the upcoming US election. We have revised our 2024 gold forecast higher, and we now expect fourth quarter prices to average \$2,150/oz and we expect an average of \$2,084/oz in 2024 on the assumption that the Fed starts cutting rates in June and the dollar weakens. Downside risks revolve around US monetary policy and dollar strength. The higher-for-longer narrative could see a stronger dollar for longer and weaker gold prices.

We expect gold prices to remain volatile in the coming months as the market reacts to macro drivers, tracking geopolitical events and Fed rate policy.

ING forecast



Source: ING

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HSBC makes tokenized gold available to Hong Kong retail clients

March 27, 2024 • by Ledger Insights



Last November [HSBC](#) revealed the first institutional trades of [tokenized gold](#), where the physical gold is stored in HSBC's London vault. Today the bank announced that retail investors can now access the tokens in Hong Kong via online banking and the website. While it's not the first bank to target consumers with tokenized gold, it is certainly the largest.

When it launched the institutional offering, it said it would extend it to retail depending on local regulations. In this case, the offering was approved by Hong Kong's Securities and Futures Commission (SFC), which [released advice](#) about tokenization in November.

"We acknowledge the rising demand for digital assets and the existing familiarity of our customers with gold investment," said Maggie Ng, general manager and head of wealth and personal banking Hong Kong at HSBC, as reported by the [South China Morning Post](#).

The tokens are issued via [HSBC Orion](#), the tokenization platform used for issuing the \$750m plus [Hong Kong green bond](#).

Tokenized gold initiatives

Tokenized gold issued by crypto firms has already surpassed \$1 billion in issuance, with Tether as the largest token issuer with a market capitalization of more than \$500 million. Paxos Trust is the second largest issuer, with almost \$400 million.

Meanwhile, other banks to tokenize gold include Russian state-controlled bank [Sber](#). Russia recently passed laws to enable those types of tokens to be used for cross border payments, with the U.S. Treasury [sanctioning](#) several token platform operators yesterday.

Turkey's [Takasbank](#), a subsidiary of the local stock exchange, launched [BiGA Digital Gold](#) back in 2019.

Last year the Zimbabwean government issued gold-backed tokens, [ZiG](#), that can be used to make payments. In the United States, asset manager [WisdomTree](#) launched gold tokens, with the gold held in custody by HSBC. And in Japan, Mitsui & Co. Digital Commodities issued the [Zipangcoin](#).

Various gold mints have dabbled with DLT and tokenization. [Perth Mint](#) abandoned its gold token initiatives. In 2018, the [UK's Royal Mint](#) ditched its plans before launch. Earlier this month, the [Royal Canadian Mint](#) said it was adopting DLT, but for provenance rather than retail access.

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The Commodities Feed: China buys more gold in February

China's central bank added gold to its reserves for a sixteenth straight month in February as reserve diversification and geopolitical concerns push central banks to increase their allocation towards safe assets. We believe this is likely to continue this year



Metals: China buys more gold

Last month, China's central bank added gold to its reserves for a sixteenth straight month. The People's Bank of China now owns 72.58 million troy ounces, equivalent to about 2,257 tonnes, after adding about 390,000 troy ounces last month. Central banks bought 1,037 tonnes of gold last year, just shy of the all-time high of 2022, as shown by data from the World Gold Council, as reserve diversification and geopolitical concerns pushed central banks to increase their allocation towards safe assets.

In the Chinese domestic market, buyers have also flocked to gold amid the country's economic woes. Swiss exports to China, which are usually a good indication of Chinese demand for the precious metal, more than doubled in January from December to 77.8 tonnes, while shipments to Hong Kong rose almost sevenfold to 44.6 tonnes, data from the Swiss Federal Administration shows.

Gold tends to become more attractive in times of instability when investors pile into safe-haven assets as a hedge against the economic climate, geopolitical tensions or inflation. We believe this is likely to continue this year.

Meanwhile, [gold continues to hover near record highs](#) this morning with prices on track for

the biggest weekly gain since October. The latest comments from Fed Chair Jerome Powell suggesting that “the central bank is getting close to the confidence it needs to start lowering rates” has significantly changed the outlook for the Fed rate cut timings this year. We expect gold prices to remain volatile in the coming months as the market reacts to macro drivers, tracking geopolitical events and Fed rate policy.

However, gold ETF holdings continue to decline with total known holdings reporting outflows of 135.4koz to 82.1moz as of yesterday. Net outflows for the month now stand at 285.9koz, taking the total gold ETF holdings to the lowest since December 2019.

Energy: Oil rises on partial suspension of Keystone pipeline

Oil edged higher this morning on reports that TC Energy Corp's Keystone oil pipeline shut operations partially yesterday after pressure dropped on a segment of the pipeline, running from Hardisty, Canada, to Steele City, Nebraska. In the latest update, the company reported that the pipeline is safely operating after a brief suspension, although details on supply disruption are not available yet. The 622Mbbls/d oil pipeline which transports heavy Canadian crude to the US Midwest and Gulf Coast has a long history of disruptions, including a 12Mbbl spill in December 2022, leading to a two-week-long shutdown of the line. The pipeline has been operating at a reduced pressure since the spillage incident.

The latest data from Insights Global shows that refined product inventories in the ARA region increased by 137kt over the last week to 6.03mt. The rise was predominantly driven by fuel oil stocks increasing by 148kt for a fourth consecutive week to 1.64mt, the highest since April 2021. Meanwhile, weekly gasoline stocks also saw a build of 59kt over the reporting week to 1.24mt. However, gasoil stocks in the region fell by 26kt to 2.03mt over the last week.

Meanwhile, data from Singapore shows that total refined products inventory in the country fell by 2.8MMbbls (-6% week-on-week, after reporting gains for three consecutive weeks) to 44MMbbls, the lowest since the week ending on 14 February 2024. The decline was led by residual fuels with inventories falling by 1.35MMbbls for a second consecutive week to 19.14MMbbls/d for the week ending on 6 March 2024, the lowest since the week ending on 6 December 2023.

For natural gas, the EIA reported an inventory withdrawal of 40Bcf for the last week, slightly higher than the market expectations of around 37Bcf withdrawals. However, this was the fifth consecutive undersized draw with the pace of inventory withdrawal remaining below the five-year average fall of 93Bcf, primarily due to warmer-than-normal temperatures over most of the US and higher supplies. Natural gas inventories are up almost 13.6% from the same period last year, while also remaining 31% higher than the five-year average for this time of the year.

Agriculture: Brazil soybean exports rise

The latest data from Brazil's Trade Ministry shows that soybean exports from the nation jumped by 31.7% year-on-year to 6.6mt in February, compared to 5mt for the same period last year. The rise was led by the higher availability of soybeans at competitive rates in Brazil, due to a record crop season last year. Among other grains, corn exports from the country fell 24.7% to 1.7mt last month.

The USDA's weekly net export sales report shows that soybean shipments stood at 680kt for the week ending on 29 February, much higher than the 160kt a week ago and 149kt for the same

period last year. This is also higher than the average market expectation of 338kt. Similarly, US wheat export sales rose to 335kt, marginally higher than the 322kt reported a week ago and almost flat from 337kt reported a year ago. The market was expecting a number closer to 395kt. In contrast, US corn shipments stood at 1,110kt, lower than the 1,247kt a week ago and 1,525kt reported a year ago but higher than the average market expectations of 1,050kt.

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