Market Talks
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COMMODITIES · BEGINNER · LESSON 9 OF 15

Gold: The Safe Haven

Why gold is different from every other commodity, where it trades, who buys it, what moves its price, and what the record run of 2025 and 2026 teaches

13 min read 8 quiz questions with answer key

COMMODITIES · BEGINNER · LESSON 9 OF 15

Gold: The Safe Haven

IN ONE SENTENCE

Gold is a commodity, but it behaves more like money. Almost all the gold ever mined still exists, so the price depends less on how much is produced each year and more on who wants to hold it. Jewellery, technology, investors and central banks are the four sources of demand. Gold is traded around the clock in London, New York and Shanghai. It tends to rise when interest rates after inflation fall, when the dollar weakens and when fear rises. Its 2025 to 2026 run, and the sharp fall that followed, show that a safe haven is not a safe price.

A commodity that behaves like money

Most commodities are used up. Oil is burned, wheat is eaten, copper is built into cables and stays there. Gold is different: it does not rust, it does not decay, and very little of it is truly consumed. Almost all the gold ever mined still exists today, as jewellery, bars, coins and central bank reserves.

This has an important result. Each year's new mine production is small compared with the huge stock of gold already above ground. So the gold price depends less on how much is mined and more on whether people want to **hold** gold or **sell** what they have. That makes gold behave more like a currency than like oil or wheat.

For thousands of years gold has been used as money and as a store of value. It is not issued by any government and cannot default, so when people lose trust in currencies, banks or governments, many turn to gold. That is why it is called a **safe haven**.

The Forex track covers how to trade gold as XAU/USD. This lesson looks at gold as a physical commodity: its market, its buyers and the forces behind its price.

Where gold comes from

Gold supply has two sources:

- **Mine production.** Gold is mined on every continent except Antarctica. China, Russia, Australia, Canada and the United States are among the largest producers. A new mine can take ten years or more to develop, so mine supply grows only slowly even when prices are high.

- **Recycling.** Old jewellery and scrap from electronics are melted down and refined again. Recycling reacts faster to prices: when gold is expensive, more people sell their old jewellery.

Because supply changes so slowly, the big swings in the gold price almost always come from changes in **demand**.

Who buys gold

The World Gold Council (WGC) groups gold demand into four main sectors:

- **Jewellery**, traditionally the largest use, especially in China and India. Jewellery buyers are sensitive to price and buy less when gold is expensive.
- **Technology**, mainly electronics. Gold is an excellent conductor that does not corrode.
- **Investment**: bars and coins bought by individuals, and gold **exchange-traded funds (ETFs)** that hold physical gold in vaults.
- **Central banks**, which hold gold as part of their reserves.

In the third quarter of 2026, according to the WGC, total demand was **1,369 tonnes**. Central banks added **321 tonnes**, 42% more than a year earlier and their largest quarterly purchase since the end of 2024. Gold ETFs took in **211 tonnes**, lifting their holdings to a record **4,256 tonnes**. Bar and coin buying fell to a four-year low of **268 tonnes**, and technology demand rose to **85 tonnes**, helped by electronics for artificial intelligence. High prices weighed on jewellery, as usual.

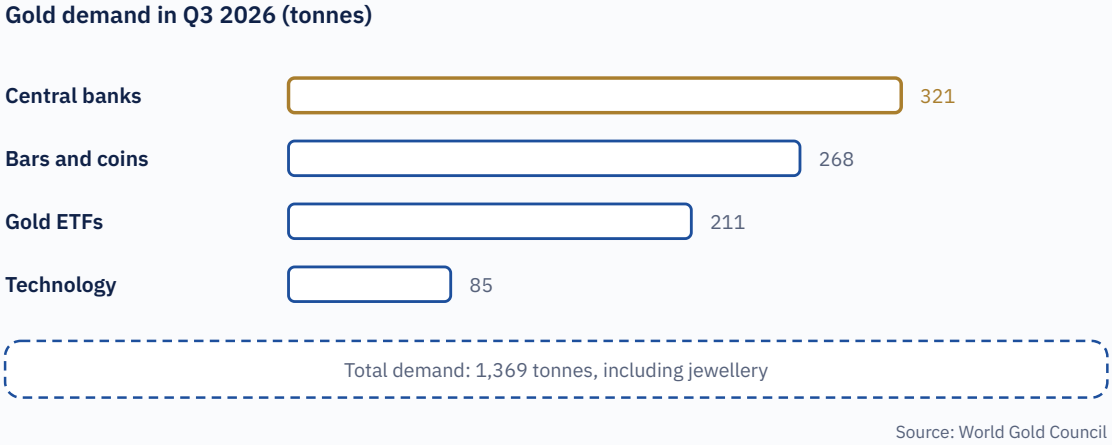


Figure 1. Gold demand in the third quarter of 2026. Central bank buying was the highest since the end of 2024.

Where gold trades

Gold trades almost 24 hours a day, passing from one financial centre to the next:

- **London** is the centre of the world's physical gold trade. Most deals are made directly between banks and dealers, outside an exchange, under the standards of the London Bullion Market Association (LBMA). The **LBMA Gold Price**, set by an auction twice each working day, is used as the reference price by central banks, miners and refiners.
- **New York** is home to COMEX gold futures at CME Group, the most actively traded gold futures market, covered in Lesson 6.
- **Shanghai** is the centre of the Chinese market, through the Shanghai Gold Exchange for physical gold and the Shanghai Futures Exchange for futures.

Prices in the three centres stay very close to each other, because traders quickly buy where gold is cheaper and sell where it is more expensive.



Figure 2. Gold passes from London to New York to Shanghai, so it trades almost 24 hours a day.

What moves the gold price

Gold pays no interest and no dividend. Its attraction therefore depends a lot on what other assets offer. The main drivers are:

- **Real interest rates.** These are interest rates after inflation. When they are high, cash and bonds pay well and holding gold costs income. When they fall, the cost of holding gold falls, and gold usually rises.
- **The US dollar.** Gold is priced in dollars. A weaker dollar makes gold cheaper for buyers using other currencies and usually supports the price.
- **Fear and uncertainty.** Wars, financial crises and political shocks push investors towards safe havens.
- **Central bank buying.** Many central banks have been adding gold to reduce their dependence on the dollar and on other countries' financial systems.
- **Investor flows.** Buying and selling through ETFs and futures can push the price strongly in both directions.

No single driver explains every move. In some periods gold rises with the dollar because fear dominates; in others it falls even during a crisis, because investors sell it to raise cash.



Figure 3. The main forces that usually push gold up or down.

The record run of 2025 and 2026

Gold rose about **65%** in 2025, its best year since 1979, and crossed **$4,000** an ounce for the first time in October 2025. The rise continued into 2026. Gold passed **$5,000** for the first time on January 26, 2026, and on **January 28** it reached an all-time high of **$5,589.38**, after rising more than $300 in a single day. Central bank buying, a weak dollar, fears about the US and Iran, and heavy investor demand all pushed in the same direction.

Then the trend turned. The average LBMA Gold Price fell from about **$4,873** in the first quarter of 2026 to about **$4,262** in the third quarter, and by mid-November 2026 gold was trading at around **$3,700**, roughly a third below its record.

The lesson is important. Gold is a safe haven in the sense that it is no one's debt and often holds its value over long periods. It is **not** a safe price. After a fast rise, gold can fall a long way, and traders who bought near the top with leverage faced heavy losses.

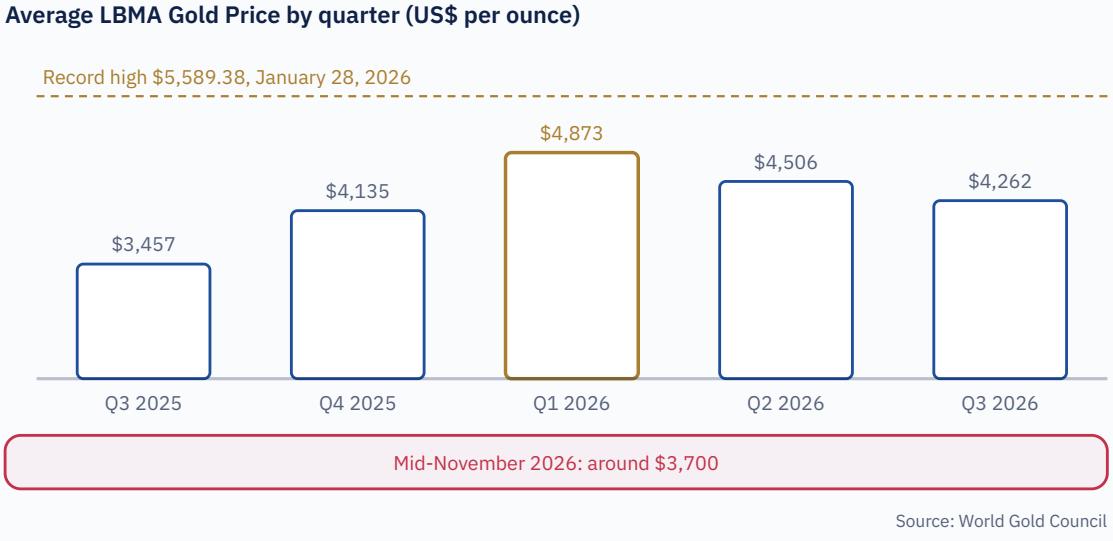


Figure 4. The quarterly average gold price peaked in early 2026 and then fell. Quarters run from left to right.

Why this matters for traders

- **Watch real rates and the dollar.** Changes in US interest rate expectations and in the dollar are often the quickest guide to gold's direction.
- **Follow central banks and ETFs.** The WGC's quarterly Gold Demand Trends report and monthly ETF flow data show who is buying and selling.
- **Fear spikes fade.** Gold often jumps on shocking news and gives back part of the move when the panic passes.
- **A safe haven can still fall hard.** Gold lost about a third of its value from January to November 2026. Use the same risk rules as in any other market.

Key terms

Safe haven	An asset investors buy in times of fear or uncertainty because they expect it to hold its value.
Above-ground stock	All the gold that has already been mined and still exists, as jewellery, bars, coins and reserves.
Recycling	Melting down old jewellery and scrap to refine the gold again.
Gold ETF	An exchange-traded fund that holds physical gold in vaults; its shares trade on a stock exchange.
Central bank reserves	Assets such as foreign currencies and gold that a central bank holds to support its currency and financial system.
LBMA Gold Price	The benchmark gold price set by auction twice each working day in London, used as the main reference price.
COMEX	The CME Group market in New York where gold futures are traded.
Real interest rate	An interest rate after subtracting inflation. Falling real rates usually support gold.
World Gold Council (WGC)	The gold industry's market development organisation, which publishes the main gold supply and demand data.

Key takeaways

1. Gold is hardly consumed, so the price depends mostly on whether people want to hold it, not on how much is mined each year.
2. Supply comes from mines and recycling and changes slowly; big price swings usually come from demand.
3. Demand comes from jewellery, technology, investment and central banks. In Q3 2026 central banks bought 321 tonnes and gold ETF holdings reached a record 4,256 tonnes.
4. Gold trades around the clock in London (LBMA), New York (COMEX) and Shanghai. Falling real rates, a weaker dollar, fear and central bank buying usually support it.
5. Gold hit a record $5,589.38 on January 28, 2026, then fell to around $3,700 by mid-November: a safe haven is not a safe price.

Test yourself

Circle one answer for each question. The answer key with explanations is on the next page. You can also take this quiz online at markettalks.info and see your score instantly.

1. Why does the gold price depend less on yearly mine production than the price of oil does on oil production?

- A Because gold mines never stop producing
- B Because almost all the gold ever mined still exists, so new supply is small compared with the existing stock
- C Because gold is not traded on exchanges
- D Because the price of gold is fixed by governments

2. Which source of gold supply reacts fastest to a higher gold price?

- A New mines
- B Recycling of old jewellery and scrap
- C Central bank vaults
- D Gold ETFs

3. According to the World Gold Council, how much gold did central banks add in the third quarter of 2026?

A. About 85 tonnes
B. About 211 tonnes
C. About 321 tonnes
D. About 1,369 tonnes

4. What is the LBMA Gold Price?

A. The price of gold futures in Shanghai
B. A benchmark price set by auction twice each working day in London
C. The price a jeweller charges for a ring
D. The cost of storing gold in a vault

5. Real interest rates fall sharply. What usually happens to gold?

A. It usually falls, because gold pays interest
B. It usually rises, because the cost of holding a non-interest-paying asset falls
C. Nothing, real rates do not affect gold
D. Gold trading stops

6. Why does a weaker US dollar usually support the gold price?

A. Because gold is priced in dollars, so it becomes cheaper for buyers using other currencies
B. Because the dollar is made of gold
C. Because the US government buys gold when the dollar falls
D. It never does

7. What was gold's all-time high, and when was it reached?

A. $4,000 in October 2025
B. $5,000 on January 26, 2026
C. $5,589.38 on January 28, 2026
D. $3,700 in November 2026

8. What does gold's fall from about $5,589 to around $3,700 in 2026 teach traders?

A Gold can never fall

B A safe haven can still fall a long way after a fast rise, so risk rules still apply

C Gold always moves exactly opposite to oil

D Central banks stopped buying gold

Answer key

1 B

Because almost all the gold ever mined still exists, so new supply is small compared with the existing stock

Oil is burned and used up, but gold is hardly consumed. The huge above-ground stock means demand to hold or sell it matters more than each year's production.

2 B

Recycling of old jewellery and scrap

A new mine can take ten years or more. Recycling responds quickly: when gold is expensive, more people sell old jewellery.

3 C

About 321 tonnes

Central banks added 321 tonnes, 42% more than a year earlier. 1,369 tonnes was total demand, 211 tonnes went into ETFs and 85 tonnes into technology.

4 B

A benchmark price set by auction twice each working day in London

The LBMA Gold Price is set by auction twice a day in London and is the main reference price for central banks, miners and refiners.

5 B

It usually rises, because the cost of holding a non-interest-paying asset falls

Gold pays no interest. When real rates fall, cash and bonds pay less after inflation, so holding gold becomes relatively more attractive.

6 A

Because gold is priced in dollars, so it becomes cheaper for buyers using other currencies

Gold is priced in US dollars. When the dollar weakens, buyers in other currencies need less of their own money to buy an ounce, which tends to lift demand.

7 C

$5,589.38 on January 28, 2026

Gold first passed $5,000 on January 26, 2026, and two days later reached its all-time high of $5,589.38.

8 B

A safe haven can still fall a long way after a fast rise, so risk rules still apply

Gold keeps its role as a safe haven over long periods, but its price can drop sharply. Central banks were in fact still buying heavily during the fall.

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