Market Talks
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FOREX · BEGINNER · LESSON 13 OF 15

# Gold (XAU/USD): How It Trades Alongside Currencies

Why gold sits next to the currency pairs on your platform, how its price and contract size work, what moves it, and how to size a gold trade safely

12 min read  8 quiz questions with answer key

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# Gold (XAU/USD): How It Trades Alongside Currencies

IN ONE SENTENCE

Gold has been used as money for thousands of years, and the forex market still treats it almost like a currency. On trading platforms it is quoted as XAU/USD: the price of one troy ounce in US dollars. Gold reacts to interest rates, the dollar, fear and central bank buying, and it can move much more in a day than the major currency pairs, so it needs its own position sizing.

## Gold on a forex platform

Open the list of markets on almost any forex platform and, next to EUR/USD and USD/JPY, you will find **XAU/USD**. As you saw in Lesson 2, XAU is the international code for gold, from Au, its chemical symbol. Gold sits among the currencies for good reasons: for most of history it *was* money, central banks still hold it as part of their reserves, and it is traded around the clock by the same banks that trade currencies.

XAU/USD is read exactly like a currency pair. The base, XAU, is always **one troy ounce** of gold, about 31.1 grams. The quote currency is the US dollar. So a price of **4,100.45** means one ounce of gold costs 4,100.45 US dollars. Buying XAU/USD means buying gold and selling dollars; you profit if the price rises.

Most retail traders do not buy physical gold bars through their broker. They trade a **contract for difference (CFD)** or a similar product that follows the gold price. You gain or lose on the price change, just as with currency pairs. Prices in this lesson are examples unless a date is given.

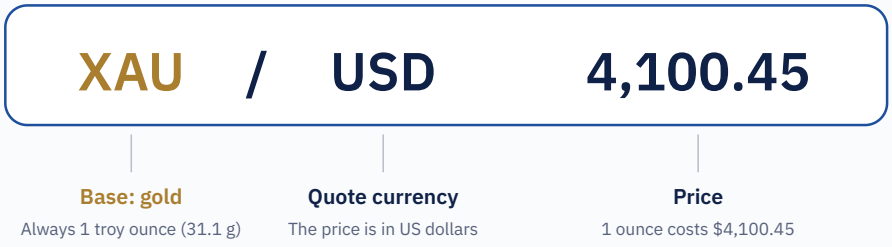



Figure 1. XAU/USD is read like any currency pair: the price of one troy ounce of gold in US dollars. The price is an example.

# Lots, points and what a move is worth

Gold uses different units from currency pairs, and mixing them up is one of the most expensive beginner mistakes. On most platforms:

- **1 lot of gold is 100 troy ounces.** So 0.10 lot is 10 ounces and 0.01 lot is 1 ounce.
- Prices are quoted to **two decimal places**, so the smallest step is $0.01.
- A move of **$1** in the gold price is worth **$100 per lot**, $10 per 0.10 lot and $1 per 0.01 lot.

As Lesson 4 explained, traders and brokers disagree about what a "pip" is for gold: some call $0.01 a pip, others $0.10. To avoid confusion, many gold traders simply talk in **dollars**: "gold rose $25 today". Always check the contract specification on your platform, because some brokers use different lot sizes.

Gold can easily move $30 to $60 in a day, and much more on big news. With 1 lot, a $50 move is a $5,000 gain or loss. That is why the same lot size that feels small on EUR/USD can be very large on gold.




Figure 2. What a $1 move in gold is worth at three common lot sizes.

# What moves gold

Gold pays no interest and has no earnings, so its price depends on how attractive it is compared with other assets. The main drivers are:

- **Real interest rates.** This is interest rates minus inflation. When real rates rise, holding gold, which earns nothing, becomes less attractive, and gold tends to fall. When they fall, gold tends to rise. That is why gold often reacts strongly to central bank decisions (Lesson 8).
- **The US dollar.** Gold is priced in dollars, so a weaker dollar usually means a higher gold price, and a stronger dollar a lower one.
- **Fear and safe-haven demand.** In wars, financial crises and periods of political uncertainty, investors often buy gold as protection (Lesson 7).

- **Central bank buying.** According to the World Gold Council, central banks bought more than 1,000 tonnes of gold a year in 2022, 2023 and 2024, far above their earlier average. Steady buying like this supports the price.
- **Investment and jewelry demand.** Gold funds, bars and coins, and jewelry buying, especially in China and India, also matter.
- **Inflation worries.** Many investors see gold as a store of value when they fear that money will lose purchasing power.

These drivers do not always point the same way. Sometimes gold rises with the dollar, for example when fear drives investors into both. As with currencies, what matters most in the short term is how news compares with expectations.




Figure 3. The main forces behind the gold price. They do not always point the same way.

## A market that can move a long way

Gold can trend strongly for years, and it can also fall sharply. Recent history shows both. Gold started 2024 near $2,060 an ounce and ended it around $2,625. It crossed $4,000 for the first time in October 2025 and reached a record of about **$5,590** on 28 January 2026. By late October 2026 it had fallen to about **$3,870**, roughly 30% below the peak, before recovering to around $4,100 in early November.

A fall of 30% would be extraordinary for a major currency pair. For gold, large swings in both directions are part of its character. A trader who bought near the top with a large position and no stop loss would have lost far more than a currency trader in the same period.

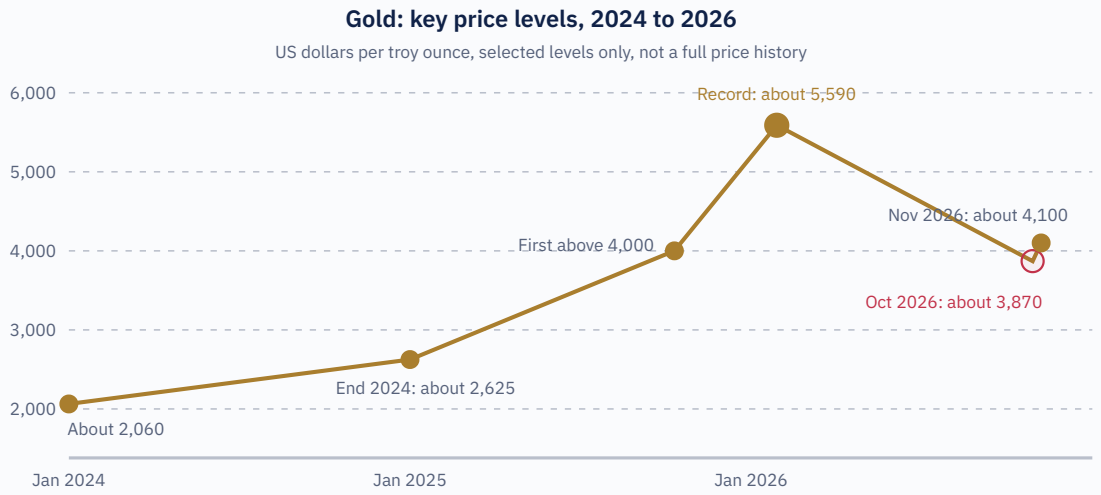



Figure 4. Selected gold price levels from January 2024 to November 2026, showing a strong rise to a record and a sharp fall after it.

## Trading hours, benchmarks and news

Gold trades almost 24 hours a day from Monday to Friday, following the same sessions as currencies (Lesson 6). Most brokers pause gold for a short break each day around the 5 p.m. New York rollover.

- **London** is the center of the physical gold market. The **LBMA Gold Price**, a benchmark used around the world, is set twice a day by an auction at 10:30 and 15:00 London time.
- **New York** is home to the biggest gold futures market, COMEX, and to the US data that moves gold most: jobs, inflation and Fed decisions.
- **Asia**, especially China and India, is the largest source of physical demand, and gold can move during Asian hours too.

Gold often reacts sharply to US releases at 8:30 a.m. New York time, and its spread usually widens around rollover and news, just as for currency pairs (Lessons 3 and 9).

## Sizing a gold trade

The position sizing rule from Lesson 12 works for gold too. Only the value per point changes:

**lots = money at risk ÷ (stop distance in dollars × $100 per lot)**

Anna risks $50 on each trade. On EUR/USD with a 25-pip stop, that gives 0.20 lot. On gold, the chart suggests a stop $10 below her entry, a normal distance for gold. Her size is $50 ÷ ($10 × $100) = **0.05 lot**. If the stop is hit, she loses $10 × $5 per dollar = $50, exactly as planned.

Notice how much smaller the gold position is. A beginner who trades 0.20 lot on gold "because it worked on EUR/USD" would lose $200 on the same $10 stop, four times the plan.

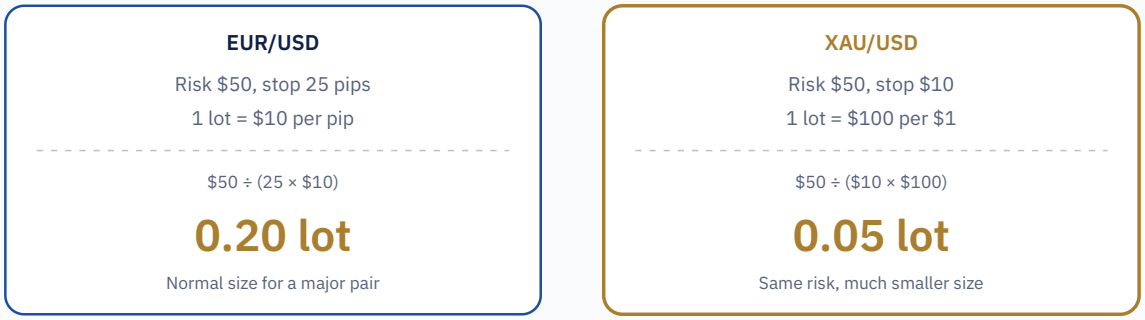



Figure 5. The same $50 risk on EUR/USD and on gold. Because gold moves in larger steps, the right position is much smaller.

**IMPORTANT: COSTS AND LEVERAGE ON GOLD**

Gold usually has a wider spread than the major currency pairs, and holding a long position overnight normally costs a swap fee (Lesson 5). Regulators also treat it as riskier: under EU, UK and Australian rules, the maximum retail leverage on gold is 20:1, compared with 30:1 on major currency pairs (Lesson 10). Check these costs on your platform before trading gold.

## Why this matters for traders

- **Learn gold's units before you trade it.** 1 lot is usually 100 ounces, and a $1 move is worth $100 per lot.
- **Watch real interest rates and the dollar.** Fed decisions, US inflation and US jobs data are the most common triggers for big gold moves.
- **Size every gold trade from your stop in dollars.** Never copy a lot size from a currency pair.
- **Expect bigger swings.** Gold can move several percent in a day. Wider stops with smaller positions usually work better than tight stops with large ones.

## Key terms

| | |
|---|---|
| **XAU/USD** | The price of one troy ounce of gold in US dollars, as quoted on trading platforms. |
| **Troy ounce** | The standard unit for precious metals, about 31.1 grams. |
| **Contract for difference (CFD)** | A product that lets you trade the price change of an asset without owning it. |

| | |
|---|---|
| **Real interest rate** | An interest rate minus inflation; rising real rates usually weigh on gold. |
| **Safe haven** | An asset investors buy in times of fear; gold is one of the best known. |
| **LBMA Gold Price** | A global gold benchmark set twice a day in London, at 10:30 and 15:00. |
| **COMEX** | The New York exchange where the most traded gold futures are listed. |
| **Contract specification** | The broker's details for a market, such as the lot size and the value of each price step. |
| **Central bank reserves** | Assets held by central banks, including foreign currencies and gold. |
| **World Gold Council** | The gold industry's market development organization, which publishes widely used gold demand data. |

## Key takeaways

1. XAU/USD is the price of one troy ounce of gold in US dollars and is read like any currency pair.
2. On most platforms 1 lot of gold is 100 ounces, so a $1 move is worth $100 per lot.
3. Gold is driven by real interest rates, the dollar, fear, central bank buying and investment demand.
4. Gold can swing far more than major currency pairs: it rose to about $5,590 in January 2026 and fell about 30% from there by late October 2026.
5. Size gold trades from the stop distance in dollars, and expect wider spreads, overnight costs and lower maximum leverage than on major pairs.

# 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. What does XAU/USD 4,100.45 mean?**

A One gram of gold costs $4,100.45
B One troy ounce of gold costs $4,100.45
C One kilogram of gold costs $4,100.45
D One dollar buys 4,100.45 ounces of gold

**2. On most platforms, how many ounces is 1 lot of gold?**

A 1
B 10
C 100
D 100,000

**3. Gold rises $20 and you hold 0.10 lot. What is your profit?**

A $2
B $20
C $200
D $2,000

**4. Real interest rates rise sharply. What usually happens to gold?**

A It tends to rise
B It tends to fall
C It is not affected
D It stops trading

**5. The US dollar weakens broadly. What usually happens to XAU/USD?**

A It tends to rise
B It tends to fall
C It always stays the same
D It becomes a different pair

**6.** **According to the World Gold Council, how much gold did central banks buy in each of 2022, 2023 and 2024?**

A About 10 tonnes
B About 100 tonnes
C More than 1,000 tonnes
D None

**7.** **Anna risks $50 with a $10 stop on gold. What position size does she use?**

A 0.05 lot
B 0.20 lot
C 0.50 lot
D 5 lots

**8.** **Under EU, UK and Australian rules, what is the maximum retail leverage on gold?**

A 2:1
B 20:1
C 30:1
D 500:1

# Answer key

1 B

**One troy ounce of gold costs $4,100.45**

XAU, the base, is one troy ounce of gold, and the price is in US dollars.

2 C

**100**

1 lot of gold is usually 100 troy ounces, so 0.01 lot is 1 ounce.

3 C

**$200**

0.10 lot is 10 ounces, so each $1 move is worth $10. A $20 move is $200.

4 B

**It tends to fall**

Gold pays no interest, so higher real rates make it less attractive compared with interest-paying assets.

5 A

**It tends to rise**

Gold is priced in dollars, so a weaker dollar usually means more dollars per ounce.

6 C

**More than 1,000 tonnes**

Central banks bought more than 1,000 tonnes a year for three years in a row, a strong source of demand.

7 A

**0.05 lot**

lots = $50 ÷ ($10 × $100) = $50 ÷ $1,000 = 0.05 lot.

8 B

**20:1**

Gold is limited to 20:1 for retail clients, compared with 30:1 on major currency pairs.

SOURCES


- World Gold Council via Kitco, Central banks buy more than 1,000 tonnes of gold in 2024 for the third year in a row: https://www.kitco.com/news/article/2025-02-05/central-banks-buy-more-1000-tonnes-gold-2024-third-year-row-world-gold
- CBS News, Highest gold price in history (record of about $5,589 on 28 January 2026): https://www.cbsnews.com/news/highest-gold-price-in-history-how-its-changed-from-2025-to-2026
- Nation Thailand, Gold hits over two-week high of US$4,146.63/oz on Nov 5 (2026): https://www.nationthailand.com/business/trading-investment/40073160
- LBMA, LBMA Gold Price: https://www.lbma.org.uk/prices-and-data/lbma-gold-price/lbma-gold-price
- ESMA, ESMA agrees to prohibit binary options and restrict CFDs to protect retail investors: https://www.esma.europa.eu/node/84933

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