

Executive summary

January 2026 marks a watershed moment for gold. After breaching \$5,500 per ounce - a level that seemed ambitious even a year ago - the metal has defied skeptics who predicted a correction at each psychological barrier.

The rally isn't driven by retail speculation or momentum trading. Central banks continue accumulating at an unprecedented pace, real yields remain negative for most households despite nominal rate increases, and geopolitical fragmentation shows no sign of easing.

This report examines what's driving gold higher, the risks to the current trend, and our outlook for the months ahead.

Market performance

Price action in January

Gold opened 2026 at \$5,180 and reached \$5,540 by month-end, a gain of 6.9%. The move was orderly rather than parabolic - consolidation at \$5,200 and \$5,400 preceded each leg higher.

Metric	January 2026	vs. Prior Month	vs. Prior Year
Spot Price (Month-End)	\$5,540	+6.9%	+47.2%
Monthly High	\$5,567	-	-
Monthly Low	\$5,145	-	-
Average Price	\$5,312	+5.8%	+41.6%

Regional variations

London and New York prices tracked closely, with the typical 50-basis-point spread. Asian premiums told a more interesting story:

- **India:** Local premiums surged to \$112 - the highest in a decade - amid import duty speculation
 - **Singapore & Hong Kong:** Trading near parity, with modest premiums on physical bars
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Demand analysis

Central bank buying

Central bank purchases remain the dominant demand driver. The World Gold Council's preliminary data shows:

- **2025 Total:** 1,089 tonnes (third consecutive year above 1,000 tonnes)
- **Monthly Average:** 85-90 tonnes
- **Key Buyers:** China (reported 225 tonnes through November), Poland, Singapore, India

China's central bank paused reported purchases in late 2024, but analysts suspect off-market accumulation continues. Turkey and several Gulf states have also increased reserves without formal disclosure.

“Central banks are structurally shifting away from dollar reserves. This isn't a trade - it's a generational reallocation.” - State Street Global Advisors”

Investment demand

ETF holdings stabilized after 18 months of outflows. January saw modest inflows of 12 tonnes to gold-backed ETFs globally, the first positive month since March 2024.

Physical retail demand varies by region:

- **UK/Europe:** Strong, driven by inflation hedging
- **US:** Moderate, with premium spikes on popular bullion products
- **Asia:** Mixed - India active ahead of potential tax changes, China steady despite high prices

Jewelry & Industrial

jewelry demand is price-elastic in ways investment demand is not.

Supply dynamics

Mine production

Global mine output held steady at approximately 3,600 tonnes annually. Key developments:

- **Cost Inflation:** All-in sustaining costs (AISC) average \$1,340/oz, up 8% year-over-year
- **Margins:** At \$5,500 gold, producers enjoy 75%+ margins - yet share prices lag
- **New Projects:** Limited major discoveries; most production growth comes from existing operations

Recycling

Scrap supply increased 15% in January as consumers sold old jewelry into the rally. This is typical at new price highs but unlikely to offset structural demand imbalances.

Macro environment

Real yields

The apparent contradiction of gold rallying alongside rising nominal interest rates reflects persistent negative real yields for most households.

Measure	Current	12 Months Ago
10-Year Treasury	4.8%	4.2%
10-Year TIPS	1.8%	1.4%
CPI (Official)	2.9%	3.1%
CPI (Shelter, Food, Energy)	~4.5%	~4.8%

Currency dynamics

The dollar weakened modestly in January (DXY -1.2%) but remains strong by historical standards. Gold's rise despite a firm dollar suggests demand drivers extend beyond simple currency hedging.

Commodity currencies strengthened:

- **AUD:** +4.2% since December
- **CAD:** +3.1% since December

This complicates monetary policy in gold-producing nations as terms of trade improve.

Geopolitical backdrop

No single event drove January's rally, but the accumulation of geopolitical tensions persists:

- US-China trade friction remains elevated
- Russia sanctions continue, with secondary effects on dollar reserve willingness
- Middle East instability adds periodic safe-haven bids

Technical outlook

Gold's technical picture remains constructive despite overbought readings on shorter timeframes.

Key Levels:

- **Support:** \$5,200 (prior resistance), \$5,000 (psychological)
- **Resistance:** \$5,600 (minor), \$6,000 (major psychological)

The metal has consolidated at each round number before advancing - a pattern suggesting accumulation rather than speculative froth. RSI readings above 70 on weekly charts warrant caution, but previous overbought conditions in 2024-2025 resolved through time rather than price corrections.

Mining equities

Index	January Return	Gold Beta
GDX (Major Miners)	+3.2%	0.46
GDXJ (Junior Miners)	+4.1%	0.59
Gold Spot	+6.9%	1.00

At current valuations, major producers trade at 0.8x NAV versus a historical average of 1.2x. Possible explanations:

1. **Skepticism about price sustainability** - investors don't trust current gold prices
2. **Cost inflation concerns** - margins may compress if input costs rise
3. **ESG/permitting risks** - new projects face regulatory headwinds
4. **Capital allocation history** - miners have destroyed value through poor M&A

For investors who believe gold prices will hold or rise further, mining equities offer leveraged exposure at historically cheap valuations. The risk is that the market's skepticism proves warranted.

Sister metals

Silver

Silver trades at a 95:1 ratio to gold, well above the 70:1 historical average. The metal has industrial tailwinds (solar, electronics) that gold lacks, suggesting catch-up potential if the ratio normalizes.

January performance: Silver +5.8%, lagging gold once again.

Platinum

Platinum's 72% discount to gold is the widest since 2015. Automotive demand remains weak as EV adoption reduces catalytic converter requirements. Supply constraints in South Africa and Russia could tighten the market, but this hasn't translated to prices yet.

Risk factors

1. **Position crowding:** Speculative longs are elevated but not extreme by historical standards
2. **Dollar rally:** A sharp dollar move higher would pressure gold regardless of fundamentals
3. **Physical demand fatigue:** Jewelry and retail investment may weaken further at current prices

Tail risks

1. **Central bank policy shift:** If major buyers pause or reverse purchases
2. **Geopolitical détente:** Reduced safe-haven demand
3. **Real yield spike:** A genuine return to positive real rates for savers

Price forecast

Based on our analysis, we maintain a **bullish outlook** for gold through Q2 2026.

Scenario	Probability	Price Range
Base Case	55%	\$5,600-\$6,000
Bull Case	25%	\$6,000-\$6,500
Bear Case	20%	\$4,800-\$5,200

Target Range: \$5,800-\$6,200 by June 2026

The base case assumes continued central bank buying, stable-to-weaker dollar, and no major geopolitical de-escalation. The bull case incorporates acceleration in ETF inflows and Indian demand post-budget clarity. The bear case assumes profit-taking after the extended rally and temporary dollar strength.

What to watch

1. **February 1 India Budget:** Import duty changes could significantly impact Asian demand
2. **Fed Guidance:** Language on inflation trajectory and rate path
3. **China Central Bank Reports:** Whether official purchases resume

Conclusion

Gold's rally has exceeded most expectations, yet the fundamental drivers - central bank accumulation, negative real yields, geopolitical hedging - show no signs of reversal. At \$5,500, the metal is not cheap by any historical measure. But markets don't care about "cheap" when structural demand outstrips supply.

The path to \$6,000 is not assured. Corrections along the way are likely and healthy. But the weight of evidence suggests gold's repricing is not yet complete.

For investors, the question isn't whether gold is expensive - it is. The question is whether the conditions that made it expensive are likely to persist. On that count, the answer appears to be yes.

This report reflects market conditions and data available as of January 30, 2026. Past performance does not guarantee future results. This is not financial advice.