GoldSquawk

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Investor and reserve-manager demand is reinforcing gold's monetary role

GoldSquawk Research

Key takeaways

- Global gold ETFs continued to attract unusually strong demand even as traditional headwinds strengthened: in September 2026, gold ETFs took in US$10bn (67t) while the US 10-year yield rose 53bp to 5.3% and DXY rose 2%, a divergence the World Gold Council described as unusual.[1]
- Investor demand has been historically strong in size terms: August ETF inflows reached US$18bn, lifting holdings by 121t to a record 4,189t and AUM to US$615bn, while Q3 inflows reached a record US$31bn.[2,3]
- Official-sector behaviour points in the same direction. WGC's 2026 survey found 89% of reserve managers expect global central-bank gold holdings to increase over the next 12 months, while 74% expect the dollar share of global reserves to be lower in five years.[4,5]
- Country cases show that gold's monetary role is being expressed in different ways: China combined strong official buying with strong ETF demand, Poland continued deliberate reserve accumulation, and the Netherlands shifted 86t to London to improve tradability rather than to increase holdings.[6,7,8]
- The main caveat is that gold's rising reserve weight is not purely a tonnage story. The Fed and ECB both argue valuation effects and measurement choices matter, and the IMF stresses that gold improves resilience but is not a one-for-one substitute for liquid reserve currencies.[9,10,11]

Figure 1: ETF inflows held up despite higher yields

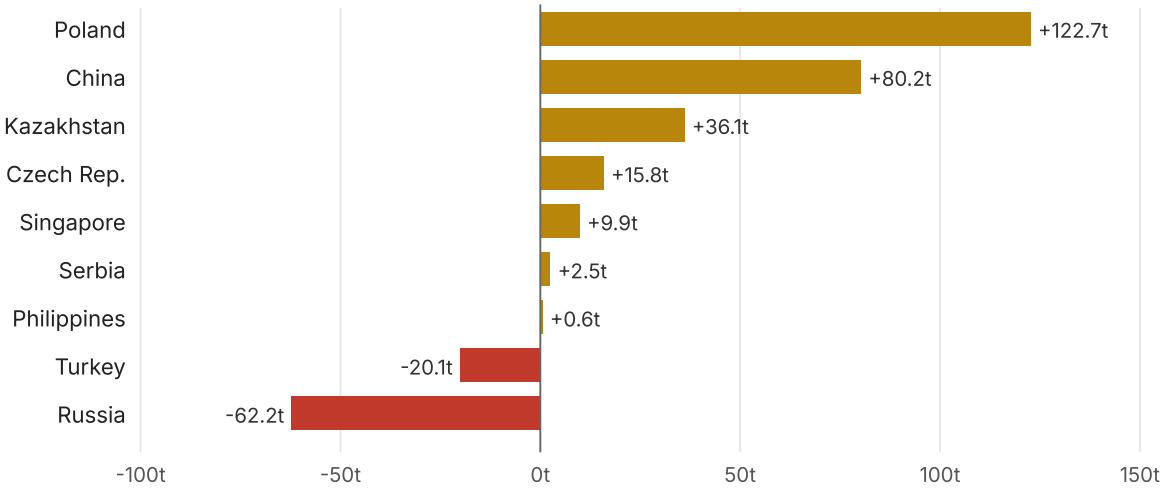


Source: COMEX gold futures and CBOE 10-year yield index via Yahoo Finance, as of 23 October 2026.

ETF flows are behaving less cyclically and more monetarily

- The clearest 2026 signal has been the resilience of investor demand against macro conditions that would normally weigh on gold. In September 2026, the US 10-year Treasury yield rose 53bp to 5.3% and DXY rose 2%, yet global gold ETFs still attracted US$10bn, equivalent to 67t; WGC called this unusual and argued it points to motives beyond the standard real-yield framework.[1]
- The scale of flows has also been exceptional. In August 2026, global gold ETFs took in US$18bn, holdings rose by 121t to a record 4,189t, and AUM reached US$615bn. Through August, WGC said year-to-date inflows totalled US$29bn, equal to a 160t increase in holdings.[2]
- By end-September 2026, Q3 global ETF inflows had reached a record US$31bn.[3] WGC also highlighted regional breadth: Europe's inflows exceeded North America's over the prior three months through September, and in August Europe recorded its largest monthly inflow while North America posted its third-largest monthly inflow on record.[1,2]
- China reinforces the same theme at local level. WGC said Chinese gold ETFs saw healthy September inflows, investors kept buying in early October, and Chinese ETF inflows were on track for a record year as of 30 September 2026.[6]

Figure 2: Official buying remains broad, with Poland and China prominent



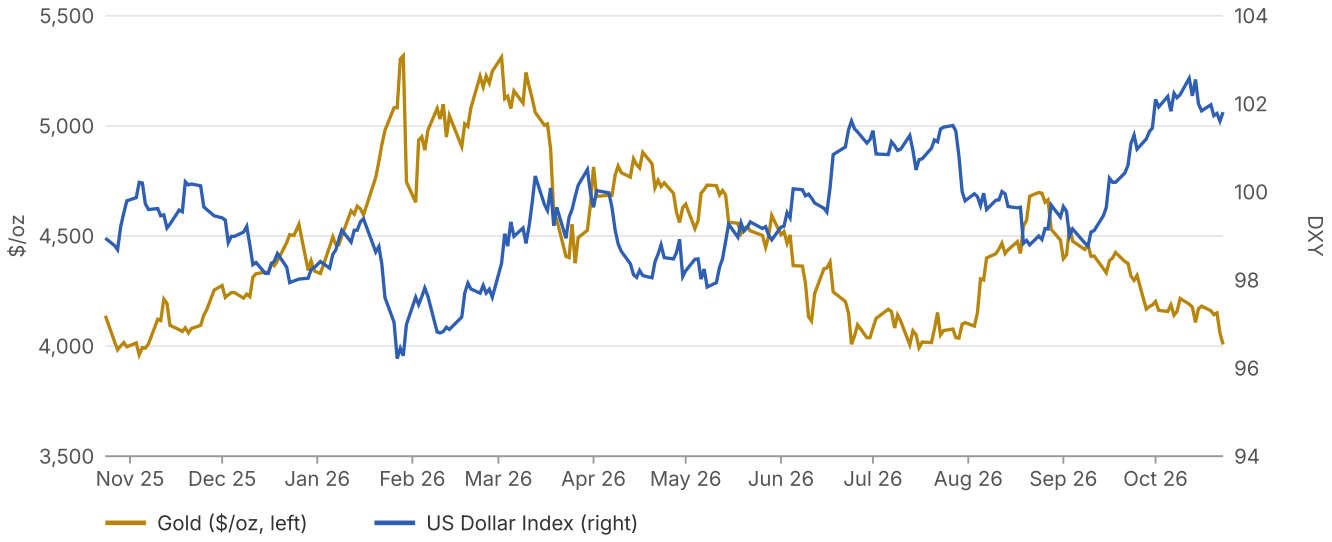
Source: IMF International Reserves and Foreign Currency Liquidity data; GoldSquawk calculations, as of 25 October 2026.

Reserve managers are strengthening gold's role in different ways

- Survey evidence remains supportive. WGC's 2026 Central Bank Gold Reserves Survey found 93% of respondents hold gold, up from 81% a year earlier, and 89% expect global central-bank gold holdings to rise over the next 12 months. Separately, 74% expect the dollar's share of global reserves to be moderately or significantly lower in five years.[4,5]
- Reported buying has stayed meaningful even before allowing for undisclosed activity. As of H1 2026, WGC said Poland had bought 82t, followed by Uzbekistan 41t, China 40t and Kazakhstan 27t.[7] WGC's Q2 2026 data also said unreported buying was again elevated, while GoldSquawk noted that 57% of annual central-bank demand in 2025 was unreported in real time.[12,13]
- China is the strongest example of state and private demand moving together. WGC said the PBoC bought 23t in September 2026, its largest monthly addition since October 2023; Q3 purchases totalled 63t, and September marked the 23rd straight month of official accumulation.[6]
- Not all official behaviour is about adding tonnes. On 2 September 2026, DNB said it had moved about 86t from New York and Ottawa to London between March and August to improve tradability; WGC

said London's share of Dutch gold reserves rose from 18.1% to 32.1% after the shift.[8,14] This supports the view that reserve managers value gold not only as a store of value but as an asset that must be quickly mobilised in stress.[8,11]

Figure 3: Gold's reserve role is rising even with a firmer dollar



Source: COMEX gold futures and ICE US Dollar Index via Yahoo Finance; GoldSquawk calculations, as of 23 October 2026.

Remonetisation is real, but it is not a simple displacement story

- The strategic case is well established in official research. WGC says reserve managers value gold for performance during crises, diversification and long-term store-of-value characteristics.[15] The BIS said in October 2026 that gold is, first and foremost, a safe-haven asset and also a good diversifier, while the IMF said it acts most consistently as a hedge against interest-rate risk and a partial hedge against US dollar depreciation.[16,11]
- Geopolitics remains a central driver. The ECB wrote in June 2026 that geopolitical tensions continue to drive strong central-bank demand for gold, and the IMF said gold can help hedge sanctions risk, albeit with a trade-off versus the immediate liquidity of reserve currencies.[17,11]
- The counterargument is that reserve metrics can flatter gold because of price effects. The Fed argued in September 2026 that claims gold overtook Treasuries as the world's preferred reserve asset are overstated once valuation effects and measurement choices are considered; by June 2026, foreign official Treasury holdings again exceeded world gold reserves excluding the US in dollar terms.[9] The ECB similarly said that correcting for valuation effects using the end-2023 gold price leaves the euro at 16%, equal to gold, while US Treasuries remain markedly higher at 26%.[10]
- A balanced synthesis is therefore stronger than either extreme. Gold's strategic monetary role is rising in both official and private portfolios, but the available evidence supports gold as a non-sovereign reserve complement rather than a one-way replacement for the dollar-Treasury complex.[11,18,10]

Scenarios

- **Supportive case:** ETF inflows continue to hold up despite firm yields and a resilient dollar, while central banks maintain reported and unreported buying and more reserve managers prioritise diversification, sanctions resilience and tradability. That combination would reinforce the view of gold as a confidence and reserve asset rather than only a cyclical hedge.[1,12,4,11]

- **Pressure case:** Higher real yields and dollar strength reassert themselves over investor positioning, ETF flows become more rate-sensitive again, and official demand slows or is offset by tactical selling from gold-heavy reserve managers managing liquidity, FX or concentration risk. That would not negate gold's reserve role, but it would weaken the remonetisation narrative at the margin.[19,20,21,11]
- **Mixed case:** Official-sector demand stays structurally firm, including reserve reshuffling for crisis usability, but private flows diverge by region as local fiscal and geopolitical concerns vary. In that setting, gold's monetary role could keep strengthening institutionally even if market pricing remains choppy.[8,1,4]

Levels to watch

- Last close: $4,007.9/oz on 23 Oct 2026.[chart]
- 50-day moving average: $4,341.9/oz.[chart]
- 200-day moving average: $4,532.9/oz.[chart]
- 52-week low: $3,960.5/oz.[chart]
- 52-week high: $5,318.4/oz.[chart]

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Glossary

AUM: Assets under management: the total market value of assets held by a fund or fund category.

DXY: The US dollar index, a measure of the dollar against a basket of major currencies.

Real yields: Bond yields adjusted for inflation expectations; often used to assess the opportunity cost of holding non-yielding assets such as gold.

Reserve diversification: A central bank's practice of spreading reserves across different assets to reduce reliance on any single currency or instrument.

Unreported buying: Official gold demand that is not disclosed in real time through monthly reserve reporting and is only inferred or revealed later.

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