Coffee Break

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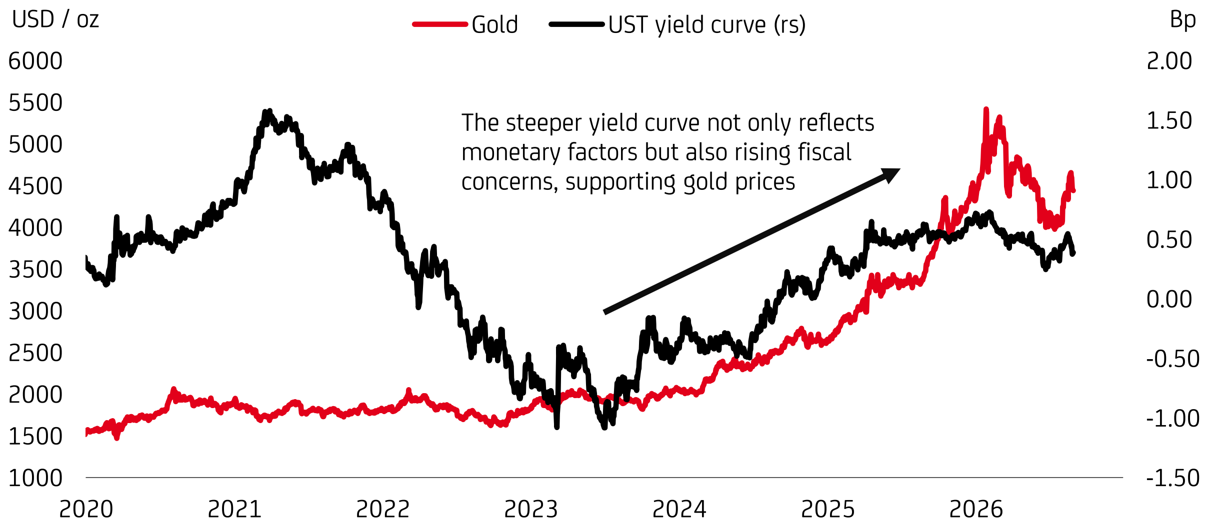
Gold's signal: watch the yield curve, not just yields

31 August 2026

The gold rally is defying a traditional market rule. Despite elevated Treasury yields, bullion has continued to advance as the US yield curve steepens. Rising concerns about fiscal deficits, debt sustainability and inflation are reinforcing gold's appeal, while strong central-bank buying and recovering ETF demand provide additional support.

GOLD AND THE YIELD CURVE: STEEPENING SIGNALS, RISING BULLION

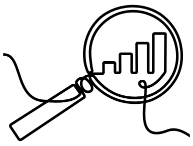
GOLD PRICE VERSUS US TREASURY 10Y-2Y YIELD SPREAD



Source: Bloomberg, The Investment Institute by UniCredit

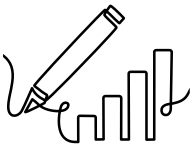
THE CONTEXT

For years, investors viewed higher yields as a headwind for gold. Recent market action tells a different story. Gold has rebounded strongly despite elevated real yields, reaching levels that many expected only later in the cycle. The explanation lies with the changing message from the US Treasury market. Rather than focusing on the absolute level of yields, investors are increasingly watching the shape of the yield curve. A steepening curve often reflects concerns about growing government debt, future inflation and the long-term purchasing power of fiat currencies. These themes have become more dominant in recent months and are strengthening demand for defensive assets. Gold is benefiting from this shift. As fiscal concerns gain traction and traditional correlations weaken, the precious metal is increasingly trading as a hedge against structural rather than cyclical risks.



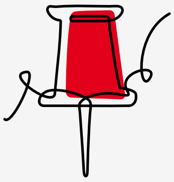
THE DATA

Our chart shows a notable correlation between gold prices and the US yield curve. As the gap between 10Y and 2Y Treasury yields has widened, gold prices have generally moved higher. This pattern suggests that investors are responding not only to interest-rate expectations but also to what the curve signals about the broader macroeconomic environment. A steeper curve, which for the last two years has also been driven by monetary easing, can reflect concerns about rising debt burdens, increased bond issuance and future inflation pressures. Recent price action during the summer, which forced the US Treasury to actively intervene in the bond market, reinforces this view. Gold has continued to advance even though real yields remain relatively high, indicating that fiscal concerns are outweighing the traditional yield effect. The chart therefore illustrates an important market shift: gold is increasingly responding to long-term confidence in government finances rather than simply to the level of interest rates, consistent with the debasement trade that has recently regained momentum.



OUR VIEW

We remain constructive on gold and have raised our forecast range to USD 4,400-5,200/oz by end-2026. Several drivers support this view. First, central banks continue to accumulate gold, providing a strong structural anchor for demand. Second, the steepening Treasury curve points to rising concerns about fiscal sustainability and long-term inflation risks, factors that have historically strengthened the appeal of gold. Third, ETF inflows have recovered, adding investment demand to an already supportive backdrop. Most importantly, gold is increasingly decoupling from real yields. Investors appear less focused on yield levels and more focused on preserving purchasing power in an environment of large deficits and growing debt. As these structural forces persist, we expect the upward trend in gold to continue and see meaningful upside potential toward the USD 5,000/oz mark within our forecast horizon.



OTHER THINGS TO NOTE

Hawkish remarks by Fed Chair Warsh at Jackson Hole

On Friday, speaking at the Jackson Hole Symposium, Fed Chair Kevin Warsh highlighted the strength of the US economy, indicating that the labour market is at full employment and financial conditions are not particularly restrictive. His speech led to a strong bear-flattening of the UST curve, with the 2Y yield rising by 10bp on the day. EGB yields have bear-flattened as well. The US dollar has strengthened, with EUR-USD declining below 1.16.

TODAY’S DATA RELEASES

Time (CET)	Country	Data	Period	UniCredit	Consensus	Previous
14:00	GE	Consumer price index (% yoy)	Aug	3.0	-	2.8

Source: Bloomberg, The Investment Institute by UniCredit

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