

# Gold should rally amid rising geopolitical tensions

## CIO Daily Updates

by Chief Investment Office 20 Feb 2026 3 min read

From the studio

**Video:** [Investors Club | US equity positioning and the Australian dollar](#) (9 mins)

**Video:** [The AI Show | US tech earnings and positioning](#) (4 mins)

**Video:** [CIO's Jeff Harwood on opportunities in US financials](#) (6 mins)

### Thought of the day

Oil prices have risen to their highest levels since July as tensions between the US and Iran escalate. The US military has amassed forces in the Middle East, and President Donald Trump said Iran has 10 to 15 days at most to reach a nuclear deal, or “it’s going to be unfortunate for them.” Brent crude rose above USD 72/bbl, before dipping to USD 71.5 at the time of writing—still around 4% higher since the start of the week. The US dollar is on track for its largest weekly gain in four months. Gold is up around 0.8% at USD 5,035 an ounce.

Despite the relatively muted response of gold to the latest rise in geopolitical tensions, we think prices can rise further. **Our forecast is for the precious metal to reach USD 6,200/oz in the coming months as the key drivers underpinning its strong rally remain in place.**

**Geopolitical risks are likely to stay elevated.** With two aircraft carriers, fighter jets, and refueling tankers reportedly stationed in the region, the US military buildup is now bigger than that off the coast of Venezuela in the weeks before Trump ousted Nicolas Maduro at the start of this year. Whether an agreement with Iran can be reached remains to be seen, as military action against Iran in the near term seems increasingly likely. Broadly speaking, geopolitical uncertainty is unlikely to diminish given Trump’s approach to foreign affairs. While geopolitical events do not tend to have a lasting impact on global markets, they can trigger temporary spikes in volatility, supporting demand for portfolio hedges like gold.

**The Fed’s easing regime should continue to support gold.** A weaker US dollar and lower US real interest rates are supportive of gold, and we believe this macro environment remains intact as the Federal Reserve has more to go in its easing cycle. Despite stronger recent jobs data and some hawkish elements in the latest FOMC minutes, easing inflation pressure in the coming months and a more dovish personnel profile at the Fed later this year should support additional rate cuts. We expect two 25-basis-point rate reductions by the end of September.

**Gold demand is forecast to rise further.** Data from the **World Gold Council showed that total gold demand exceeded 5,000 metric tons for the first time in 2025, and we expect demand to pick up further, supported by rising investment activity and robust central bank purchases.** Higher incomes in Asia should also underpin longer-term structural demand for gold jewelry. Supply, meanwhile, has been stagnant. While strong gold prices may stimulate mine exploration and development, Wood Mackenzie estimates that 80 mines will exhaust their current production plans by 2028.

So, we maintain our Attractive view on gold, and view the yellow metal as an effective portfolio diversifier that can help hedge against a range of market and economic risks. Investors with an affinity for gold could consider an up to mid-single-digit allocation in a diversified portfolio.

## Consider a broader set of equity opportunities

4 min read

## Downgrading US communication services and upgrading industrials

4 min read

## Is now time to double down on diversification?

4 min read

## Takeaways from Munich: Transatlantic tensions ease, defense spending to climb

3 min read

## Inflation data should keep Fed cuts on track

3 min read

## Capturing the AI opportunity in a diversified way

3 min read

## Data to support Fed easing outlook

3 min read

**Show more** 

---

The products, services, information and/or materials contained within these web pages may not be available for residents of certain jurisdictions. Please consult the sales restrictions relating to the products or services in question for further information.

Copying, editing, modifying, distributing, sharing, linking or any other use (whether for commercial purposes or otherwise) of this material, other than personal viewing, without UBS's prior written permission is strictly prohibited.

[CIO research disclaimer](#)

© UBS 1998 - 2026. All rights reserved.