

## PRECIOUS METALS

# Gold Hits an All-Time High. It's Beating the S&P 500.

By Jack Denton

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Gold prices advanced further into record territory on Monday as the precious metal continued to find support at the start of what could be a busy week for bullion.

Front-month futures for gold gained 1.7% to \$2,255 per troy ounce, with the yellow metal trading as high as \$2,264, a record level. Including this latest rally, gold prices have risen more than 9% so far this year. The end of March capped the best two-quarter stretch for the metal in eight years.



Gold's rally is "supported by direct purchases from central banks diversifying their reserves, hopes that cooling inflation will pave the way for lower interest rates, and persistent retail demand from Chinese investors searching for a hedge," said Marios Hadjikyriacos, an analyst at broker XM.

Analysts have noted that both fundamental and technical factors have supported gains for gold and suggest that there are still forces in play that can help to lift the precious metal. A particular focus is the outlook for inflation and interest rates in the U.S.

Gold is sensitive to Federal Reserve policy because the central bank's moves on interest rates affect Treasury yields. Treasuries compete with gold for investor attention as a haven asset, and when rates—and thus yields—are high, government bonds look particularly attractive in comparison with gold, which has no yield.

Remarkably, gold has outperformed the S&P 500 since the start of 2022, when the Fed started raising interest rates. It is up 20% compared with a 14% rise in the stock market benchmark over the same period. “This suggests there is ‘real demand’ behind this rally, not just financial market volatility,” noted Hadjikyriacos.

Nevertheless, the rate outlook remains key for gold after such a run. One recent positive factor for gold has been increased expectations that the Fed will cut interest rates as soon as June, an outlook reaffirmed by inflation data last Friday.

“The outlook for bullion remains bright,” said Hadjikyriacos. “Gold can still draw support from falling interest rates. Yields are still quite high from a historical perspective, so gold can benefit as yields fall back to more ‘normal’ levels, particularly if the U.S. economy loses steam.”

This could be a big week for bullion. Multiple [macroeconomic news events](#) lie ahead that could shift rate expectations, and therefore yields and gold. The most closely watched comes on Friday, when the U.S. jobs report for March is due. Investors want to see signs that inflation is coming down and that the economy remains resilient—but isn't running so hot as to prevent the Fed from cutting rates.

Beyond metal prices themselves, this rally has also lifted gold mining stocks. Shares in Agnico Eagle Mines [AEM -1.21%](#) have already gained 23% over the past month and were up a further 2.6% in early Monday trading. Barrick Gold [GOLD 0.80%](#) shares rose 2.2%, bringing the stock's gain over the past month to 13.9%. The VanEck Gold Miners [GDX 0.22%](#) exchange-traded fund gained 2.3% in early trading, having risen 18% in a month.

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