FINANCIAL TIMES

Investors flock to gold funds as fears over Trump tariffs mount

Leslie Hook and **Ian Smith** in London

Published April 1, 2025

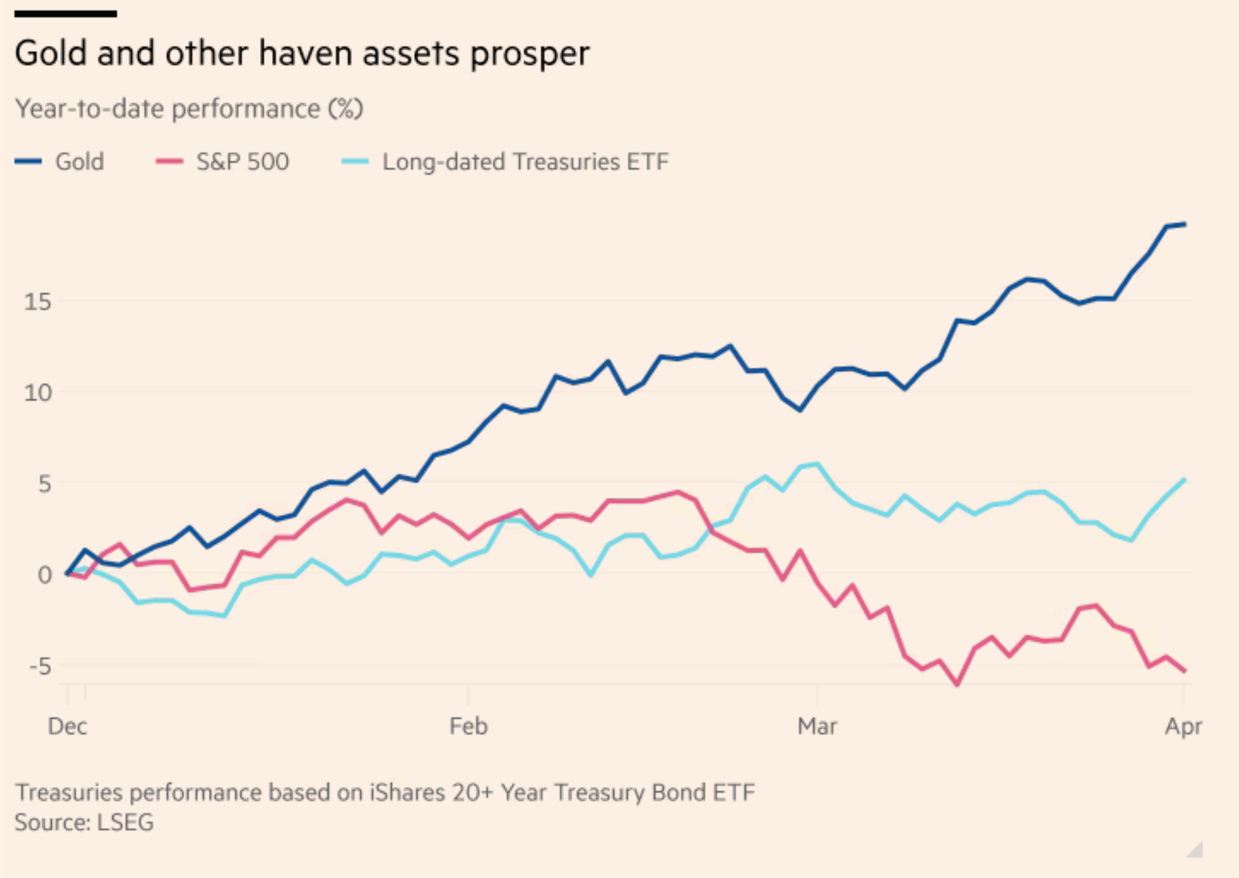
Investors are pouring cash into gold funds at the fastest pace since the Covid-19 pandemic, amid mounting concerns over the economic impact of US President Donald Trump's tariff war.

Gold reached a record $3,148.88 a troy ounce on Tuesday, as part of a broader flight to haven assets such as US Treasuries and cash. It later fell back to $3,109, up more than 18 per cent this year — including its strongest quarterly performance since 1986.

Investors are bracing themselves for Trump's expansive new tariffs, which are due to be announced on Wednesday, a day he has dubbed "liberation day". Many economists fear the move will hit global growth, triggering a search for safe assets.

"Uncertainty is one of the main factors that has led to a renewed interest in gold," said Krishan Gopaul, senior analyst at the World Gold Council, an industry body. "There is a general risk-off sentiment in the market at the moment."

Amid mounting fears of a global trade war, investors have poured more than $19.2bn into gold-backed exchange traded funds during the first quarter of this year — the biggest inflows in dollar terms since the pandemic, according to calculations from Standard Chartered.



The amount of cash in investors' portfolios — viewed as a gauge of caution — jumped by the largest monthly amount in five years, according to a recent fund manager survey carried out by Bank of America.

US Treasuries have also made gains in the run-up to the tariff announcement, as investors seek to protect themselves against further volatility and hedge against risks to the US economy.

Ten-year Treasury yields, which move inversely to prices, fell as low as 4.13 per cent on Tuesday — not far above their lowest level of the year.

Yields on German Bunds, viewed as the haven Eurozone asset, were sent sharply higher last month as the country planned a huge spending drive, but fell back below 2.7 per cent this week for the first time since early March.

“With a homegrown US slowdown potentially unfolding behind the tariff headlines, government bonds look [like] attractive risk-reducers at this point,” said Sunil Krishnan, head of multi-asset at Aviva Investors. “Gold is hard to add to, given the force of the move.”

Central bank buying has been the main driver of gold purchases in recent years, but the recent surge in gold ETF inflows highlights how fears over the economy and stock markets have drawn in a broader range of investors as part of a hunt for haven assets.

“The resurgence in ETFs has been the most notable shift in gold dynamics in recent weeks,” said Suki Cooper, precious metals analyst at Standard Chartered. Expectations of lower yields on other assets, combined with concerns that tariffs could hit inflation and growth, have helped fuel the recent flows, she said.

Bullion's sharp rally in recent months has prompted several banks to increase their gold price forecasts, including Macquarie, which now expects it to touch $3,500 this year.

Tariff concerns have also driven a huge surge in physical gold bars being flown into New York, where stockpiles on Comex have reached record levels, although that flow has recently started to slow down.

On Wall Street, defensive stocks seen as less exposed to economic growth have prospered. Healthcare stocks such as UnitedHealth and HCA Healthcare are up more than 10 per cent over the past month, while the broader S&P 500 index is down by about 5 per cent.

"Very few assets are showing up as attractive on our screens at the moment," said Pete Drewienkiewicz, chief investment officer for global assets at consultancy Redington. "So I don't think it is surprising to see people moving a bit more defensive after such a good strong run [for markets]."