# On The Mark



April 2025

## Gold: Safe Haven or Risky Glimmer?

## **Key Takeaways**

- Gold has continued to set new records in 2025.
- Gold can provide diversification during crises, but it is not a cure-all; it does not pay a dividend and, over the long term, has delivered half the returns of stocks with higher volatility.
- Before rushing to buy gold, investors should ensure the reason for owning gold is well understood.

Gold is up roughly 18% in 2025<sup>i</sup>, hovering near \$3,123 per ounce. This follows an impressive 25% return in 2024. Gold has also been in the headlines after Costco members could buy gold bars along with \$1.50 hot dogs and bulk toilet paper.

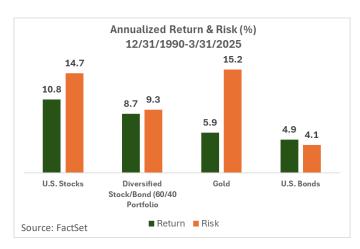
### What's Driving Gold Higher?

Often seen as a safe haven asset in times of uncertainty, fears of a global trade war, a weaker U.S. dollar, and rising inflation have recently sent gold prices to record new highs. Additionally, increased demand from global central banks has been a key driver for rising gold prices. Central banks, particularly in countries like Russia, China, India, and Turkey, have increased their gold purchases to diversify away from the U.S. dollar.

### **Should Investors Buy Gold?**

While central banks have stepped up their gold purchases to address their specific needs, gold is not a cure-all for

everyday investors. Gold is volatile, and its track record as an investment is far from perfect. It has delivered roughly half the returns of the S&P 500 with greater risk over the last 35 years. In addition, gold also does not pay a dividend or coupon like stocks or bonds. Lastly, it's not clear what transaction costs would be incurred or how easy it would be for an individual to sell physical gold at full value. However, gold can be a diversifier during periods of crisis. This was illustrated during periods like the COVID crash and 2022 when soaring inflation sent global stocks down -20%, global bonds lost -16%, and gold rose 3%.



For investors, there are several ways to add gold to portfolios beyond owning the physical asset through gold mining stocks or exchange-traded funds, which can potentially lower transaction costs. With higher interest rates available today, investors also have access to fixed income investments, which not only reduce portfolio risk but also provide yield. Before tipping the golden scale to favor gold, investors should ensure the reason for owning gold is balanced relative to their personal risk-reward by partnering with their trusted financial advisor.

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<sup>i</sup>As of 3/31/2025

US Stocks: S&P 500 Total Return Index US Bonds: Bloomberg US Aggregate Index

Gold: Bloomberg Gold Subindex

Moderately diversified 60/40: 60% in the S&P 500 and 40% in the Bloomberg US Aggregate Index

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