

## Gold

# Gold price vaults past \$3,500 to new record

Weak dollar and expectations of US interest rate cut boost precious metal



Gold prices have nearly doubled since the start of 2023 © David Gray/AFP/Getty Images

**William Sandlund** in Hong Kong

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Gold prices jumped to an all-time high on Tuesday, surpassing a previous record in April after President Donald Trump's "liberation day" tariffs announcement, amid a weak dollar and expectations of a US interest rate cut this month.

The spot price of [gold](#) rose 0.9 per cent to \$3,508.70 a troy ounce during early trading in Asia, before paring gains to trade at \$3,497.

Demand for bullion has risen as investors view it as a hedge against inflation and broad macroeconomic uncertainty, said analysts.

Mounting concerns about the Federal Reserve's independence after Trump put pressure on chair Jay Powell and [moved to sack governor Lisa Cook](#) have fuelled the most recent rally. Investors are worried inflation could rise if interest rates are cut

because of political pressure.

“The overt challenge to Fed independence from President Trump and the backdrop of the US budget deficit are key drivers for gold at the moment,” said Marcus Garvey, head of commodities strategy at Macquarie.

“Everything’s coming together to provide the perfect situation for higher gold,” said David Wilson, director of commodities strategy at BNP Paribas. “Growing levels of economic uncertainty is quite clearly making gold more appealing.”

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## Gold reaches new record high

\$ per ounce



Source: LSEG via markets.ft.com

“Lower borrowing costs at the risk of fanning inflation is really perking up investor interest at the moment,” said Daniel Hynes, senior commodity strategist at ANZ. “It will underpin that upward momentum.”

Silver also climbed to a record on Tuesday, rising 0.3 per cent to \$40.8 a troy ounce. The metal still trades at a discount to gold relative to historical average prices, though it has narrowed in recent months amid growing interest from investors.

“It’s still got plenty of upside left,” Hynes said. “I think the move is purely being driven by investor demand.”

Waning hopes of a quick resolution to the war in Ukraine as promised by Trump have supported higher prices, said strategists.

Inflows into gold exchange traded funds have emerged as an important source of demand that has supported prices, Goldman Sachs analysts wrote in a recent note. They forecast spot prices to hit \$4,000 a troy ounce by the middle of next year.

Gold prices have nearly doubled since the start of 2023 as central banks increase holdings and investors look for a hedge against inflation.

Last year, the metal [overtook the euro](#) to become the world's second-most common central bank reserve asset after the dollar, accounting for 20 per cent of global official reserves.

Large buyers last year included India, China, Turkey and Poland, according to the World Gold Council.

“You have that underlying de-dollarisation trend among some central banks,” said BNP’s Wilson. “That’s an underlying backstop that’s just continuing.”

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