

Inside the 21st Century Gold Rush

Geopolitical turbulence and economic worries have fueled an appetite for bars, coins and jewelry, especially from small investors

By [Bob Henderson](#) [Follow](#)

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Eric Vazquez, a lineman for a power company in southwest Florida, says he’s holding a lot more gold than most financial advisers would recommend. Not just in his portfolio, but also in bars and coins spread between several secret locations.

It is a strategy for a world that he worries is growing more chaotic. The government keeps spending beyond its means. Stock prices can crash from a tweet. Ensuring his wife and children go to bed at night in peace, Vazquez said, requires owning tangible assets, not just a claim on them through some exchange-traded fund.

“At least in my adult life, nothing’s gotten better,” said Vazquez, who is 33. “And I just feel like I want to take as much of my own livelihood, my own safety, my own family’s safety, into my own hands.”

Gold futures price



Note: Front-month contract.

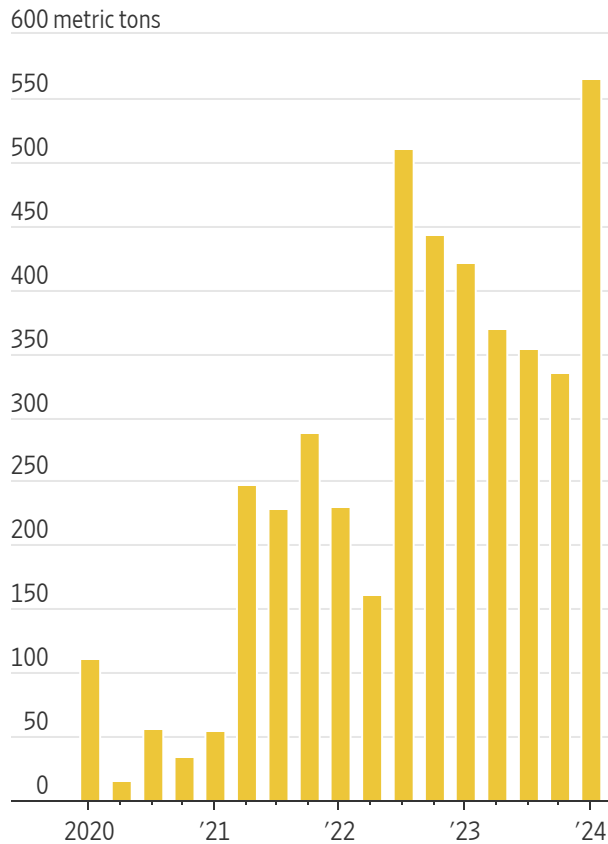
Source: FactSet

Worries about war, discord and mounting government debt have fueled a worldwide rush by individuals and institutions into what Wall Street calls

“physical gold”— bars, coins, jewelry and nuggets. Widespread stockpiling has helped lift prices more than 40% since October 2022, to \$2,367 a troy ounce.

The climb has at times perplexed analysts, because it didn’t coincide with a typical feature of prior rallies: mounting bullish bets in futures, options and ETF markets. Also, gold pays no income, and generally becomes less attractive to investors when rising interest rates drive up the payouts from other relatively safe assets, like bonds. Yet the metal’s sharpest ascent occurred between this past February and April, just when the Fed started signaling that rates might stay higher for longer than Wall Street expected.

Quarterly Chinese gold imports



Source: General Administration of Chinese Customs, BNP Paribas

Now, many think prices were boosted by legions of Chinese consumers. Nervous about their country’s shaky economy and seeking hard assets outside its collapsed property market, they recently have hoarded physical gold. Customs data showed the country racked up 194 metric tons of gold imports in March, a 40% increase over February and the biggest monthly inflow in at least seven years.

But people the world over are scooping up the precious metal. They are paying premiums to buy gold in Asia and the Middle East, Nicky Shiels, metals strategist at MKS PAMP, wrote in a note to clients last month. Costco’s business selling bullion is booming in the U.S.

Worldwide demand for bars and coins, which are typically bought by individuals rather than institutions, grew by 36% between 2019 and 2023, according to the World Gold Council trade organization.

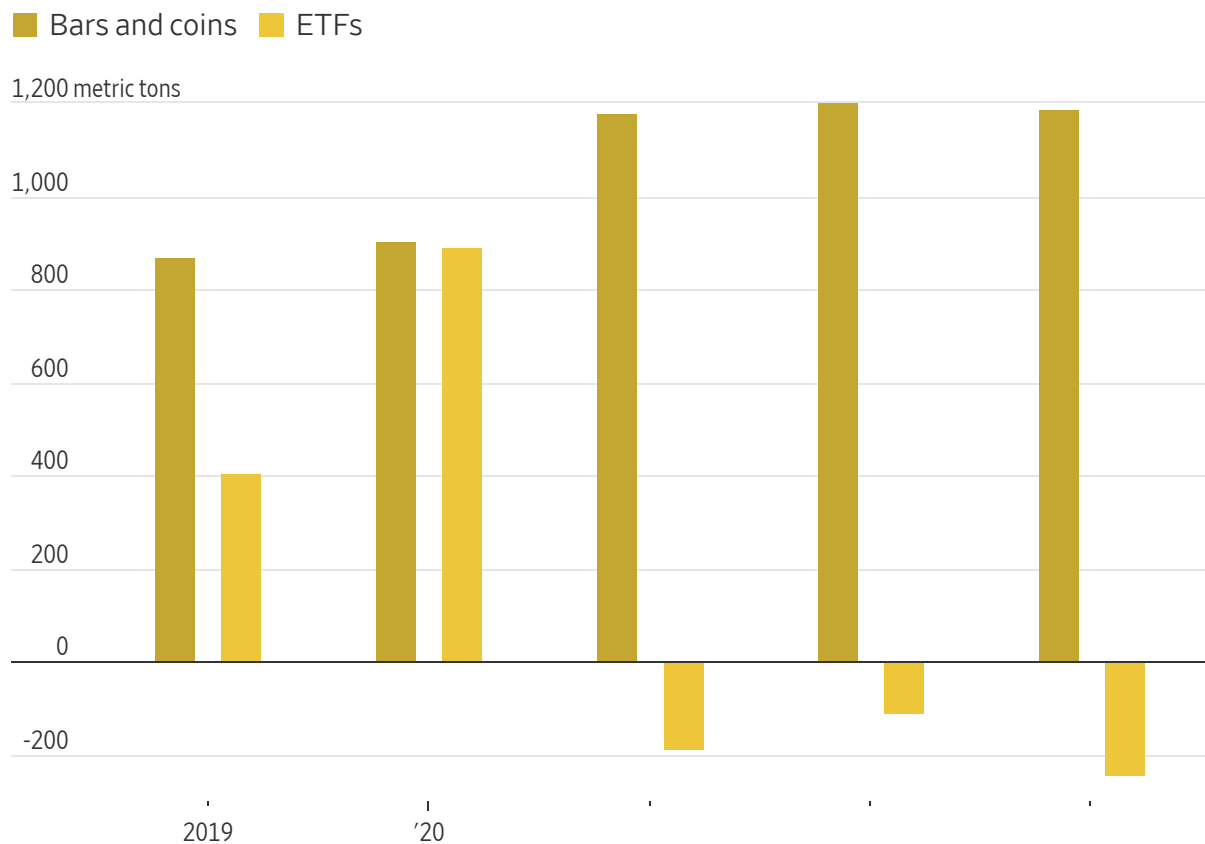
People tossing bars and coins into their shopping carts don’t usually have Wall Street-levels of concern about the path of monetary policy, analysts say. They often want something they can stash or carry, to shield themselves from potential catastrophes.

Investors’ rush to gold has compounded demand from central banks, which stockpile stacks of bars as monetary reserves. The banks roughly doubled the pace of their gold purchases after Russia invaded Ukraine in 2022, according to the WGC, aiming to diversify their portfolios. Some, including China’s, were also spooked by sanctions imposed on Russian central bank reserves and are now retreating from dollar-based assets like Treasuries, analysts say.

The acceleration in central bank and consumer buying has broken a traditional tendency of gold prices to fall when inflation-adjusted interest rates rise, said David Wilson, senior commodity strategist at BNP Paribas. Prices would be about \$1,000 lower were it not for all the metal being accumulated, according to his modeling.

“There’s just growing uncertainty, whether it’s economic uncertainty or geopolitical uncertainty,” said Wilson.

Global annual gold demand



Source: Metals Focus, World Gold Council (bars and coins), Bloomberg, company filings, ICE Benchmark Administration, World Gold Council (ETFs)

Waves of new buyers emerged after the Covid market crash and last year’s regional banking crisis, said Alex Ebkarian, chief operating officer of precious metals dealer Allegiance Gold. More recently, new trade agreements between countries such as Russia and China have spawned anxiety about the U.S. dollar’s diminishing role in the world, prompting some investors to seek stability in the currency favored by the pharaohs.

“They’re asking themselves the what-if question,” said Ebkarian. “What if the dollar continues to devalue? I don’t want to have all of my assets be paper based.”

Ballooning global debt is also luring investors away from government-issued currencies and into the precious metal, said Aakash Doshi, Citigroup’s head of commodities research in North America. Global debt grew by 24% to \$313 trillion between the beginning of 2020 and the end of last year, according to the Institute of International Finance.

Hedge funds and other speculators have begun ramping up bullish futures and options bets. Doshi believes the financial market will catch up to the physical

one, propelling the price of gold to \$3,000 in the next six to 18 months.

“It might be that [the market’s] just realizing that ‘Hey, gold prices were probably too low,’” he said.

Soaring debt is one reason Barry Kitt buys gold. The Dallas-based 69-year-old said his calculations show it has beaten inflation since 1913 and the S&P 500 since 2000.

A former hedge-fund manager who now runs a family office, Kitt is comfortable with financial products and uses ETFs when he wants to trade quickly. Nonetheless, most of his gold is physical, including several large crystalline nuggets.

With ETFs, he said, “You don’t own gold, you own a piece of paper. I want to own it. I want to know it’s mine.”

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