

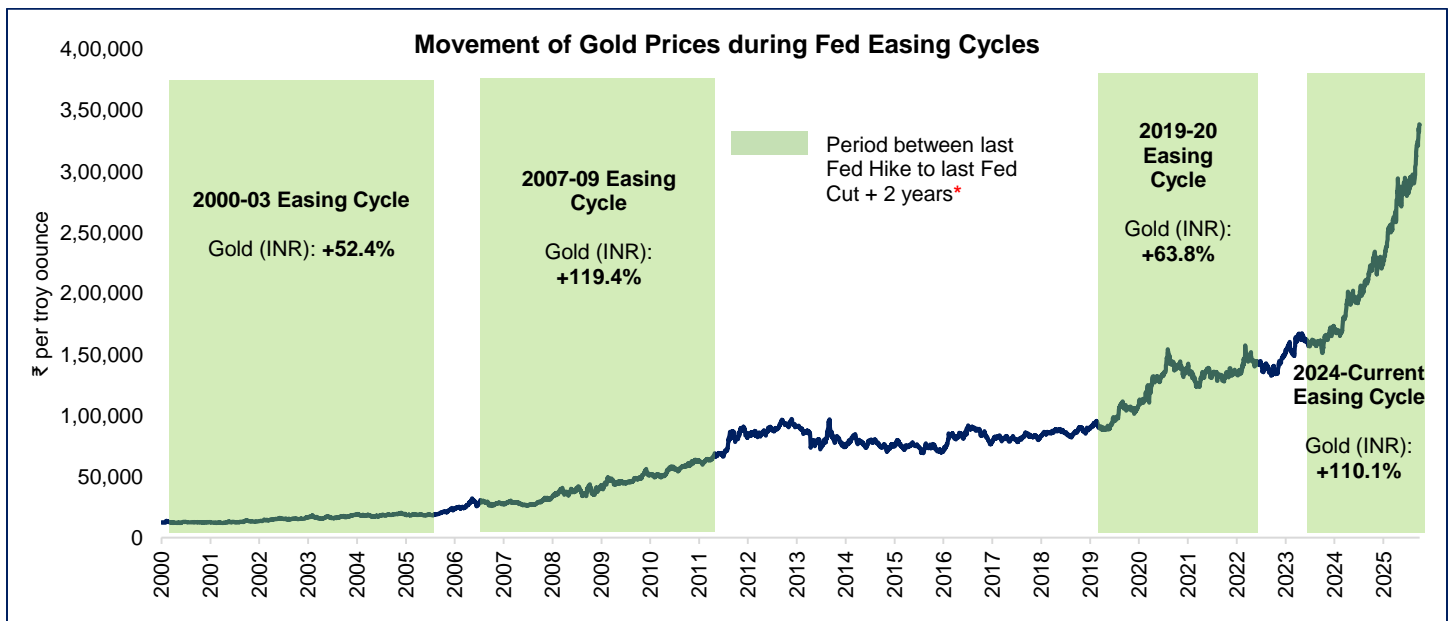
November 04, 2025

US Fed Rate Cut and Gold Prices: Key Linkages?**What's the Point?**

- On October 30, 2025, the Federal Open Market Committee (FOMC) decided to lower the target range for the Federal Funds Rate by 0.25% to 3.75 to 4%. The FOMC mentioned that the rate cut was initiated to achieve maximum employment and inflation at the rate of 2% over the longer run, despite the uncertain economic outlook.
- Keeping this rate cut as the backdrop, this could have a positive impact on Gold. If we track the correlation of movement of Gold prices and US Federal Reserve (US Fed) actions since 2000, whenever the US Fed has conducted an easing cycle, Gold prices have risen during that period.
- While Gold's dream run in 2024 and 2025YTD could raise some scepticism amongst investors, it continues to be a strategic diversifier in uncertain times.

Some Perspective on the Behaviour of Gold Prices and Interest Rates

When rate cuts are announced, the price of Gold tends to rise as the opportunity cost of holding the metal declines. Such a scenario tends to lead investors to move towards the precious metal over lower-yielding deposits, potentially boosting its price. As you can see in the Chart below, the same trend has been observed between 2000 and 2024, wherein Gold prices have risen whenever the US Fed has carried out a rate cut.



Source: Bloomberg, Internal Calculations. Data as on September 30, 2025. Gold prices in INR do not include any customs duties, local taxes etc. Returns are simple i.e. not annualized. Past performance may or may not be sustained in the future and is not a guarantee of any future returns. HDFC AMC / Mutual Fund is not guaranteeing or promising or forecasting any returns. *For example, the shaded period for the 2019-20 easing cycle refers to the period between December 2018 to March 2022. The breakup is as follows - for 2019-20 cycle, the last Fed hike was in December 2018, the last Fed cut of the following easing cycle was March 2020 and 2-year period after the last Fed cut ended in March 2022.

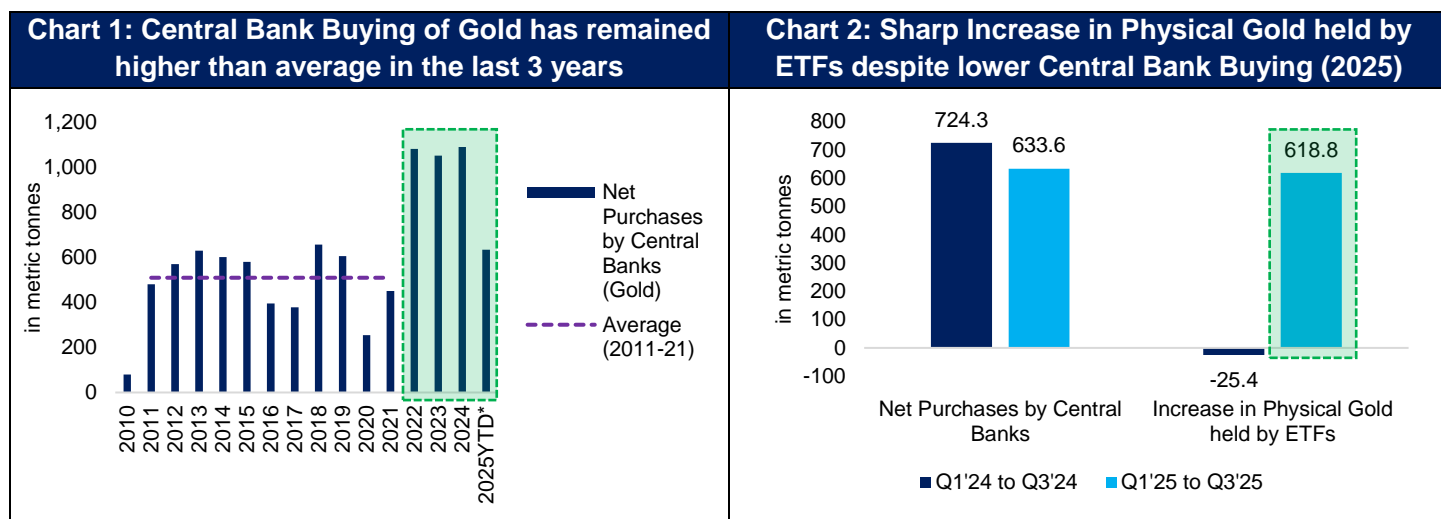
What factors have led to the rally in Gold Prices since 2024?

- Trade wars and geopolitical uncertainties have increasingly led to the risk of the world getting split into fragmented trade and financial blocs. This has led investors to invest in Gold which is perceived to be a "safe haven" asset.
- 50% tariffs applied to select Indian imports (eff. August 27, 2025) and the changes to the H-1B Visa rules by the US Government has created uncertainty, leading to downward pressure on the Rupee. This depreciation of Rupee has supported the rise in Gold prices in Rupee terms.

- 3) Global Central Banks have increased their purchases of Gold since 2022 in order to diversify their Forex Reserves, with global Exchange Traded Funds (ETFs) joining the party in 2025.

Elaborating Point 3: While the rise in Gold prices witnessed between 2000 and 2009 was majorly driven by retail participation, the biggest driver of Gold prices in the last 3 years has been the *factor 3 mentioned above*. With macroeconomic concerns leading to lower confidence on Dollar assets, Global Central Banks have been diversifying their Forex Reserves, with purchases of Gold stepping up from its average of 509.1 metric tonnes between 2011 and 2021 to 1,073.4 metric tonnes between 2022 and 2024.

In 2025, while the quantity of Gold purchased by Global Central Banks between Q1'25 and Q3'25 [9 months of CY25] (633.6 metric tonnes) was slightly lower than the corresponding period in 2024 (724.3 metric tonnes), Q1'25 and Q3'25 saw increase in physical Gold held by global ETFs (618.8 tonnes) compared to the corresponding period in 2024 (-25.4 metric tonnes). Hence, Gold prices have continued their rise in 2025.



Source: World Gold Council; *2025YTD: December 31, 2024 to September 30, 2025

Key Takeaway: While it would be premature to assume the future actions of US Fed, the recent rate cut reinforces Gold's role as a strategic diversifier in uncertain times. With the external environment continuing to remain uncertain, the asset class could remain well positioned as a store of value and a potential beneficiary of easier liquidity conditions. For investors, this backdrop underlines the importance of keeping Gold an integral part of their well-balanced portfolio.

Sources: Federal Reserve, Bloomberg, World Gold Council and other publicly available information

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