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Gold at \$5,000 an Ounce

Antidote to Market Jitters or a Price Too Far?

Gold's surge above \$5,000 an ounce marks a historic moment, underscoring how deeply investor anxiety has shifted toward traditional safe havens. For both new and longstanding clients, the key question is not just what is happening, but what this move in gold might mean for a diversified, long-term portfolio.

Gold's Record-Breaking Climb

Spot gold has climbed past \$5,000 per ounce for the first time, extending a powerful rally that began in 2024 and accelerated through 2025. The metal recently traded above \$5,050–\$5,100 an ounce, notching a series of record intraday and closing highs. In 2025, gold rose roughly 60–65%, delivering its strongest annual performance since the late 1970s and far outpacing most major stock indexes. That momentum has carried into early 2026, with prices jumping another double-digit percentage in just the first few weeks of the year.

Drivers of the Surge

Today's rally stems from several interconnected forces that reinforce gold's appeal as an antidote to market jitters. Geopolitical tensions—spanning disputes in Greenland, Venezuela, and the Middle East, alongside strained U.S. relationships with key allies—have amplified demand for perceived safe-haven assets. Policy uncertainty around tariffs, shifting trade rules, and questions about central bank independence adds to a broader sense of unpredictability in traditional markets. Inflation has remained higher than many expected, while markets increasingly anticipate additional Federal Reserve rate cuts, which lower real yields and support gold prices. A recent pullback in the U.S. dollar has made gold cheaper in other currencies, spurring global buying. Notably, on some recent risk-off days, long-term U.S. Treasuries fell even as stocks sold off, while gold rose, signaling that investors are less confident in bonds as their primary hedge. Together, these dynamics have turned gold into a focal point for those seeking to reduce exposure to policy mistakes, currency risk, and equity volatility.

Central Banks Fuel the Fire

A defining feature of this cycle is the identity of the buyers. Beyond individual investors and funds, central banks have emerged as major, persistent accumulators of gold. Central bank purchases have exceeded 1,000 metric tons per year for three consecutive years—more than double the 400–500 ton averages of the prior decade. Emerging-market central banks, in particular, are diversifying reserves away from the U.S. dollar amid sanctions risks and geopolitical fragmentation.

Gold futures price, weekly



Note: Most-traded contracts

Source: FactSet

China has reported more than a year of continuous monthly gold purchases, while other countries such as Poland have announced plans to materially increase holdings. Many reserve managers argue that gold's lack of default risk, independence from any single government, and deep liquidity make it an attractive strategic asset in a fractured world. This steady, policy-driven demand helps support prices even when shorter-term investor sentiment wavers.

Gold's Role in Portfolios

Beyond headlines, gold's value in a portfolio emerges most clearly during periods of stress. Research consistently shows gold's low correlation with stocks and bonds, particularly during market drawdowns, along with its tendency to hold or gain value when equity markets face severe declines. It has potential to improve risk-adjusted returns when included in moderate allocations alongside traditional assets. One study highlighted that in many past crisis episodes, gold outperformed broad equity benchmarks and other commodities, helping cushion portfolio losses. Another analysis suggested that a portfolio including a modest gold allocation alongside stocks and bonds delivered higher returns with lower volatility than a traditional 60/40 mix in recent years, especially during inflation and rate-shock periods. Still, gold does not generate income, and its long-term return depends on price appreciation rather than earnings or coupons. Unlike some speculative assets often labeled as "digital gold," physical gold has demonstrated a positive relationship with indicators of geopolitical risk and policy uncertainty, whereas some cryptocurrencies have behaved more like risk-on assets.

Ways to Gain Exposure

The surge above \$5,000 has coincided with increased use of multiple vehicles for gold exposure, far beyond traditional bullion bars and coins. Physical bullion and coins offer direct ownership with no counterparty risk but require secure storage and insurance. Exchange-traded funds (ETFs) backed by gold have seen large inflows, with Western holdings reportedly rising by hundreds of tons since early 2025, reflecting strong demand from both institutions and individuals. Mining equities and royalty companies provide leverage to gold prices but introduce company-specific and operational risks. High-net-worth investors and family offices have also turned to customized notes, private vehicles, and other structures to hold gold or gold-linked exposures. Each method carries trade-offs in terms of liquidity, tracking error, fees, and operational complexity, so implementation choices can be just as important as the decision to hold gold itself.

Implications for Investors

For both potential and existing clients, the takeaway from gold's move above \$5,000 centers on risk, diversification, and behavior under stress, rather than chasing a single asset. Gold's exceptional recent returns follow years when it periodically lagged equities, underscoring that even "safe havens" can experience extended periods of underperformance. It may serve as a hedge against inflation, currency risk, and extreme market events, but it functions best as a complement to diversified stock and bond exposure.

Studies and institutional frameworks often reference moderate allocations—such as single-digit percentages of a portfolio—as a way to seek risk reduction without over-concentrating in any one asset. Because gold does not produce income, the case for holding it is typically strongest for investors with a long-term perspective who aim to manage tail risks rather than speculate on near-term price targets. Many major banks and research firms now project that, given ongoing geopolitical and macro uncertainties, gold could remain supported at elevated levels and may have room to run further, although no forecast is guaranteed. At the same time, after a rapid price move, investors should be prepared for higher volatility and the possibility of sharp pullbacks

Navigating the Moment

Gold's surge above \$5,000 an ounce captures the mood of the moment: heightened concern about geopolitics, policy shifts, inflation, and the stability of traditional hedges. For many investors, owning some gold can help reduce anxiety about those risks and may improve diversification in a world where stocks and bonds sometimes move in the same direction. However, the guiding principles of sound investing remain unchanged: maintain a diversified portfolio aligned with your goals, time horizon, and risk tolerance; recognize that every asset class experiences cycles; and use market headlines as input for thoughtful planning rather than as triggers for emotional decisions. If you are considering adding or adjusting gold exposure, the next step is to review how it fits into your broader financial plan—alongside equities, fixed income, cash, and other alternatives—so that any allocation to this historic rally remains part of a disciplined, long-term strategy rather than a reaction to short-term market stress.



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