

Flash

Gold and precious metals: update after recent correction

Key Messages

1. After their impressive rally in 2025 and early 2026, precious metals have surprisingly corrected since the start of the Iran war.
2. What happened to their traditional safe-haven status and protection against inflation? The correction reflects temporary pressure from rising interest rates, a stronger USD, and liquidity-driven profit-taking.
3. We maintain our Positive view on gold with unchanged 12-month target price of USD 5,500. We upgrade our view on silver, platinum and palladium from Neutral to Positive as recent correction again offers sufficient upside potential (with unchanged target price of USD 90 for silver).

Precious metals have surprisingly corrected since the start of the Iran-war

While gold and other precious metals initially reacted positively on the first day of the military strike on Iran, we have seen a major reversal since then. Gold has corrected by 20% and silver by 30% since 2 March. Silver even halved from its end-of-January all-time high of USD 120 to last Monday's low of close to USD 60.

At first sight, this is a surprising market reaction, as traditionally gold and other precious metals fare well in periods of high geopolitical tensions, economic uncertainty (supply disruptions) and rising inflation.

Have they lost their safe-haven status?

Main reasons for the recent correction:

- The main drivers of the gold rally of last year and early 2026 were the flight out of the USD (de-dollarization) and the expectations of further rate cuts by the Fed. This has now reversed, **with investors returning to the dollar**, which has regained safe-haven status and is also gaining support from the US being a net exporter of energy. **Precious metals prices usually have a negative correlation with the USD.**
- **Rising interest rates:** the initial expectations of further rate cuts by the Fed have been replaced by a probability of rate hikes by central banks to fight against rising inflation. E.g., the ECB could already consider a hike in April. And bond yields are already rising, taking into account the prospects of higher inflation and policy rates. When fixed-income alternatives become more profitable, precious metals as non-yielding assets become relatively less attractive.
- **Profit-taking** by investors and traders after the strong rally of recent years, in some cases to cover losses on other assets or margin calls, or to increase liquidity.
- Not confirmed yet, but it is also possible that some **Middle Eastern countries are selling some of their gold positions** to fund the cost and economic damage caused by the war.

Patrick Casselman



Commodity Strategist
BNP Paribas Wealth Management



The current correction offers new buying opportunities, as LT-supporting elements are still intact.

We expect the liquidity-driven wave of **profit-taking to be temporary**. And the market probably looks too one-sided. It's true that rising bond yields take away some support for precious metals. But the market seems to forget that **once inflation goes up, real interest rates will probably come down again**, which matters more for the gold market. After all, **precious metals should fare well in a high inflation context**.

We don't know how the Middle East conflict will evolve. But if the reasoning of the market is: military escalation → rising oil prices and inflation → higher interest rates and USD → lower precious metals prices; then **we could see the reverse in case of de-escalation**.

While some Middle Eastern countries might sell some gold positions to fund the cost of war, we think that even more **central banks will remain motivated to increase their gold reserves** to diversify away from the USD, in the context of Trump's unfriendly (and often aggressive) policy vs. other nations.

With the huge cost of this war and the Supreme Court's cancellation of Trump's "Liberation Day" tariffs further **boosting the already high US fiscal deficits**, it is possible that worries will rise about the health of the US financial system, which could support a renewed flight to precious metals. The same could occur if, **after the mid-term elections**, the US wakes up to a troubled political situation.

Finally, we should neither forget about the **tight supply situation** for most precious metals. The annual production levels are relatively limited and unflexible (difficult to expand), which should be put into perspective with the broadened investor base that has discovered precious metals as a diversification asset in recent years.

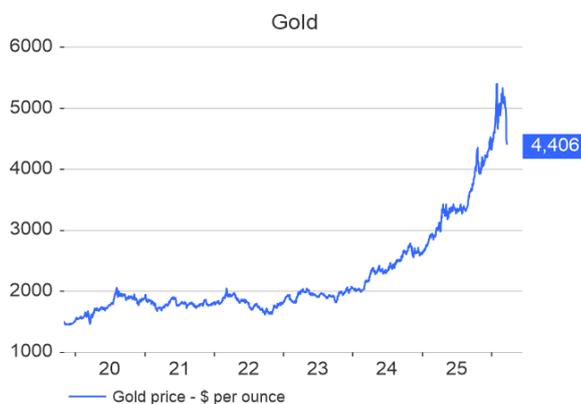
So, while we are aware that in the context of higher interest rates and a stronger dollar, it can take a while before we see new all-time highs for gold and silver, we think that the **longer-term upward trend is still intact and that the recent correction offers attractive new entry opportunities**.

Conclusion

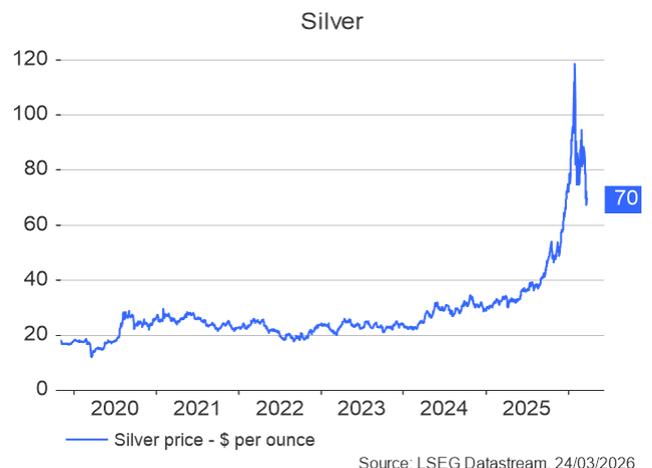
We maintain our target prices of USD 5,500 for gold and USD 90 for silver, which implies higher upside potential after the recent correction.

We confirm our Positive view on gold and upgrade silver again to Positive from Neutral.

GOLD PRICE



SILVER PRICE



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