Global Markets | Precious Metals

Goldbug: Asian demand to overcome Western selling

Gold | Monthly Update | April 02, 2026

Gold prices fell in March, despite the US entering into a deepening conflict in West Asia that should in theory advance fiscal dominance and lead to demand for safe assets. Supply was largely driven by US and European ETFs, as well as by central banks, despite underlying demand from Asian ETFs and physical buyers continuing. We see this as tempering the pace of price increases for some time, with the path higher to our USD 6000/troy ounce less smooth than the path so far – but we continue to expect these levels to be reached by early 2027 with fiscal dominance as the driver.

Exhibit 1: Gold price projections – path to USD 6000/troy ounce ahead

Source: Bloomberg, Axis Bank Research

Gold sees heavy selling despite Iran-driven geopolitical risk
Gold prices saw heavy supply in the first half of the month, despite risk aversion, with multiple competing narratives – but evidence was of supply from the US. Supply was seen with hawkish central banks as well, though the last few days of the month saw prices rise – first with hopes of a US off-ramp in Iran leading reversal of some flows, and then with demand from Asian names.

Underlying demand overpowered by Western ETF, central bank supply
Gold prices saw heavy supply in the first half of the month, despite risk aversion, with multiple competing narratives – but evidence was of supply from US and European ETF markets (Fig 3-4) amid moves higher in global yields. Supply was seen with hawkish central banks as well (Fig 5), though the last few days of the month saw prices rise – first with hopes of a US off-ramp in Iran leading reversal of some flows, and then with demand from Asian names.

Continue to expect prices to reach USD 6000/troy ounce by early 2027
We continue to align our views on gold, global rates and the USD, seeing moves towards fiscal dominance (Fig 6) leading to a slight weakening in the broad USD and support to gold prices. With this, we continue to see prices rise towards USD 6000/troy ounce (Fig 1) with Asian demand buying the dip as per past history (Fig 7-8) though the path to this might not be as smooth as increases so far.

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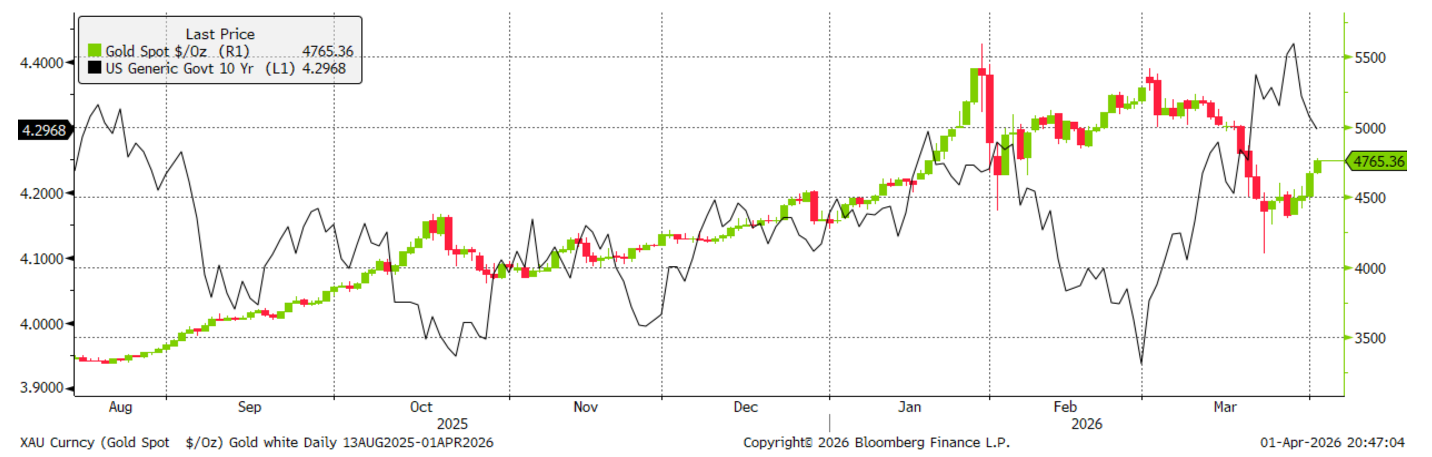
Exhibit 2: Gold prices rise back towards highs seen in January

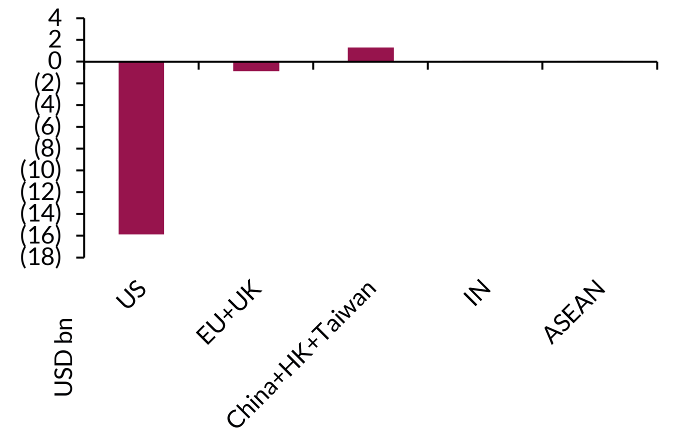


Source: Bloomberg, Axis Bank Research

Exhibit 3: AUM of all known gold ETFs – liquidation seen in Mar

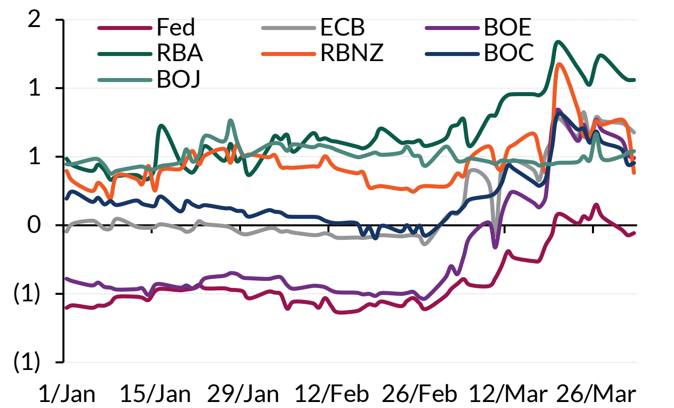
Source: Bloomberg, Axis Bank Research

Exhibit 4: 1m Gold ETF flows – US selling predominated



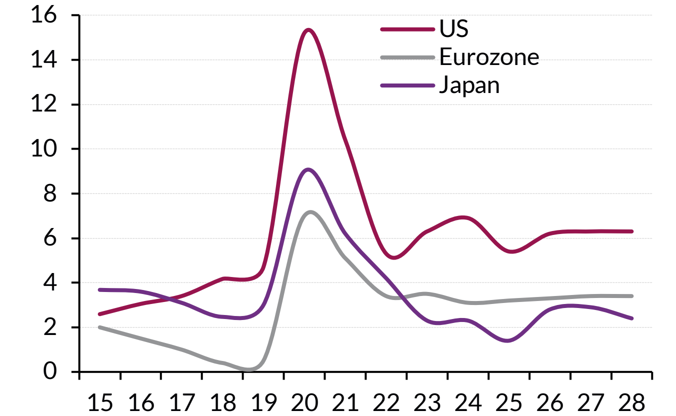
Source: Bloomberg, Axis Bank Research

Exhibit 5: Pricing of change in rates from 1 Jan levels – all central banks turning hawkish



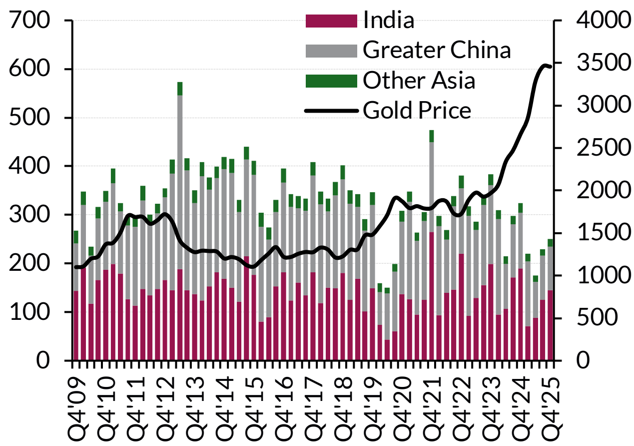
Source: Bloomberg, Axis Bank Research

Exhibit 6: Fiscal deficits ahead are larger than those behind, driving expectations of fiscal dominance



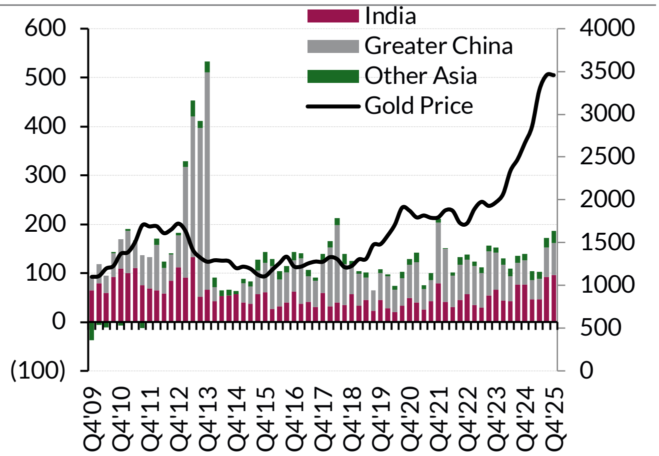
Source: Bloomberg, Axis Bank Research

Exhibit 7: **Demand for jewellery in Asia – strong elasticity to price, dips are bought**



Source: WGC, Axis Bank Research

Exhibit 8: **Demand for bar and coin in Asia – as physical investment, these drive prices with ETFs**



Source: WGC, Axis Bank Research

Gold sees heavy selling despite Iran-driven geopolitical risk

Gold prices saw heavy supply in the first half of the month, despite risk aversion, with multiple competing narratives – but evidence was of supply from US and European markets. Supply was seen with hawkish central banks as well, though the last few days of the month saw prices rise – first with hopes of a US off-ramp in Iran leading reversal of some flows, and then with demand from Asian names.

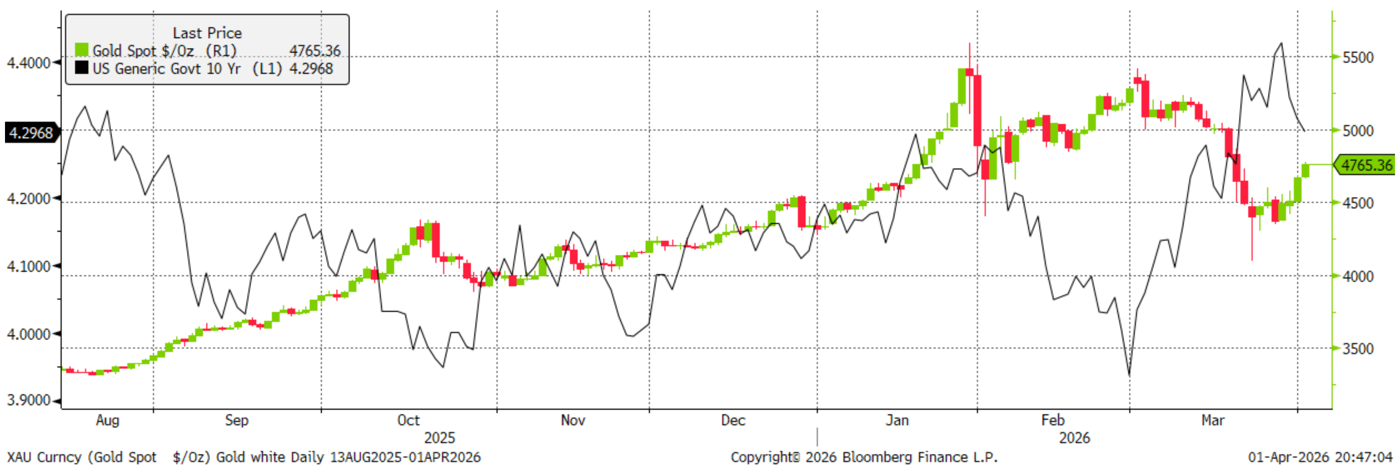
First week sees heavy US-based ETF sales drive selloff amid risk aversion

Gold prices opened Mar at USD 5351.83/troy ounce, in line with weekend decapitation strikes carried out by the US against Iran. Aversion saw prices rise up past USD 5400/troy ounce initially, and then fall back – with anecdotes of supply by geopolitical actors, of squaring to meet margin calls elsewhere, and on sales in response to moves higher in the broad USD and treasury yields to reach USD 5050/troy ounce. Offers of naval insurance by the US led sentiment to improve and gold prices to recover. Fresh aversion around the Straits of Hormuz led sentiment off, with further supply into the weekend with Iraq and Qatar announcing supply disruptions. Gold closed the first week at USD 5171.74/troy ounce – notably with heavy supply from US-based ETFs.

Second week sees gold fall sharply on indications of a prolonged war, hawkish central banks

Gold was bought at the start of the second week, with further risk aversion as weekend developments were seen prolonging the West Asia conflict. However, comments from US president Trump on the Iran war ending soon. This reversed with reports of explosions in the Middle-East and of halt to oil-related activity in the UAE. The rest of the week saw prices fall back, with hawkish comments from ECB speakers as well as on comments from the FBI of Iran targeting the US West coast, followed by comments from Iran Supreme Leader Khamenei on keeping the Straits of Hormuz closed and of increasing US naval deployment to the area. Stronger US JOLTs and PCE inflation numbers also helped the move lower. The second week saw gold trade at USD 5019.49/troy ounce.

Exhibit 9: Gold prices fall with spike in treasury yields



Source: Bloomberg, Axis Bank Research

Hawkish central banks bring prices lower in third week

The third week saw gold trade steadily, with markets looking at both the US and Iran seeking off-ramps. Some support was also seen from weaker German ZEW data leading yields lower. However, continued supply from US and European markets limited the move. The rest of the week saw heavy selling with hawkish comments from the Fed, ECB, BOE and BOJ, as well as markets pricing an increasing quantum of rate hikes. The week closed with gold at USD 4492.42/troy ounce.

Gold rises at end-Mar with search for US off-ramp, then Asian demand

The fourth week saw gold open lower with the residual from hawkish central bank comments, but then rose after US president Trump indicated a 5 day moratorium around attacking Iranian energy facilities, and then proposed a month-long ceasefire to discuss. Optimism swirled around the search for an off-ramp by the US, but troop movements back toward the Middle-East and public refusal of Iranian officials to negotiate led prices back down. The end of the fourth week saw prices rise despite widening geopolitical stress, with the last two days of March in the 5th week see continued Asian demand. Gold closed the month at.

Underlying demand overpowered by Western ETF, central bank supply

The selling of gold during geopolitical stress was remarkable, and as noted above, was driven by US and European ETFs as well as supply from central banks. This masks buying by Asian players, in ETFs and physical gold. We continue to expect policy uncertainty in the US and moves towards fiscal dominance ahead, per past notes. In line with this, we continue to expect gold to move higher eventually, though this might be somewhat later than expected given current supply.

Supply mainly from US and European ETFs and CBs, Asia continues to buy

The supply that has led to a divergence of gold from its classic safe haven status has largely been coming from US and European names – this is likely in response to the need to meet margin calls as well as generalised momentum relating the retreat from fiscal dominance or debasement concerns for now, and preference for the USD given external liabilities in that currency. At the same time, underlying demand remains from Asia, with China, India, Japan and ASEAN names seen pouring money into ETFs.

We continue to expect Asian demand for gold, tracking historical trends of buying the dip with flows increasingly in physical investments rather than jewellery – however, supply from Western markets, including central banks, is a near-term roadblock to prices going higher.

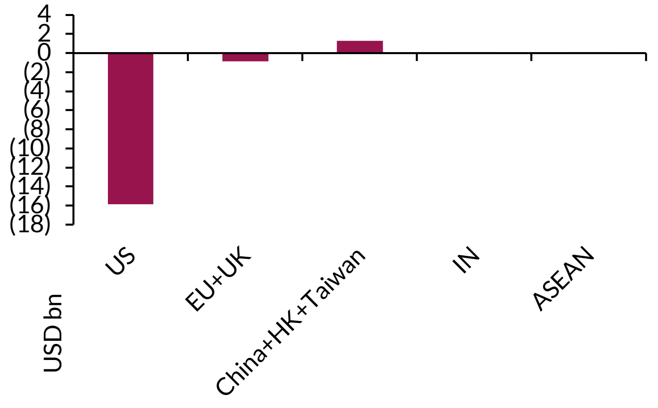
US policy uncertainty driven by domestic as well as global factors

We wrote last month about the SCOTUS ruling on applicability of IEEPA tariffs and falling popularity of US president Trump at home driving appetite for risk-taking. We were of the opinion that this would be around trade, but instead a geopolitical route appears to have been taken. The Iran adventure has been ongoing for a month, with the US unable to leave without clearing a power vacuum that might result in it losing influence in the Middle-East and in energy markets. This has driven market speculation of boots on the ground, matching troops being transported to the region, with comments around the search for a ceasefire evaluated as buying time for troops to be in position rather than genuine intent. With risk-taking continued to be incentivised, uncertainty is likely to prevail going ahead, resulting in multi-dimensional shocks across economies.

Exhibit 10: AUM of all known gold ETFs – liquidation seen in Mar

Source: Bloomberg, Axis Bank Research

Exhibit 11: 1m Gold ETF flows – US selling predominated



Source: Bloomberg, Axis Bank Research

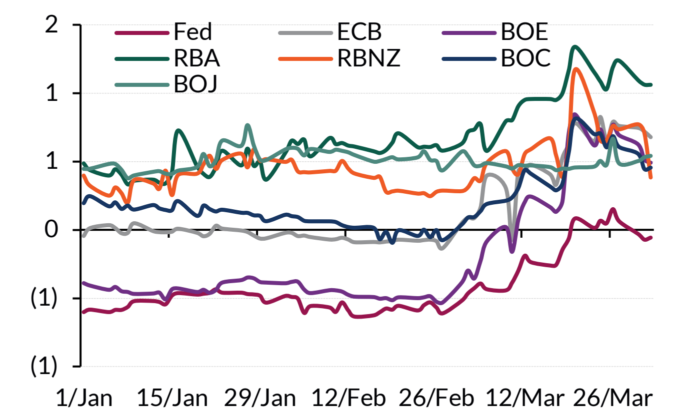
USD regresses to role as safe-haven supplanting even gold
The Sell-America trade driven by US-related uncertainty has now faded, giving way to risk-aversion episodes leading to rapid increases in the USD. This is partly driven by pricing out of Fed rate cuts and pricing in of rate hikes, though also offset by increase in rate hike expectations at the ECB, BOE and BOJ among others. Another possible driver of USD demand is the liquidation of gold and a home country bias among investors, given expectations of higher fiscal spending and increases in treasury yields. As long as risk impulses are fresh, the USD will continue to be bought – though over time, as predictability ensues or the cycle of escalatory shocks fades, underlying fundamentals will likely reassert themselves.

Longer term, fiscal dominance likely to remain a major driver
We have for long been writing that increased geopolitical uncertainty and competition, coupled by easing of barriers towards increased fiscal spending will likely bring back fiscal dominance. This weakens now-traditional inflation targeting, with economies that are more able to carry out fiscal dominance the ones likely to see currencies weaken. This was true of the US during the Cold War, culminating in the breakdown of the Bretton Woods system, and the link of hard assets to currencies has also been suspended in past wars.

As with previous arguments, we see the US and Japan most able to carry out fiscal dominance, with developments in Japan already representing a form of action here. In the US, appointment of new Fed chair Warsh is now unlikely to see rate cuts – but the question is around the reaction function were hikes to begin to be justified. Presence of US president Trump, and advancement by the Senate Banking Committee are also issues – the former is uncertain for a long period following comments of incapacity, loss of support among allied politicians, probabilities of impeachment, etc. while the latter depends on political machinations and delays the appointment of Mr. Warsh – effectively keeping current chair Powell in place as protem chair.

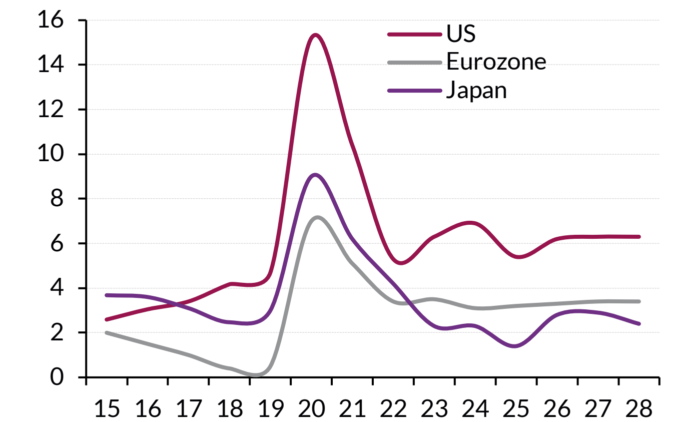
In contrast, the Eurozone and the UK are unlikely to be able to push through fiscal dominance – the former because of complicated voting patterns and the many political tradeoffs amid considerable judicial activism, and the latter owing to domestic politics.

Exhibit 12: **Pricing of change in rates from 1 Jan levels – all central banks turning hawkish**



Source: Bloomberg, Axis Bank Research

Exhibit 13: **Fiscal deficits ahead are larger than those behind, driving expectations of fiscal dominance**



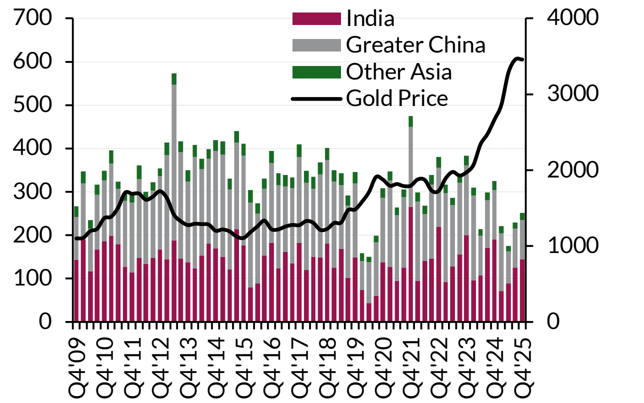
Source: Bloomberg, Axis Bank Research

In line with our views on the USD, we expect prices to reach USD 6000/troy ounce by early 2027
We continue to align our views on gold, global rates and the USD, seeing moves towards fiscal dominance leading to a slight weakening in the broad USD and support to gold prices. With this, we continue to see prices rise towards USD 6000/troy ounce, though the path to this might not be as smooth as increases so far.

The path here is driven by trends in Asian buying over the years, presenting a watermark effect with demand when prices fall. Coupled with fiscal dominance and potential central bank demand once the West Asia conflict is done, drives the path to higher prices ahead.

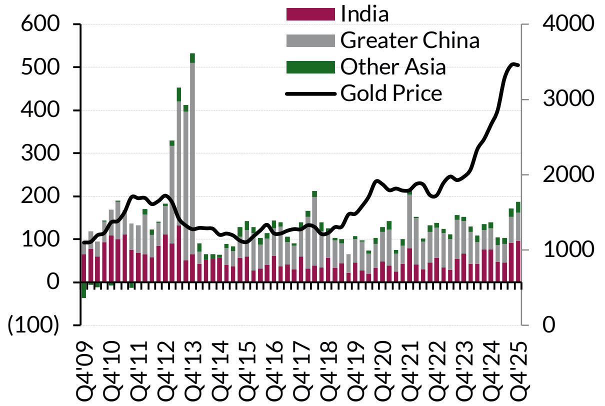
1970s provides a fiscal dominance blueprint
Gold prices rose eightfold in the 1970s, after the breakdown of Bretton Woods – this followed years of fiscal dominance until the peg against gold of the USD proved unsustainable. This is a blueprint for the current era, though does not come after years of suppression. With this, a multifold increase remains possible, though perhaps not to the extent seen in that period.

Exhibit 14: Demand for jewellery in Asia – strong elasticity to price, dips are bought



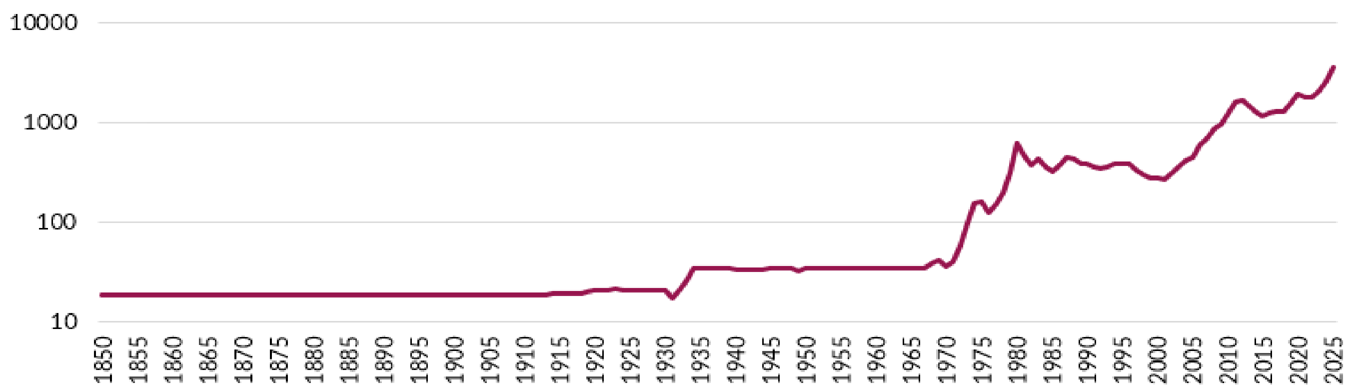
Source: WGC, Axis Bank Research

Exhibit 15: Demand for bar and coin in Asia – as physical investment, these drive prices with ETFs



Source: WGC, Axis Bank Research

Exhibit 16: Gold prices rose multifold in the 1930s, 1970s, 2000s.



Source: WGC, Axis Bank Research

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