



# ECONOMIC LENS

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# Why Did Gold Fall from USD 5,000 to USD 4,000 per Ounce in Just a Few Weeks?

## *How Central Bank Policies and Interest Rate Expectations Are Reshaping the Gold Market*



### **Background: Why Are We Revisiting Gold Now?**

Only a few weeks ago, gold was one of the strongest-performing assets in global financial markets. Prices climbed above **USD 5,000 per ounce**, attracting widespread investor attention and prompting many individuals and institutions to increase their exposure to the precious metal. The rally was driven by expectations that major central banks would soon begin cutting interest rates, alongside persistent geopolitical uncertainty and strong demand for safe-haven assets.

However, the sharp reversal that followed has surprised many market participants. After reaching record highs, gold retreated rapidly, raising questions about whether the bullish cycle has come to an end or whether the decline represents a temporary market correction.

Revisiting this topic is therefore important not only to explain the recent fall in prices, but also to understand the broader macroeconomic forces shaping the outlook for gold. In particular, the interaction between inflation, interest rates, and central bank decisions has become the dominant driver of market sentiment.

### **What Is Happening Now?**

The recent decline in gold prices has been driven primarily by changing expectations regarding monetary policy rather than by a collapse in physical demand for the metal.

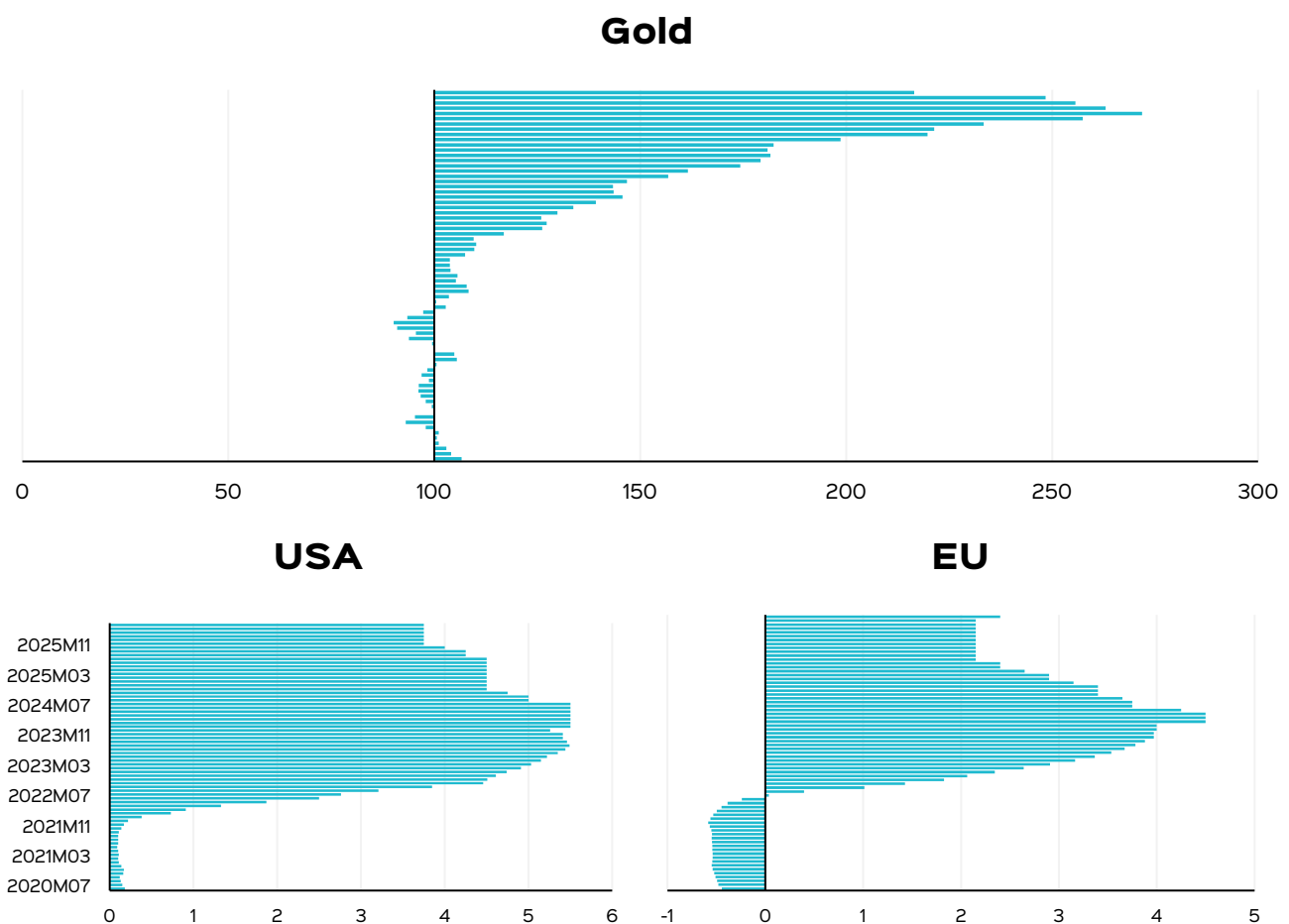
For much of the past year, markets anticipated an aggressive cycle of interest rate cuts by major central banks, especially the U.S. Federal Reserve. Those expectations made gold increasingly

attractive, since lower interest rates reduce the opportunity cost of holding assets that do not generate periodic income.

More recently, however, inflation concerns have resurfaced, partly reflecting energy market developments and broader economic uncertainty. As a result, central banks have adopted a more cautious tone, with investors increasingly expecting interest rates to remain elevated for longer than previously anticipated.

This reassessment has led many investors to reduce their positions in gold, pushing prices down to around **USD 3,997 per ounce**. In other words, the recent weakness reflects a repricing of monetary policy expectations rather than a deterioration in gold's long-term fundamentals.

**Figure 1. Gold prices compared with major central bank interest rates**



Source: [Financial Markets Snapshot](#)



### What Does It Mean?

The recent correction carries an important message: gold prices today are influenced as much by expectations about future interest rates as by traditional safe-haven demand.

Going forward, the trajectory of gold will depend heavily on how inflation evolves and how major central banks respond. If inflation moderates and policymakers begin easing monetary policy, gold could recover part of its recent losses as investors seek protection against uncertainty in a lower-rate environment. Conversely, if inflation remains stubborn and central banks maintain restrictive policies, the metal may continue to face downward pressure.

For investors, this suggests that monitoring statements from the Federal Reserve and other major central banks may be just as important as following movements in the gold market itself. The recent decline should therefore be viewed less as a sign that gold has lost its role as a store of value and more as evidence that financial markets are adjusting to a changing interest rate outlook.

Ultimately, the question is no longer whether gold remains an attractive asset, but rather **when and under what monetary conditions investors are likely to return to it.**