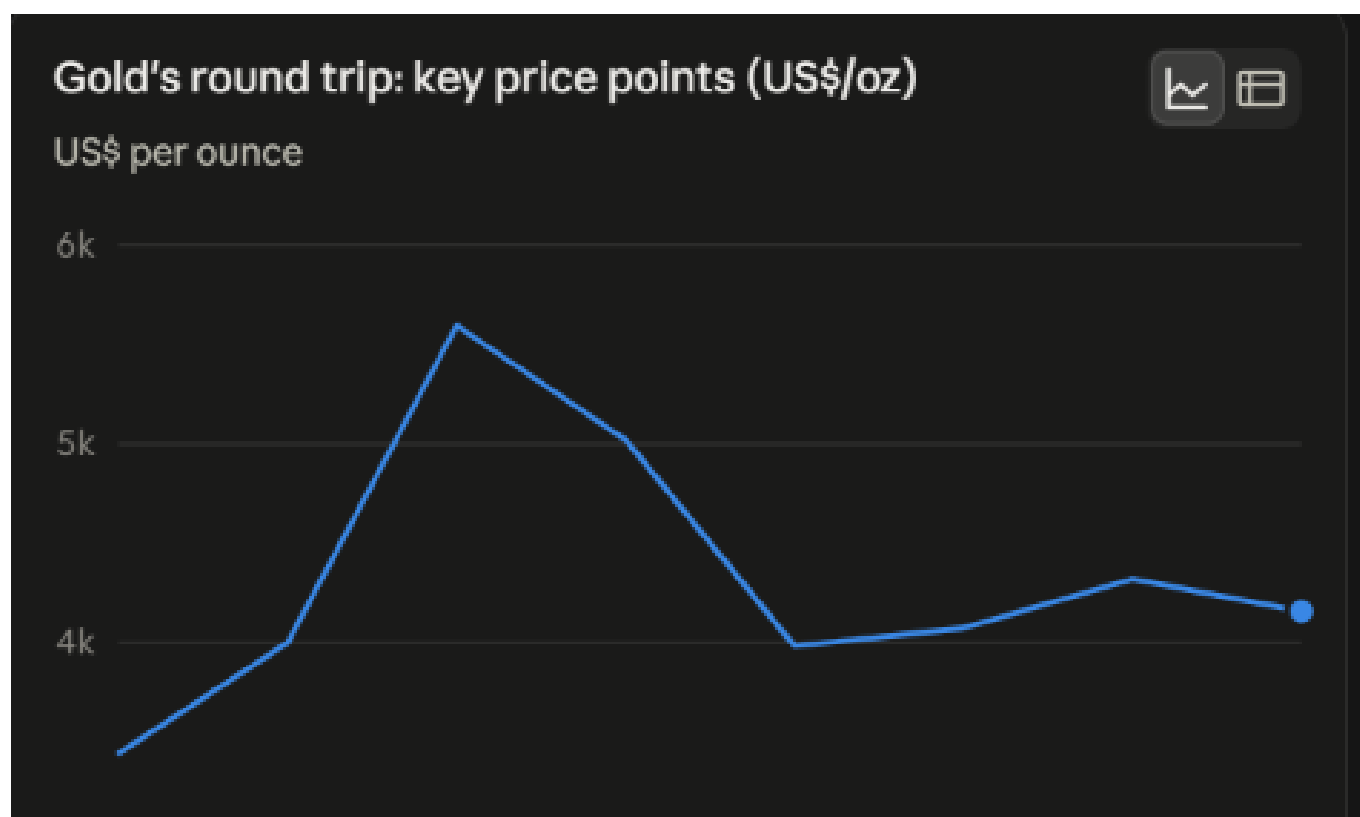


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Gold slumps nearly 22% from its record high, as rate hikes bite

Gold went from about \$3,400 to nearly \$5,600 in roughly a year, then gave back almost a third of that.

By **Manasee Kurlekar** | October 9, 2026



Gold has had a dramatic reversal in 2026.

Its safe-haven appeal is fading as central banks turn hawkish again.

On 5 Oct, gold futures settled at \$4,157/oz. That is 21.8% below the record close of \$5,318 set on 29 Jan 2026, and down 7.1% over the past month. The World Bank's September average was \$4,319, 14% below its February record.

The defining feature of the rally was unprecedented **buying by central banks**. Gold had already climbed more than 50% in 2025, the biggest rally since 1979–80. The World Bank put the 2025 average at \$3,442, up 44% on 2024.

Safe-haven demand: the World Bank also credited geopolitical uncertainty, which pushes investors toward safe assets like gold. That peaked with the US–Iran war from late February.

The fall: the Fed beat the fear ?

- **The Fed turned hawkish:** the main reason was the Federal Reserve's growing tilt toward rate hikes. Higher rates make holding gold, which pays no interest, more costly. The market realised the new Fed chair, Kevin Warsh, was worried about inflation and would raise rates.
- **The dollar surged:** in late June the US dollar hit its strongest level in more than 13 months, which makes gold more expensive for buyers holding other currencies.
- **Investors sold:** gold ETFs saw net outflows of 45 tonnes in Q2, driven by rising inflation and rate expectations and the stronger dollar. Money also rotated into AI-boom equities.
- **Central banks slowed:** Q1 2026 buying was revised down to just 57 tonnes, the weakest first quarter in more than a decade. Q2 then rebounded to a record 289 tonnes, but first-half buying was still the lowest since 2022.

The next big trigger is the Fed's 27–28 Oct meeting, where further rate rises could keep pressure on the metal.

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