A Golden Opportunity

Gold's resurgence as a safe haven asset amid inflation and tariff concerns

BY JOE MATTINA

IN RECENT YEARS, gold and silver have re-emerged as prominent safe-haven assets, driven by growing concerns over persistent inflation and escalating global trade tensions. Despite the rise of digital currencies and complex financial instruments, these precious metals provide utility for those looking to hedge against the uncertain and tense economic landscape seen today. As inflation proves more stubborn than anticipated and geopolitical frictions manifest through tariffs, gold's role as a store of value is becoming increasingly relevant.

INFLATION'S GRIP ON THE GLOBAL ECONOMY

Inflation reduces the purchasing power of fiat currencies, and in turn, diminishes the yield of interest-bearing assets such as bonds. Gold, while non-interest-bearing, tends to perform well when inflation is high because its price history confirms that it preserves purchasing power.



The current inflationary environment central banks are grappling with began during the pandemic. Although originally believed to be transitory, supply chain disruptions, labor shortages, and robust consumer demand pushed inflation to a 40-year high, and combating it remains a challenge for central banks — primarily the Federal Reserve — especially given the increasing tension in global trade policy and subsequent fears of recession.

TARIFF TENSIONS STIR GEOPOLITICAL RISK

Renewed trade tensions — particularly between the United States and China — have reignited fears of a global recession. Both countries have imposed fresh rounds of tariffs and export controls against each other. The European Union and other nations are also exploring protectionist policies to safeguard their industries, further complicating the global trade environment.

These developments contribute to broader geopolitical instability, which historically benefits gold. During times of international conflict or diplomatic uncertainty, investors tend to flee to assets perceived as safe and liquid such as gold due to its universal acceptance and role in central bank reserves.

INVESTMENT DEMAND ON THE RISE

As inflation and geopolitical risks persist, investment demand for gold has surged. In April 2025, gold overtook the "magnificent seven" as the most traded asset, due to an increase in purchasing by central banks – in particular China — and an increase in investment demand.[1]

While cryptocurrencies like Bitcoin have often been touted as "digital gold," recent volatility in digital asset markets has reminded investors of the traditional role gold plays in portfolio diversification. Gold's low correlation with equities and its resilience during market downturns make it a preferred choice as a financial component to diversify a portfolio.

A MODERN ROLE IN PORTFOLIO STRATEGY

In the current environment of gold inflation and geopolitical challenges, the investment case for gold in a well-rounded investment strategy has strengthened and become more pronounced. For those navigating today's economic uncertainty, gold offers not just a hedge — but a strategic anchor. ■

1. Dolan, Mike. "Record Gold Crowded by One Mega Player." Reuters, *April 16, 2025. https://www.reuters.com/markets/commodities/record-gold-crowded-by-one-mega-player-mike-dolan-2025-04-16/*



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