2023 Gold Market Outlook

Gold had a stormy year so far performing flat throughout 2022 but was fluctuating in a 20% range. Central banks are fighting inflation, China reopened it's economy after COVID-19 restrictions and global economy is under recession due to the Ukraine-Russia conflict. The yellow metal climbed to $2070 per ounce early March when the conflict started. However after peaking, the precious metal prices saw a drop at around $1615. The main reason that affected gold price was the interest rate decisions of the Federal reserve. Fed raised the rate by a total of 425 basis points in 9 months making this the quickest rate rise cycle ever.

The gold price in 2023 will have a few large drivers for investors to watch for; the strength of the US dollar, inflation and interest rates, and geopolitical concerns. How these events continue to evolve and combine in 2023 will have an impact on the gold price. The strength of the US dollar and its impact on other currencies has been a major driver for gold already in 2022 and this will continue in 2023 as well. If the dollar weakens due to a slowing economy, then gold should see a higher USD price. For investors outside of the US however, it should be remembered that currency volatility will be reversed. If the dollar remains strong, and other currencies weak it will boost the gold price domestically. Should the dollar fall, this will strengthen other currencies, and result in a lower gold price. Feeding into this will be inflation and interest rates. If inflation doesn't come down, central banks will continue to increase interest rates. This will have an impact on the economies in question, and their national currencies.

Lastly, geopolitics will continue to be a major factor for investors to consider. The invasion of Ukraine earlier this year shocked the world and had a huge impact on the global economy as Russian goods came under sanction. How the war progresses, and should similar events occur between Taiwan and China then gold would be expected to make further gains.

The best-case scenario for gold in 2023 involves a global slowdown and a shift by central banks toward looser financial conditions, particularly in the United States. A reopening in China may also have a beneficial effect on the bullion market. These events might boost gold prices by at least 10% to $2,000/oz.

If stagflation were to worsen, with a global recession and stickier-than-predicted inflation but central banks holding back further monetary tightening, gold's price might rise exponentially as investors flee bonds, equities, and currencies all at once, as happened in the 1970s. In this situation, gold would be seen as the "only asset in town" and may be on track to surpass its all-time high of $2,075/oz.

Gold's worst-case scenario for 2023 is a Fed that defies dovish market expectations, hikes more than expected, and doesn't ease monetary conditions if a recession occurs. However, the onset of a recession might gradually reduce the negative impact of elevated interest rates, implying that gold may suffer less than it did during the selloff in 2022.