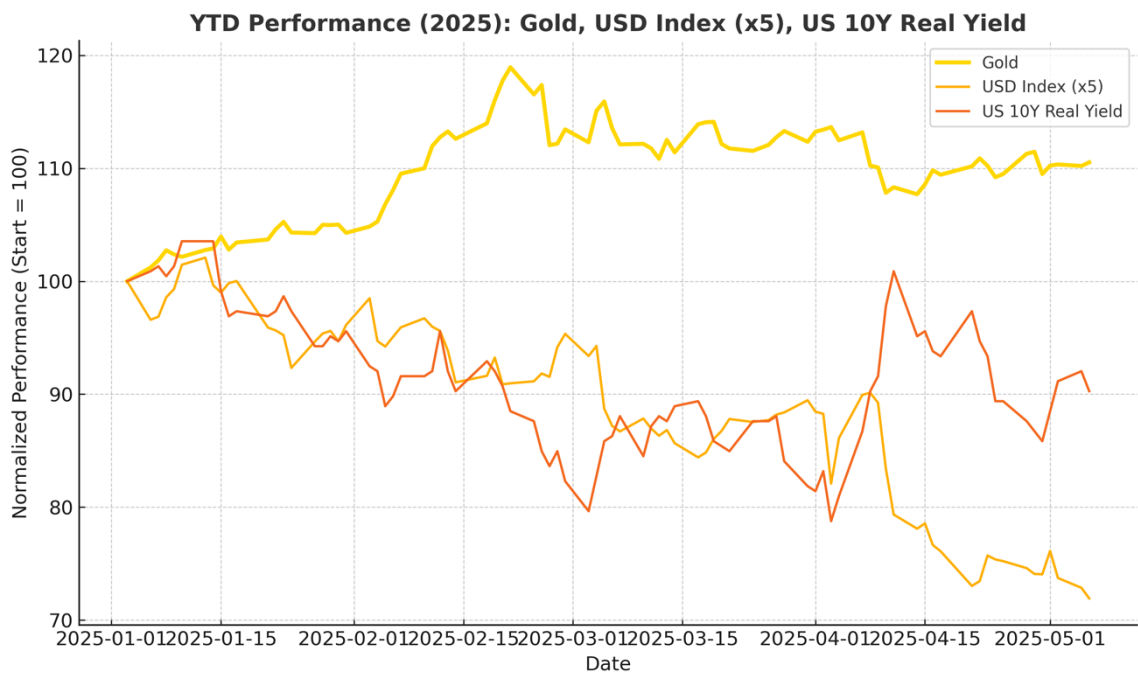


Commodity Surge: Gold Outshines as Dollar Retreats

May 6th, 2025

Highlights

Commodities extended their outperformance into early May, with gold, oil, and industrial metals all climbing higher amid a weakening U.S. dollar and persistent macro uncertainty. Investors are increasingly turning to hard assets as inflation proves sticky and confidence in the U.S. policy outlook wavers.



In 2025 year-to-date, Gold has strongly outperformed, surging over 20%, while the US Dollar Index (amplified 5x for visibility) and US 10Y Real Yields have both declined. This divergence highlights a classic macro pattern: as real yields and the dollar weaken, gold attracts flows as both an inflation hedge and a safe-haven asset. The inverse correlation between gold and real yields remains clearly intact.

Gold Breaks Higher, Backed by Macro Tailwinds

Gold has resumed its march higher, just shy of its all-time highs. The yellow metal gained over **1.7%** in the first week of May, continuing its strong YTD rally that has now topped **28%**.

Key drivers include:

- **Softening USD:** The dollar index (DXY) slid below 104 this week, its **lowest level since March**, easing pressure on dollar-denominated assets.
- **Central bank demand:** Continued accumulation by EM central banks, notably China and Turkey, reinforces structural demand.
- **Inflation stickiness:** U.S. March Core PCE came in at 2.8% YoY, above expectations, challenging the Fed's dovish narrative.
- **Haven flows:** Geopolitical risks remain elevated, supporting gold as a portfolio hedge.

"With real yields stabilizing and the Fed messaging mixed, gold remains a prime beneficiary of risk hedging and inflation uncertainty," noted one commodity strategist at a global bank.

Why the Dollar Is Weakening

Faced with both policy and duration risk, investors are flocking to short-dated securities. Treasury bills, money market funds, and short-term bond ETFs are seeing inflows as institutions seek safety and attractive real yields with limited price volatility.

The **U.S. dollar weakened** despite stronger inflation prints, a sign that markets are reassessing the Fed's room to maneuver amid:

- **Slowing growth indicators:** April ISM manufacturing and services PMIs both came in below expectations.
- **Political gridlock risk:** With election season heating up and no clear fiscal path, confidence in U.S. governance is which are

- moderating.
- **Yield curve compression:** While short-end rates remain anchored, long-end Treasury yields have retraced, flattening the curve and eroding carry support for the USD.

This combination has triggered renewed outflows from USD assets into alternatives, especially commodities.

Oil and Metals Follow Gold's Lead

Crude oil bounced back toward **\$82/bbl (Brent)** as OPEC reaffirmed output discipline and tensions in the Red Sea flared again. Industrial metals like **copper** (+3.2% MTD) and **aluminum** (+2.6%) also rose, aided by stimulus optimism out of China and seasonal demand.

Commodity-sensitive equities, such as **miners and energy stocks**, have outperformed broader indices so far this month.

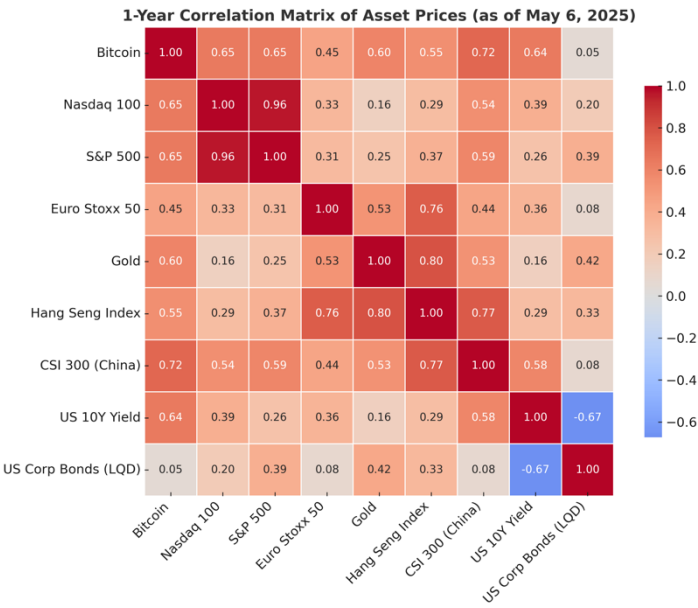
Outlook: Commodities in the Sweet Spot

With:

- The Fed hesitant to commit to cuts,
- Inflation staying above target,
- And the dollar losing momentum,

Commodities appear well-positioned for continued relative strength. If geopolitical tensions escalate further or U.S. data disappoints, gold and oil could see additional upside, particularly as real assets regain favor in diversified portfolios.

	Price	6M (%)	1Y(%)	Percentile
Bitcoin	96802,5	28,0	53,3	97
Gold	3411,4	27,9	46,9	100
Hang Seng Index	22662,7	10,3	22,0	62
Euro Stoxx 50	5263,4	9,6	6,2	96
US Corp Bonds (LQD)	106,6	1,1	4,8	56
US 10Y Yield	4,3	-2,7	-4,0	84
Nasdaq 100	19791,3	-4,8	9,4	89
CSI 300 (China)	3808,5	-5,4	4,1	33
S&P 500	5606,9	-5,4	8,2	88



As of May 6, 2025:

- **Gold** has delivered a **YTD return of +28.4%** with an annualized volatility of **21.2%**, resulting in a **return-to-volatility ratio of 1.34**.
- **Bitcoin**, by contrast, returned **+11.2%** YTD but with much higher volatility (**44.2%**), giving a **return/volatility ratio of just 0.25**.

Gold has offered the best risk-adjusted performance year-to-date, with the highest return-to-volatility ratio among major assets. Despite Bitcoin’s positive return, its elevated volatility has significantly reduced its efficiency as a risk-reward asset in 2025 so far.

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