

ABOVE THE FRAY

Does Gold Hedge Economic Downturns?

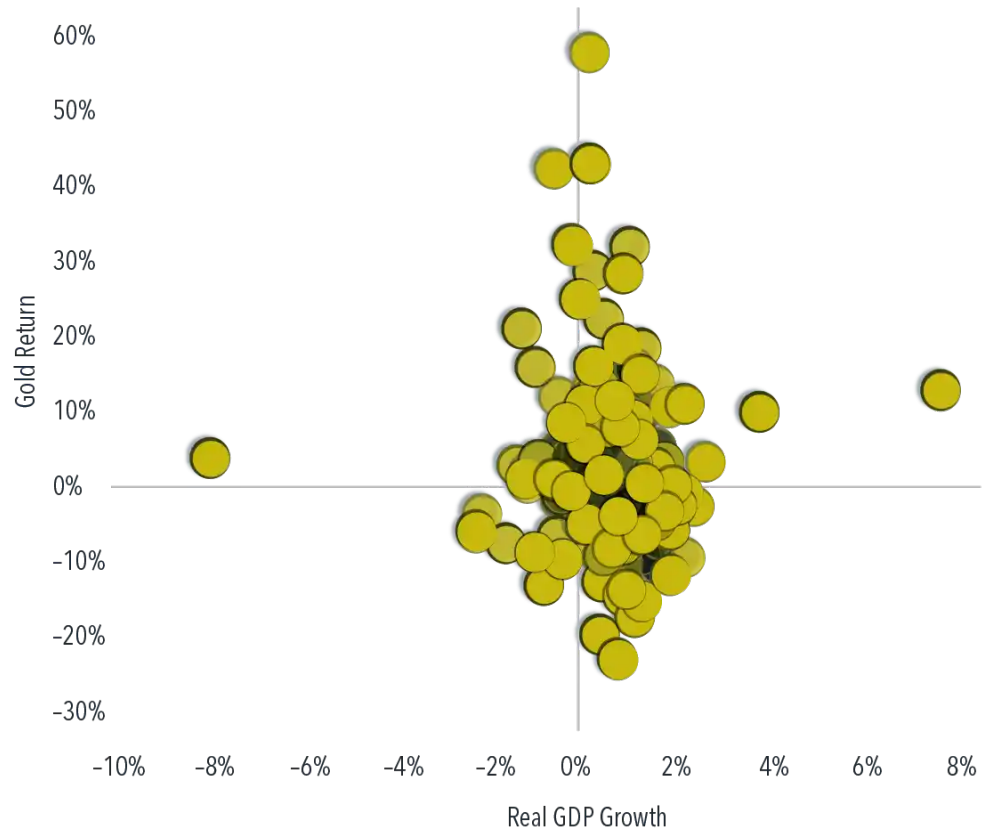
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Nov 12, 2025

Some investors may view gold as a risk-management asset. While returns for gold have been too volatile for it to serve as an effective [safe haven](#) or [inflation hedge](#), some may see it as an asset to weather an economic downturn. But there's not much evidence gold can fulfill this purpose.

Plotting quarterly gold spot price returns against changes in the US gross domestic product reveals little relation between the two. Whether gold was up or down doesn't appear connected to what was happening in the economy. Gold did gain in value during 17 of the 28 quarters with negative GDP growth, but so did US government bonds.¹ So, an investor with high-quality fixed income in their portfolio likely already has a measure of protection against economic contractions.

Markets [tend to reflect](#) expectations for the macroeconomy in advance. It's not clear that adding a slug of gold to one's portfolio provides additional protection against adverse economic developments.

Exhibit 1**Quarterly Gold Return
vs. Real GDP Growth**January 1, 1970–March 31,
2025**Past performance is not a guarantee of future results.**

GDP growth data provided by the US Bureau of Economic Analysis via FRED®. Gold spot price provided by Bloomberg.

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1. Based on the Bloomberg US Government Bond Index. **Past performance is not a guarantee of future results.** Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. Bloomberg data provided by Bloomberg.

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11/15/2025

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