FEBRUARY 2026

Dancing Through the Lightning Strikes?
The ongoing case for gold

The extraordinary return from gold in recent months, followed by an abrupt spike in volatility, ensures that questions about gold allocations come up in every single client meeting. But investors worry whether, after such a rally, there is still a case to own gold. We maintain our recommendation for a strategic allocation as part of an allocation to non-fiat, zero-duration assets.

In the absence of a plausible price target, the case for holding gold rests on its zero correlation with equities at any level of inflation and in the context of a strategic overweight view on equities. The long-run real return from gold is only 0.57% pa and has been episodic. However, the geopolitical imperative to de-dollarize implies a future return above this long-run average.

There remains a very heightened tactical risk, arising from investor demand for gold being far ahead of demand via jewelry to an extent that we have not seen before. We also show the extreme level of retail investor interest. Investors are likely to be fickle and sell as the trend breaks, hence we think that there is volatility complacency for gold; in the near-term, investors need to position for increased gold volatility as a tactical overlay on that strategic positive position.

Despite the topic of gold coming up in every meeting, the extent to which investors are actually invested varies enormously. Tactical risks aside, we think that the progression to a new investment regime implies that our strategic case for gold still stands — more investors need to contemplate an allocation.

Inigo Fraser Jenkins

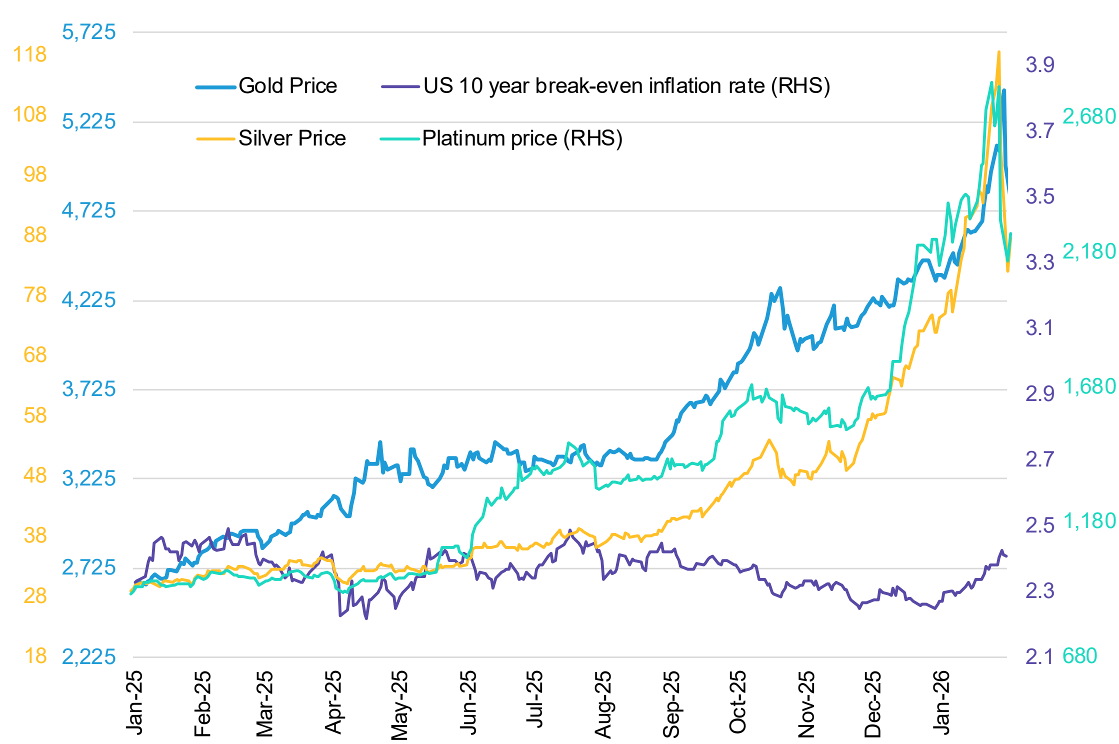
Additional Contributors: Alla Harmsworth, Robertas Stancikas, and Maureen Hughes

Recent months have witnessed an extraordinary move in gold and other precious metals. It is often said that markets cannot price geopolitics. However, the escalation in geopolitical risks in early 2026 does show up in precious metals. We think it also shows that some investors are intent on trying to price in a higher structural risk of a new investment regime. For some time, the first chart in our presentation deck has been the "mysterious" gulf between the market pricing of inflation vs. the prices of gold, silver and platinum (*Display 1*). As a case in point, over the last year there has been no net movement in the pricing of inflation, and yet, even after the recent aggressive selloff, gold and other precious metals are up between 70 and130%. Yes, this change can involve short-term pricing of geopolitical risks, but it is notable that this has happened while equities have rallied. We suggest that, in equilibrium, the market pricing of inflation and the re-pricing of gold cannot both be right. We suggest that more investors will shift to assuming a higher equilibrium inflation level.

The recent and significant pullback of gold does not change this view. We explain below how, despite this longer-term positive view, we do think that in the near term investors should expect larger pullbacks and higher volatility. The recent selloff is, we think, a function of a few factors: 1) the choice of Kevin Warsh for Federal Reserve chair lessens some of the recent worry about the extent to which the Fed might lose independence; 2) being historically more hawkish, the choice of Warsh might, at the margin, lead investors to expect a higher path of rates; 3) the increase in the price of gold during the early-January ratcheting up of language over Greenland hadn't been even partially unwound until now (the underlying risk hasn't really gone away); 4) the scale of investor (and especially retail investor) demand means that there are a larger-than-normal group of fickle, short-term investors and; 5) the sheer monotonicity and scale of gold's performance until last week means that it will inevitably be present in momentum trades, which may automatically cut gold positions after a reversal. These factors all point to heightened tactical risks, but they are tactical and do not change the strategic call.

Given the scale of gold returns over the last year, holders of the precious metals might well be forgiven for behaving in line with the lyric from Ms. Swift that we use as the title for this note. We think that a broader group of investors will find themselves having to grow allocations to gold as well.

DISPLAY 1: A PAINFUL JUXTAPOSITION? PRECIOUS METALS VS. MARKET PRICING OF INFLATION



Past performance does not guarantee future results.

As of February 3, 2026

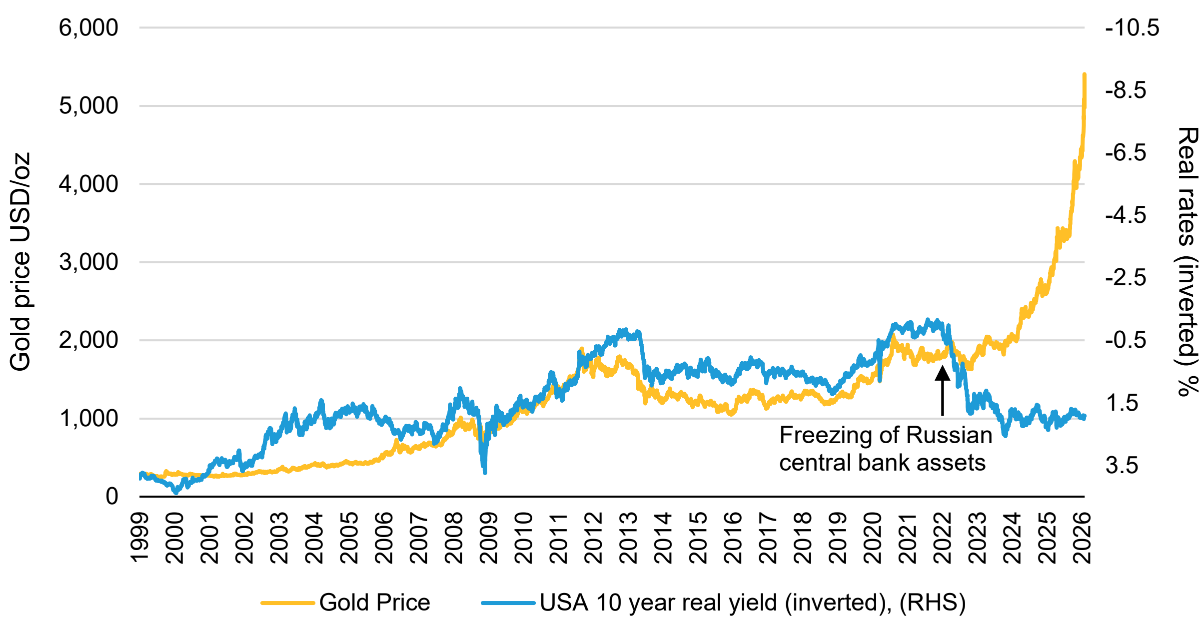
Source: Macrobond and AllianceBernstein (AB)

We have been positive on gold for many years[1] and have reiterated that call multiple times.[2] Given the scale of the upward move in recent months followed by an abrupt selloff, we have been asked: Is there still a case to own gold? Strategically, we think the case is an unambiguous "yes," and hence our strategic asset allocation (SAA) view remains to hold gold as part of a non-fiat allocation. It should be clear, though, that this is a long-term call based on our view of a structural shift in the investment regime. Tactically, we have a specific concern of the proportion of gold buying that is from investors vs. demand for jewelry and the high level of retail interest, which has reached unprecedented levels. As we explain below, we think there is complacency about the volatility of gold if fickle investors (especially through buying as part of a momentum trade) sell their positions. But that can be compensated for buying gold volatility.

When we travel the world and meet clients, it would not be an exaggeration to say that over the last year, gold has come up in 100% of client meetings across Europe, Asia and the US. However, the extent to which clients have actually invested varies massively on where they sit in the investment landscape. Family offices and (some) sovereign wealth funds are happy to hold significant positions. When we speak to pension plans, by contrast, the allocation is usually zero. We will repeat here what we say in client meetings: yes, we get that gold has no income and so might seem anathema to pension funds, but we do think that the global pension system will be brought kicking and screaming to eventually hold gold.

Let's be clear upfront. We don't have a price target. Yes, we are fully aware that when a strategist suggests that investors buy an asset for which they don't have a price target, it should set alarm bells ringing. There used to be a way to "value" gold which was to compare it to Treasury Inflation Protected Securities (TIPS), on the grounds that both were things that felt a bit like risk-free assets (we have never believed that there is such a thing as a risk-free asset – see our discussion later – but the relationship did hold). However, that relationship broke down the day Russia launched its invasion of Ukraine (*Display 2*), and we do not see any good reason why that model should come back to relevance, given the change in the geopolitical and economic environment.

DISPLAY 2: THE GOLD-TIPS RELATIONSHIP BROKE DOWN WHEN RUSSIA INVADED UKRAINE



Past performance does not guarantee future results.

As of February 3, 2026

Source: Fed, LBMA, Macrobond and AB

So, what is the case for investors to hold gold? From our point of view, the strongest case is not as a standalone trade but in conjunction with a strategic long position in equities. The view that permeates our research is that, despite high multiples and

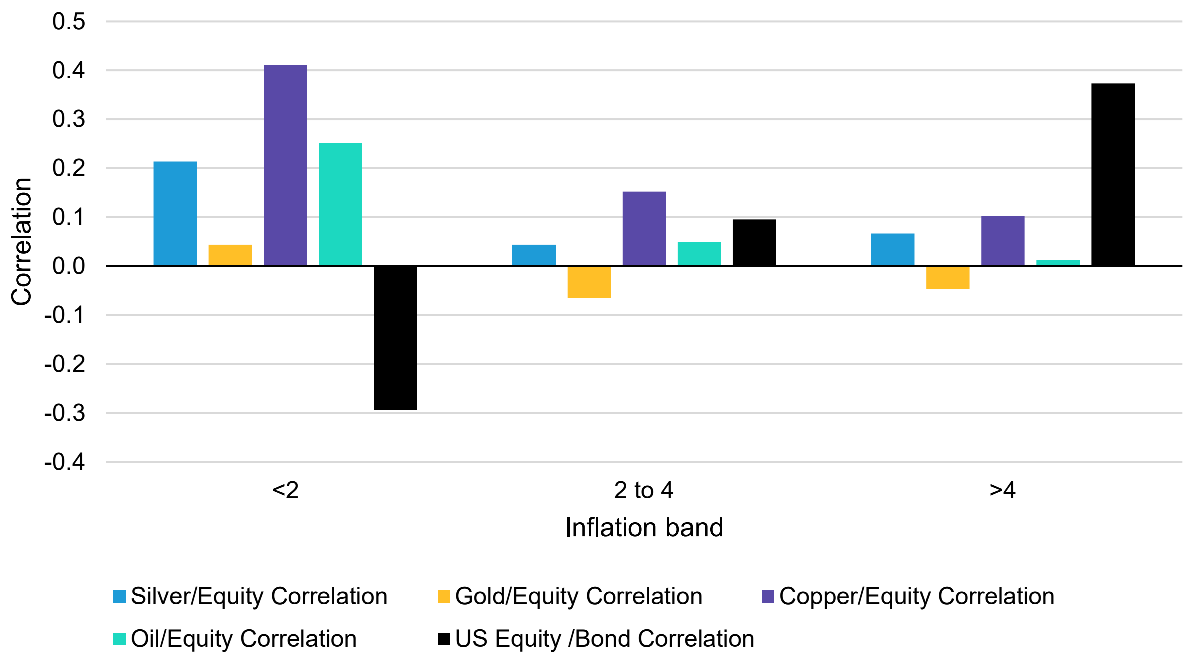
[1] Global Quantitative Strategy: A strong case for holding gold, Bernstein Research, October 23, 2019

[2] The Dollar: Half Awake in a Fake Empire?

low prospective growth rates compared to history, investors must hold a strategic overweight in equities as the most liquid real asset class, and hence key for defending purchasing power in the long run in a world of higher equilibrium inflation.

Thus, the number one financial reason to hold gold is that it is an asset with a long-term correlation with equities of zero. Critically, that result is invariant to inflation level (*Display 3*). This is emphatically not the case for bonds, where any pretense of acting as a diversifier is annulled at higher levels of inflation. We have written *ad nauseam* how we do not expect the negative correlation of bonds and stock returns that was an artifact of recent decades to be something investors can rely on in the future.

DISPLAY 3: CORRELATION OF GOLD-EQUITIES AT DIFFERENT INFLATION LEVELS



Current analysis does not guarantee future results.

Note: The chart covers the period from Jan 1970 to Oct 2025

As of January 28, 2026

Source: Global Financial Data, Macrobond and AB)

A correlation of zero, however handy that may be, is not enough to make a case to hold the asset. Try putting that into an optimizer (not that we have ever approved of overreliance on such things), and it is not sufficient to recommend an allocation.

The background to a larger allocation is a shift in the geopolitical landscape. It has clearly been happening for some time, but the stark events of January 2026, with the US removing a head of state and then the Greenland debacle, show the scale of the move. The Greenland issue is the more important of the two. Despite an apparent de-escalation in recent weeks, we think it marks the crossing of a line. The view of the US from amongst allies has shifted in a way that cannot really be undone. The unravelling of the "recency bias" of the last 80 years of a US-led multilateral order and a functioning NATO is not something that anyone can pretend to have a pricing model for. Owning gold is a good first response, though.

The latest hit to trust in the US has led to calls for non-US investors to sell US government bonds. We have been here before, though, in the midst of the Mar-a-Lago accord scare of last spring. So far, that subject has been all talk and no action (on a net basis, anyway). We continue to make the case to global investors that US equities are exceptional and should be overweighted compared with benchmarks in global allocations. We get a lot of stick for this view, but the superior growth in the US underpins it.[3] However, US bonds and the dollar are very different. If long-run equilibrium inflation expectations are set to rise, it supports our case that, within our SAA, we are leery of long-duration nominal assets. In addition, questions of fiscal sustainability raise the risks to such assets.

A geopolitical overlay adds yet another layer. There is a desire amongst BRICS nations to at least try to de-dollarize. Moreover, should European Union (EU) pension plans hold US long-duration government bonds as a "low risk" asset when the US was recently threatening to invade the territory of an EU country? It doesn't sound ideal. However, despite the rhetoric, so far the demand for liquidity and structural inertia makes it very hard to sell US government bonds. Maybe this will change, though probably not that quickly. Anyway, fiscal sustainability is a G7 problem, not just a US one.

In *Display 4*, we summarize the case for and against the dollar retaining its status. On balance, we think that we have reached peak dollar in the specific sense of its share of central bank assets and transactions, but not in exchange-rate terms. We do think that the net result is that the dollar will slowly lose its status as a safe-haven asset. This is a process that has further to go.

Probably the strongest force in favor of the dollar retaining its status is the lack of any credible alternative and the observation that prior shifts in reserve currency have taken decades. A more recent support comes via the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act, in the clear US preference for stablecoins over central bank digital currencies (CBDCs) as digital money. With the vast majority of stablecoins being dollar-denominated, their issuers have now emerged as being equivalent to a large country in terms of their appetite to buy short-maturity US Treasuries. However, set against this we think that the confluence of fiscal sustainability, geopolitics and questions of trust lead non-US investors to hedge more of their USD exposure as it becomes less of a safe-haven asset. We stress that this can be a very gradual process.

DISPLAY 4: THE DOLLAR IS NO LONGER EXCEPTIONAL

The Dollar Will Maintain Reserve Status for Now… … but Attempts to De-dollarize Are Accelerating	
Case for losing reserve status…	**… but why this will take a long time**
Fiscal sustainability: Though this is a problem for all G7 currencies.	Stablecoins could drive increased USD adoption near term.
Geopolitics: China and BRICS imperative to de-dollarize	No alternative to the dollar? China won't make Renminbi convertible
Trust: Capricious policymaking and US withdrawing from allies, declining support for democracy, falling trust in US institutions?	The reach of USD is far greater than previous reserve currencies.
Fed independence (though also an issue for other central banks)	The absolute US growth rate is lower than in the past but still exceptional vs. other economies.
	"Not enough" gold etc., even adding crypto. Asset-backed currency limitations.
Conclusion	
Non-US investors hedge more USD exposure	
Possibility of US sovereign risk being priced, steeper yield curve	
Role in portfolios for non-fiat assets: gold…. and crypto	

Current analysis does not guarantee future results.

As of February 5, 2026

Source: AB

[3] The End of US Exceptionalism?

So, how does one make a return forecast for gold? The problems with this task are legion. As gold has no income, and not really any use either, one cannot price it off cash flows or utility. History is only somewhat useful as a guide. The 170-year real return of gold has been 0.57% p.a., on average, and highly episodic. Hence, it is not enough to be exciting and, anyway, that longer-run history is complicated by the existence of a gold standard for some of that time. However, using that long-run real return as a base, we observe that there is a geopolitical imperative for China and other BRICS nations to attempt to de-dollarize. Thus, the expected return on gold over the next decade should be above, not below, this very long-term average.

Given its lack of associated cash flow, one cannot value gold. However, one can value everything else! In *Display 5*, we show the five- and 10-year forward relative return of gold vs. a 60:40 portfolio conditioned on the starting level of bond yields and starting Shiller price-earnings (PE) ratio. The conclusion is that one does not want to hold gold when bond yields are very high or when equities are very cheap. We have circled where we are today on this basis, and it shows that gold has tended to outperform the 60:40 from these levels. There are not enough observations to make this a statistically table-thumping case, but at the very least it implies that there is no evidence that gold is a drag on cross-asset portfolios from these levels. How can this be? Gold has delivered such strong returns, after all. Really, this tells us that all asset classes are expensive, and the rally in gold needs to be seen against that broader backdrop.

DISPLAY 5: ONE CANNOT VALUE GOLD, BUT ONE CAN VALUE EVERYTHING ELSE: GOLD VS. 60:40

AVERAGE (ANNUALIZED) RETURN CONDITIONED ON EQUITY VALUATION ON BOND YIELD

Gold: 60/40 (Five-Year Return)

Gold less of a drag when starting bond yields low

Gold enhances return when starting equity valuations high

Shiller PE quintile (1=cheap)	Yield Q1	Yield Q2	Yield Q3	Yield Q4	Yield Q5	Average
1				15.4%	-14.0%	0.7%
2	-6.9%	-4.6%	17.9%	2.6%	-13.9%	-1.0%
3	-11.5%	-1.7%	-14.8%	-18.8%		-11.7%
4	-1.9%	15.9%	0.6%	-16.4%		-0.5%
5	1.3%	4.0%	5.5%	-1.7%		2.3%
Average	-4.8%	3.4%	2.3%	-3.8%	-14.0%	

Gold: 60/40 (10-Year Return)

Shiller PE quintile (1=cheap)	Yield Q1	Yield Q2	Yield Q3	Yield Q4	Yield Q5	Average
1				-3.3%	-14.2%	-8.8%
2	-6.8%	-6.3%	18.3%	-1.7%	-17.0%	-2.7%
3	-6.5%	-1.4%	-6.1%	-10.9%		-6.2%
4	-0.2%	3.0%	1.6%	-2.1%		0.6%
5		10.5%	10.1%	5.6%		8.8%
Average	-4.5%	1.5%	6.0%	-2.5%	-15.6%	

Past performance does not guarantee future results.

Data from January 1970 through September 2025

As of October 8, 2025

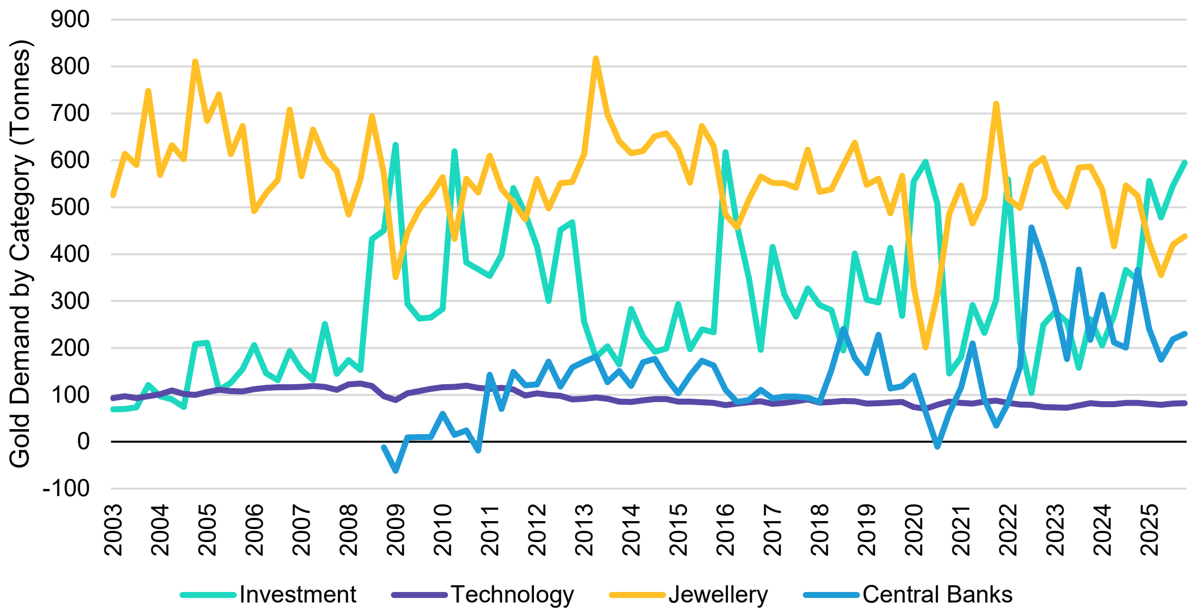
Source: Macrobond, Robert Shiller and AB

This above narrative points to a strategic, long-run case to hold gold in portfolios, and this underpins our view.

The Tactical Worry

Tactically, however, there are real concerns. The selloff of late January – early February illustrates this well, but tactical concerns remain. Our specific concern is that investor demand for gold has exceeded gold demand via jewelry for four quarters (*Display 6*). As far as we can tell, this has not happened in multiple decades. It is likely that investors will be more fickle. Not least because of the high and consistent return of gold in recent years, it will be part of momentum trades. Some of these investors will likely be short-term and sell their positions when the trend breaks. This creates volatility complacency when it comes to gold. Investors focused on the long-run strategic case for gold need to recognize that the experienced volatility will be very likely to be higher in the coming years than it has been recently. Thus, we think that longer term strategic positions in gold may need to include a tactical overlay that allows for an increase in gold volatility.

DISPLAY 6: INVESTOR DEMAND FOR GOLD HAS EXCEEDED JEWELRY DEMAND FOR FOUR QUARTERS... THIS HAS NOT HAPPENED IN RECENT DECADES



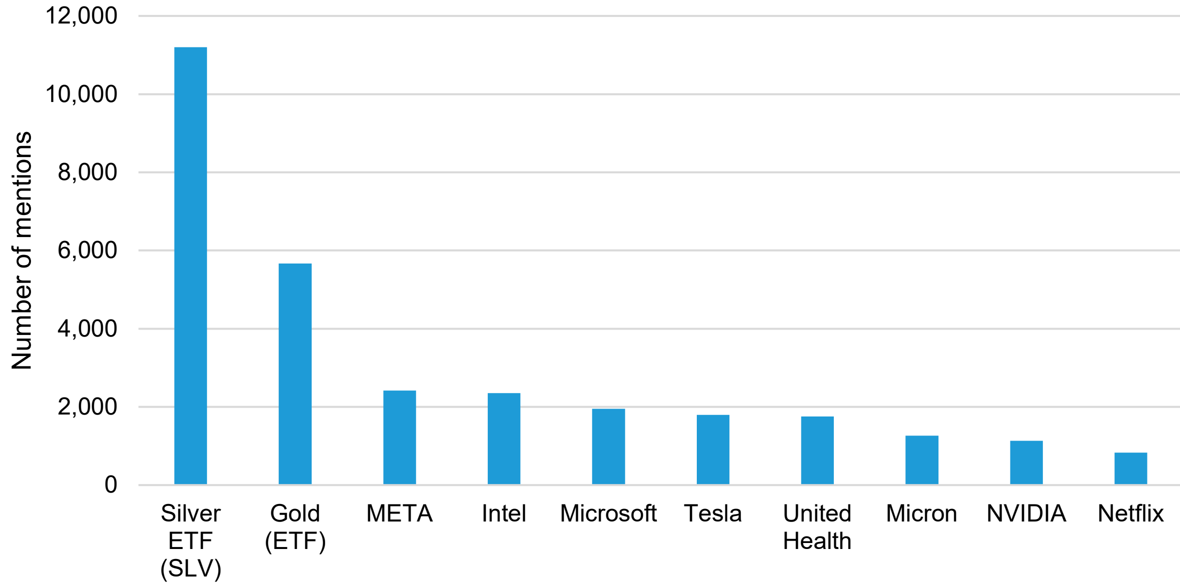
Current analysis does not guarantee future results.

As of January 29, 2026

Source: Macrobond, World Gold Council and AB

Another worrying sign for near-term gold returns is very heavy retail interest. As shown in *Display 7*, the Silver (SLV) and Gold (GLD) ETFs have been the most popular tickers discussed in the WallStreetBets Reddit forum over the past week. This is yet another sign that investors should not expect the recent smooth path to continue, making it likely that we will see abrupt pullbacks over tactical horizons.

DISPLAY 7: TOP TICKERS DISCUSSED IN WALLSTREETBETS FORUM



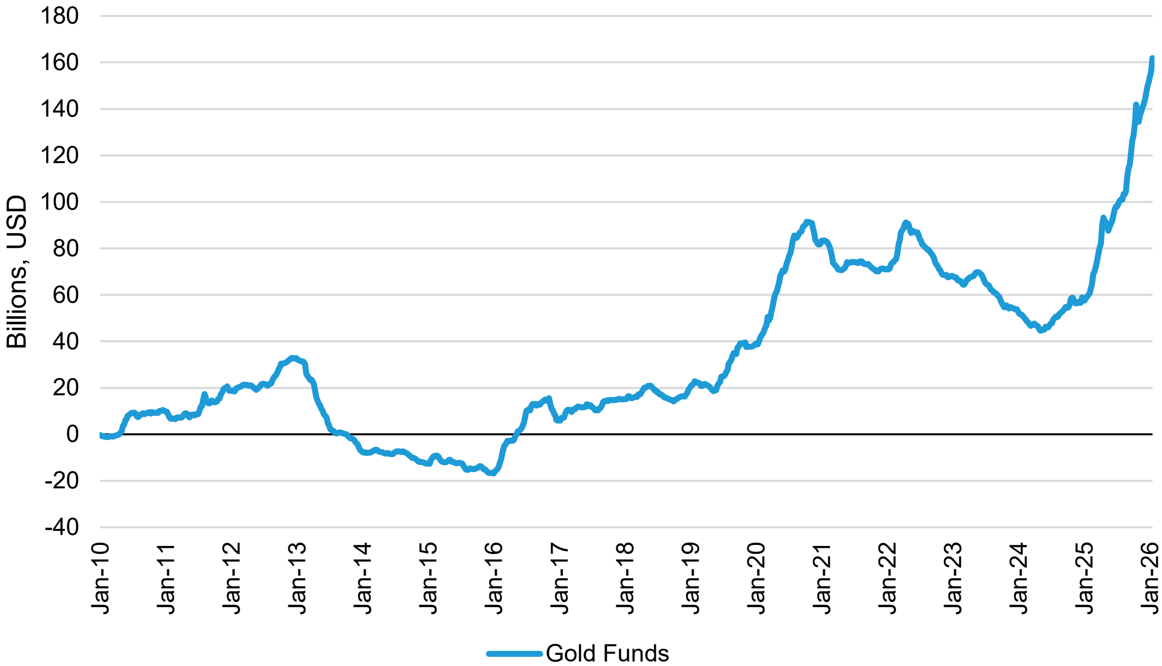
Current analysis does not guarantee future results. References to specific securities discussed are not to be considered recommendations by AllianceBernstein L.P.

January 29, 2026

Source: SwaggyStocks (http://www.swaggystocks.com/) and AB

Moreover, as *Display 8* illustrates, the recent inflows into gold ETFs and mutual funds have been extremely strong recently. Historically, such strong inflows over a short period of time are an indication of elevated sentiment, and they act as a contrarian indicator for short-term performance.

DISPLAY 8: GOLD ETF AND MUTUAL FUND FLOWS



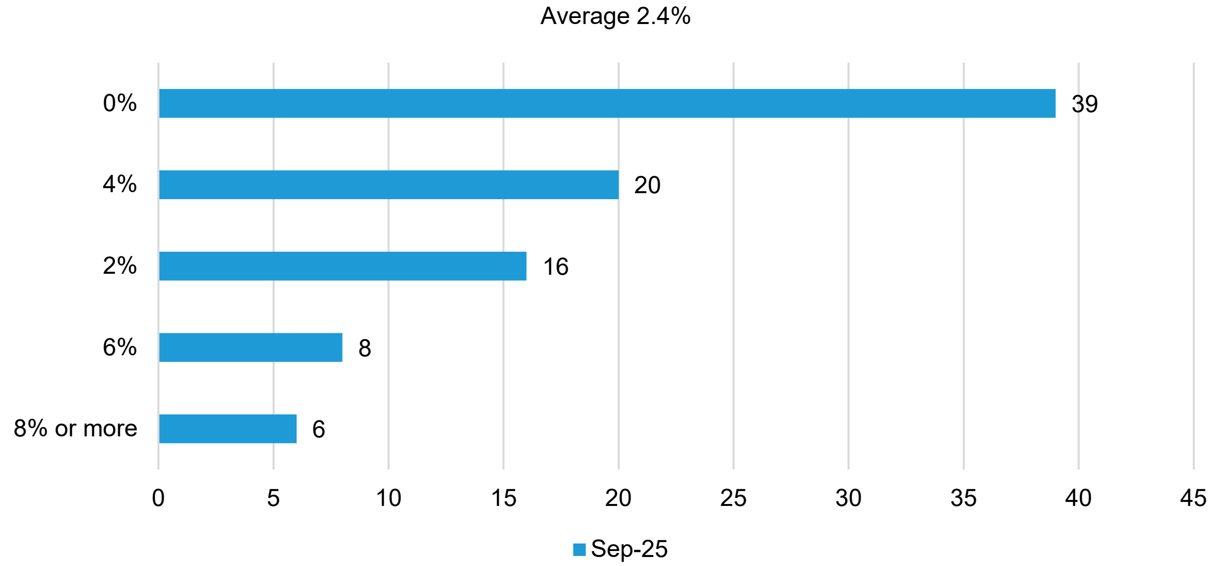
Current analysis does not guarantee future results.

January 22, 2026

Source: EPFR and AB

Something of a counterbalance to this is that, despite the huge increase in investor demand, surveys of the institutional investment industry still imply that that the modal position of investors in gold is zero! Moreover, from those prior points when investor demand for jewelry has briefly exceeded jewelry demand, gold did tend to underperform the 60:40 portfolio over the following 12 months. However, in all those prior occasions, the high ownership of gold had coincided with a highly risk-averse environment, and so equity valuations were distressed. That is evidently not the case today.

DISPLAY 9: BOFA FUND MANAGER SURVEY – CURRENT GOLD POSITION



Current analysis does not guarantee future results.

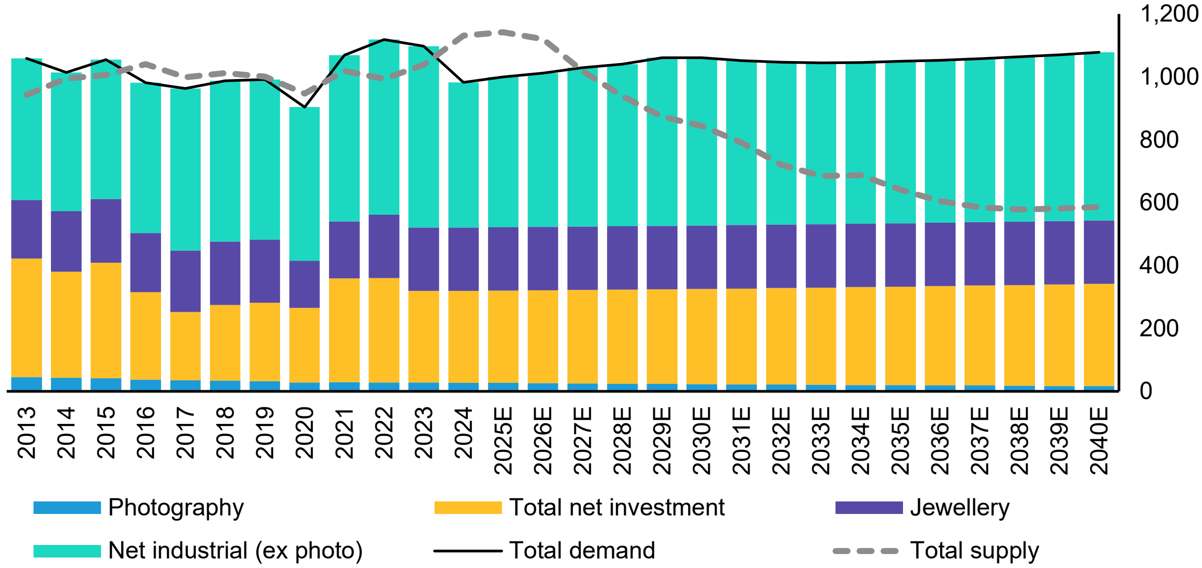
As of September 30, 2025

Source: BofA and AB

Other non-fiat assets

We describe our gold recommendation as really a recommendation for holding non-fiat, zero-duration assets. Last year, we recommended adding silver to this call. We recognize that there can be problems for investors in holding silver. Its low value density can make it superficially less attractive for large investors to hold and there are no mines dedicated to silver; instead, silver is a byproduct, which means that supply-demand imbalances can lead to high volatility in its price. It is also less usual as a central-bank reserve asset, but it has a specific role as part of a non-fiat trade today. Contrary to gold, investor silver buying makes up only a minority of total demand, because there are actually uses for the metal (*Display 10*). Moreover, despite a decline in the use of silver in photography, there is a case for a significant structural increase in demand for silver in solar cells that is set to dominate silver demand by 2030 (*Display 11*).

DISPLAY 10: SILVER DEMAND BY TYPE (MLN OZ)

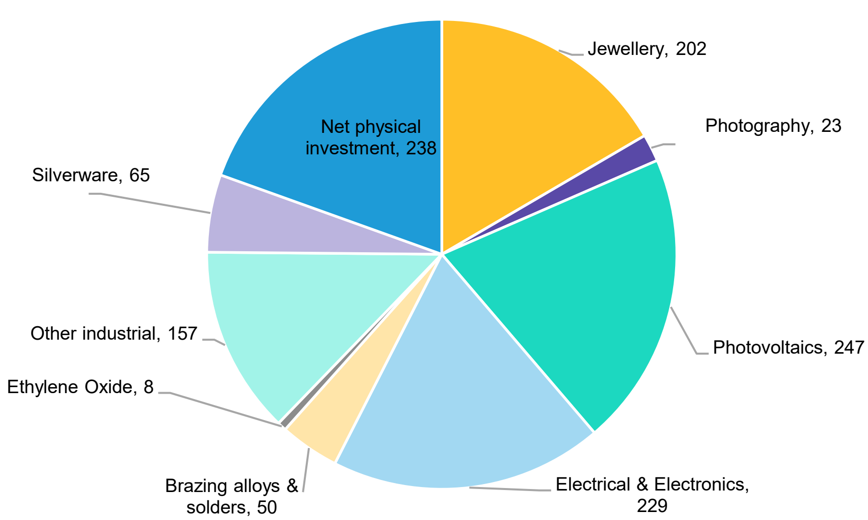


Current analysis and forecasts do not guarantee future results.

As of June 30, 2023

Source: Bernstein Research and AB

DISPLAY 11: 2030 ESTIMATED SILVER DEMAND (100%=1.0 BLN OZ)



Current analysis and forecasts do not guarantee future results.

As of June 30, 2023

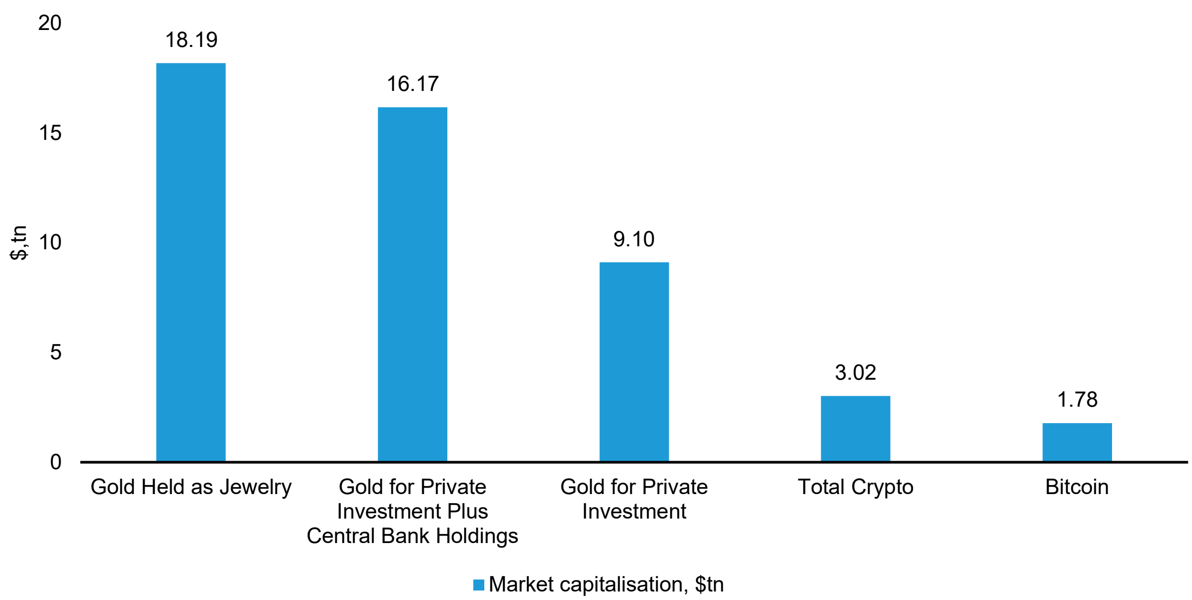
Source: Bernstein Research and AB

The other leg of our non-fiat trade, and one that has done much less well than the others, is to own crypto. As with gold, we cannot offer a price target for crypto, and we are deeply suspicious of any attempts to do so. For us, the case for crypto rests on the following:

1. As the demand for non-fiat, zero-duration assets increases, it creates demand for assets that may, in theory, share some gold-like characteristics. We cannot value Bitcoin, but we can conduct a scaling exercise. The quantity of gold in the world held for investment purposes is valued at $9 trillion. There is no economic law whatsoever that implies that the value of crypto and gold need to have a given proportion. However, we would argue that as the demand for gold increases, it creates an umbrella under which the scale of Bitcoin holdings can rise (*Display 12*).

2. There is the promise of more regulatory clarity. President Donald Trump has markedly failed to produce this so far, focusing instead on stable coins. While that matters from a macro perspective given its potential to increase dollar demand and particularly demand for short-dated US government debt, it does not help crypto. But the possibility of progress toward regulatory clarity for crypto sits in the background as an extra level of support.

DISPLAY 12: A SCALING EXERCISE FOR CRYPTO



Current analysis does not guarantee future results.

Note: Gold statistics use end of 2024 value for gold stocks and latest gold price

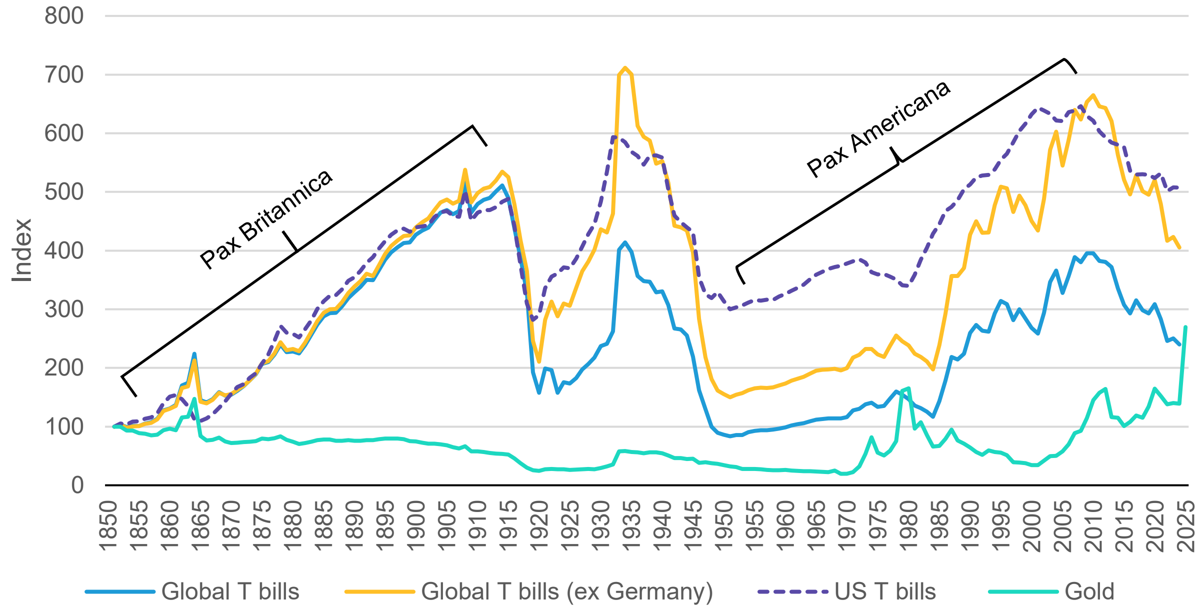
As of January 28, 2026

Source: Macrobond, World Gold Council and AB

Two final thoughts

In case anyone still needed convincing, in our view there is no such thing as a risk-free asset. Such a concept is either contingent on a specific set of economic or geopolitical circumstances or a theoretical sleight of hand to make the math easier for valuation and asset allocation. As *Display 13* shows, the real return on things that should plausibly count as risk-free assets has been episodic and at times evidently not risk-free. If an asset delivered negative real returns over an extended period of time, why would anyone regard it as not having risk? For our longer discussion on this topic, please see Global Quantitative Strategy: The end of Pax Americana and what it means for the market, Bernstein Research, January 23, 2019.

DISPLAY 13: NO SUCH THING AS A RISK-FREE ASSET?



Past performance does not guarantee future results.

The chart covers the period from 1850 to 2025

Source: Global Financial Data, Macrobond and AB

There is a "survivorship bias" inherent in many studies of long-run returns for both equity and bond markets, in that people tend to focus on the US and UK. But these are countries that happened to "work" without suffering catastrophic >95% losses. So yes, the US T-bill long-run return has been higher than that of gold, but we suggest that this history might not be a good guide over the very long term.

DISPLAY 14: LONG-RUN REAL RETURNS OF GOLD AND OTHER SUPPOSEDLY "RISK-FREE" ASSETS

Annualized real returns 1850-2024	
Gold *	0.57%
US T bills	0.94%
Global T bills	0.51%
Global T bills ex Germany	0.81%

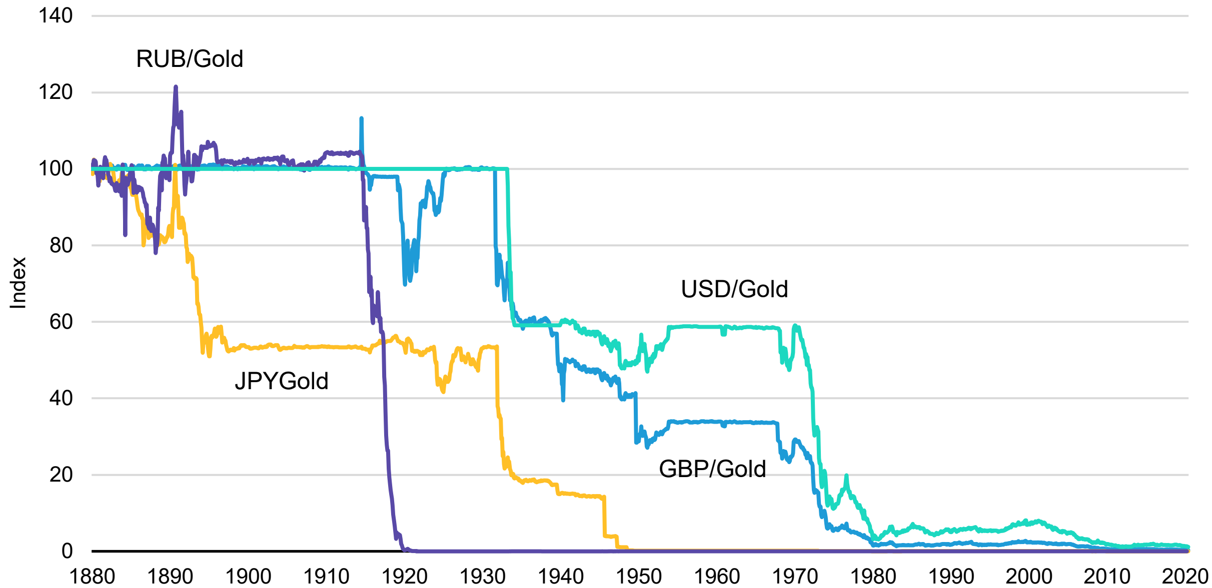
Past performance does not guarantee future results.

*Gold returns have been pro-rated to January 28, 2026

Source: EPFR and AB

As a closing point, we want to highlight that over long enough horizons, all fiat currencies have lost value against gold — either through war or revolution or simply the expansion of government debt (*Display 15*). This doesn't tell us anything about short-term tactical performance, but it does point to a strategic case for non-fiat assets.

DISPLAY 15: SINKING WITHOUT A TRACE? MAJOR CURRENCIES AGAINST GOLD SINCE 1880



Past performance does not guarantee future results.

As of May 31, 2020

Source: Global Financial Data and AB

Nashville
501 Commerce Street
Nashville, TN 37203
United States
(212) 969 1000

New York
66 Hudson Boulevard East
New York, NY 10001
United States
(212) 969 1000

London
60 London Wall
London EC2M 5SJ
United Kingdom
+44 20 7470 0100

Singapore
One Raffles Quay
#27-11 South Tower
Singapore 048583
+65 6230 4600

Tokyo
Hibiya Parkfront 14F
2-1-6 Uchisaiwaicho,
Chiyoda-ku
Tokyo, 100-0011, Japan
+81 3 5962 9000

Toronto
200 Bay Street, North Tower
Suite 1203
Toronto, Ontario M5J 2J2,
Canada
(647) 375 2803

Sydney
Level 32, Aurora Place
88 Phillip Street
Sydney NSW 2000
Australia
+61 02 9255 1200

Hong Kong
39th Floor, One Island East,
Taikoo Place
18 Westlands Road
Quarry Bay, Hong Kong
+852 2918 7888

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