Gold Is Booming-So Should It Be in Your Portfolio?

Gold is having a moment. Prices have surged to all-time highs in 2025, headlines are full of gold fever, and investors are piling in. But amid the hype and the headlines, it's worth asking: does gold really deserve a place in your portfolio?

Let's be clear-gold is not a magic bullet. It doesn't pay dividends. It doesn't generate interest. And despite its reputation for stability, gold can swing wildly in price. So why do so many experts still recommend holding gold-usually 5–10%-in a diversified portfolio?

The answer lies in gold's unique economic DNA. It's scarce, tangible, and globally recognized. You can hold it in your hand, and no central bank can print more of it. That physicality and scarcity are what set gold apart from stocks, bonds, or even cryptocurrencies.

Scarcity and Safe-Haven Status

Here's the basic math: just over 216,000 tonnes of gold have ever been mined. Each year, mining adds only about 3,500 tonnes-a growth rate of just 1.6%. This tight supply, combined with gold's durability, makes it a classic "safe haven."

When inflation runs hot, currencies wobble, or geopolitics get messy, investors flock to gold. Unlike paper money, gold can't be conjured out of thin air!

What’s Driving Gold’s Surge?

In the past year, gold outperformed every other major metal, rising 27% in 2024 and breaking the $3,200 per ounce barrier in 2025. Why?

Three big reasons:

- Persistent inflation and expectations of more monetary easing weakening currency values.
- Escalating geopolitical tensions and trade wars; global currencies are now weapons of war rather than couriers of value
- Worries about global financial stability and ballooning government debt and the desire to hold assets unrelated to this uncertainty.

It’s not just individuals buying gold. Central banks and institutional investors are also increasing their holdings, often through exchange-traded funds (ETFs).

The Real Role of Gold: Diversification and Risk

Gold's real value isn't about chasing quick gains. It's about balance. Gold moves differently than stocks or bonds, often rising when other assets fall. This "negative correlation" makes it a powerful diversifier. Over the long term, gold has delivered nearly 8% annualized returns since 1971-matching equities and beating bonds and many commodities.

Crucially, gold shines brightest in times of crisis. When inflation spikes, markets tumble, or currencies falter, gold often holds its value-or even climbs. That's why it's called a hedge. It won't make you rich overnight, but it can help protect your wealth when everything else is falling apart.

The Drawbacks: No Yield, Some Volatility

Let's be honest: gold isn't perfect. It pays no income. Its price can drop, especially when the economy is strong and investors are feeling bold. That's why most experts say gold should be a minority position in your portfolio-enough to cushion the blows, not so much that you miss out on growth elsewhere.

The Outlook: Still Relevant in 2025?

Today's gold rush is driven by a mix of inflation, uncertainty, and scepticism about fiat currencies. Analysts see prices ranging from $2,900 to $3,700 per ounce this year. Gold's liquidity, lack of credit risk, and dual role as both an investment and a consumer good (think jewellery and tech) keep it relevant-even as new asset classes emerge.

The Bottom Line

Gold isn't a cure-all. But in a world of uncertainty, it remains a unique and valuable tool for investors looking to diversify and defend their portfolios. If you want a hedge against inflation, currency shocks, or market meltdowns, gold deserves a place at the table-just don't bet the farm on it.

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