

## Thematic Insights

# More than just gold Inside the growing case for precious and industrial metals

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Gold, platinum, and industrial metals like copper have seen remarkable runs recently – and they may not be finished.

To the contrary, we believe the broad investment case for these metals is growing and becoming more diverse for a variety of reasons. These include a longstanding desire for hedges in volatile markets, demand fueled by the rise of artificial intelligence, and a rising global policy focus on enhancing supply chain security.

Start with gold. This most precious of metals has glittered for years and may be on its way to outperforming equity market indexes for the third year in a row after a strong start to 2026. In addition to gold's relative strength during 2022's painful bear market, it has outperformed the S&P 500 Index on both a 3-year and 5-year annualized basis and recently surpassed it over the past 10 years.

### Key takeaways

- Gold has demonstrated an ability to help diversify portfolios across market cycles and in times of economic stress through its low correlation to traditional assets.
- While gold may serve as a hedge against growth scares and equity drawdowns, recent price swings are a reminder that gold can be volatile in the short term.
- Industrial and broader precious metals may also offer a source of diversification and long-term capital appreciation in portfolios.

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<sup>2</sup> Unless otherwise indicated, all data cited is sourced from Bloomberg as of Feb. 27, 2026.

## Gold vs. S&P 500 Index

10-year cumulative return (%)



Source: Bloomberg, Macrobond, Raymond James Investment Management, as of 2/27/2026.

### What's behind gold's run?

Several reasons explain gold's performance, though its beauty is often in the eye of the beholder. Few asset classes offer such a long history of low correlations in various market environments, and investors often default to their preferences to explain gold's movements.

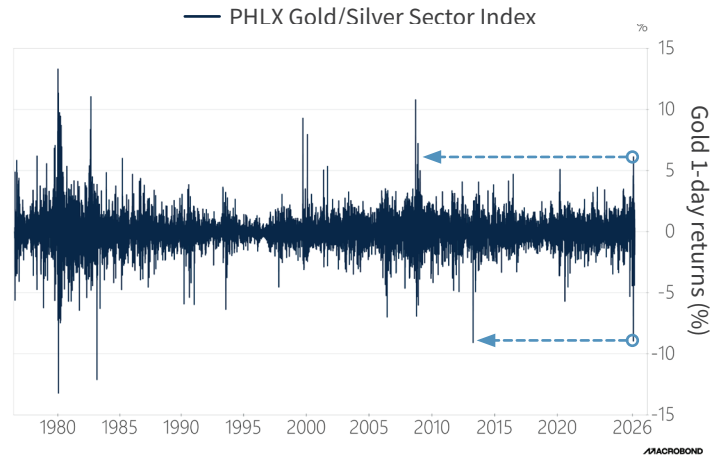
- *Concerned about higher inflation?* Look at gold's unprecedented performance in the 1970s, when it surged dramatically amid inflation, oil shocks, and geopolitical instability.
- *Worried about deflation?* Gold is the original store of value.
- *Geopolitical concerns?* Gold may act as a portfolio stabilizer in uncertain times.

More recently, central banks around the world have added to their gold reserves as a hedge against the US dollar, providing another source of demand for the metal. Whatever their underlying logic, asset allocators typically use gold in an effort to reduce overall portfolio volatility or to mitigate unexpected equity market drawdowns.

While gold may continue to act as a hedge, investors should consider its recent price fluctuations. Gold's volatility has reached extreme levels last experienced during the 2008 financial crisis. Most recently, gold moved nearly \$600 in a single trading day at the end of January, finishing with a breathtaking 11% drop, its worst day since the early 1980s.

### Gold can be volatile, too.

Recent price fluctuations have hit 2008 levels



Source: Bloomberg, Macrobond, Raymond James Investment Management, as of 2/27/2026.

### What does the future hold for gold?

We believe the fundamental rationale for a gold investment is unlikely to change in the near term due to uncertainty around the world, artificial intelligence (AI), and government policy.

Meanwhile, precious metals are front-page news. This introduces new investors with different expectations that may impact the asset classes' patterns of behavior in the short term.

While we still believe gold may act as a hedge during a scare over the growth of gross domestic product (GDP), it's not surprising that we've recently seen some weakness during short-lived market selloffs. After a strong run, gold has been used as a source of market liquidity and acted more like an alpha-capturing tool. This creates potentially more attractive entry points for long-term investors.

## **Beyond gold: Global growth, rising demand**

Many industrial metals have been resilient given stronger global growth and increasing demands from AI capital expenditure (capex) spending.

Now, with increased geopolitical fracturing, governments are intently focused on supply chains for critical minerals. The latest critical minerals list from the US Geological Survey, a bureau within the Department of the Interior, features all base metals including silver, platinum, and battery materials. Strategic stockpiling demand from governments could set a “soft” floor under metals prices and highlights increased marginal demand.

We’re also seeing an uptick in activity in the metals markets from the US, China, and several other nations. The Trump administration has launched “Project Vault,” a strategic, commercial stockpiling initiative set up as a public-private partnership to invest in all raw materials on the critical minerals list. It is seeded by a \$10 billion loan from the Export-Import Bank of the United States (EXIM) and nearly \$2 billion in private-sector investment. The China Nonferrous Metals Association is considering a similar idea.

These initiatives are designed to smooth out supply shortages and reduce price volatility. Ironically, this has led to a short-term increase in volatility as inventories are low, surpluses unlikely, and scope is limited to increase supply in the near- to medium-term. Additionally, some base metals like aluminum have seen sharp price increases because of conflict in the Middle East, the home of major smelters that process alumina into finished aluminum.

Other base metals like copper may continue to benefit from strong AI capex spending as they are critical components of semiconductor chips and connectivity cables.

## **The case for commodities**

Overall, the addition of commodities – from gold to industrial metals – may provide portfolio diversification and exposure to what we believe is a longer-term bullish cycle. As the correlation between equities and fixed income increases and growth and inflation remain above trend, asset classes that offer both capital appreciation and lower correlations may warrant close consideration in portfolios.

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**Indices**

S&P 500 Index – Measures changes in stock market conditions based on the average performance of 500 widely held common stocks. It is a market-weighted index calculated on a total return basis with dividend reinvested. The S&P 500 represents approximately 80% of the investable U.S. equity market.

PHLX Gold/Silver Sector Index – A capitalization-weighted index composed of companies involved in the gold or silver mining industry.

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