ametrā

AMPLIFY | DEEP DIVE

Beyond the Headlines

10 AUGUST 2026

Is Gold No Longer a Hedge? Ask Which Hedge

AMETRA RESEARCH · DEEP DIVE · AUGUST 2026

Is Gold No Longer a Hedge? Ask Which Hedge.

Gold never stopped being a hedge. It was hedging the risk you weren't watching, and it re-armed the moment the real driver turned.

It was supposed to be gold's moment: a Gulf war, oil over $100, inflation back near 4%, markets lurching. Instead, gold was 2026's great disappointment. After a record $5,626/oz on 29 January (intraday), it fell about ~30% to below $4,000, its worst run since 2013, even as the risks it is meant to hedge got worse. The obituaries were being written.

Then, in the first week of August, the story flipped. A shock US jobs report, employers shed jobs instead of adding them, and a rare US–Japan intervention to support the yen drove real yields and the dollar lower; with the earlier ceasefire having already pulled oil back, gold jumped ~7% in a week to ~$4,400, with silver leading. That whipsaw is the answer to the question. **Gold never stopped being a hedge. It was hedging the risk you weren't watching, and it re-armed the moment the real driver turned.**

Macro Snapshot (as of 7 August 2026)

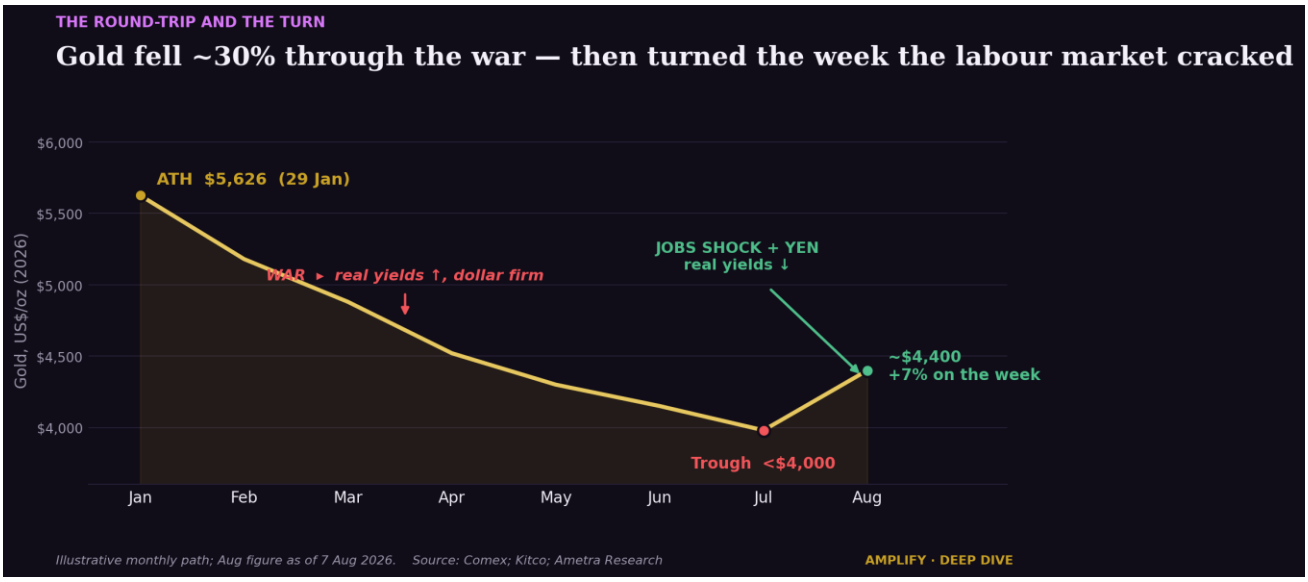
Indicator	Reading	Read-through
Gold (USD)	~$4,400 (Comex); +7% on the week	~−30% from Jan ATH ($5,626), but turning up
Gold (INR)	~₹1.50 lakh / 10g (MCX)	Off only ~20% from its record - the rupee hedged
US jobs (July)	−23k vs ~+80k expected; unemp. 4.1%	The catalyst: Fed loses room to hike
Fed / rates	Sept hike odds ~57% → ~44%; hold now base case	Real yields rolling over, gold's headwind fading
Yen intervention	Rare US–Japan joint action (first since 1998)	Dollar-system strain: a structural tailwind for gold
Brent crude	~$81 (from ~$120 peak)	Ceasefire eased the oil-inflation impulse
Gold–silver ratio	~69 (compressing)	Silver leading; a bet on reflation without recession
Central-bank gold	record buying; > their UST holdings	Sovereign demand is the floor under prices

1. The Paradox — War That Should Have Lifted Gold, Sank It

The Iran conflict was, perversely, bearish for gold, and the reason is worth spelling out because it is the whole misunderstanding. When the war broke out, gold did get a brief safe-haven bid, but it was swamped within weeks by a bigger force. The chain ran like this: the war drove Brent from ~$72 to ~$120, which pushed inflation back to ~3.8%, which forced markets to price out Fed rate cuts and even to flirt with a hike.

Nominal yields rose while inflation expectations stayed anchored, so real yields rose, and the dollar firmed as global capital sought the highest safe return. Both are mechanical headwinds for a metal like gold that yields nothing and is priced in dollars.

None of this is new. Gold behaves this way in every liquidity-and-yield shock: it fell around 30% inside the 2008 crisis before tripling afterward, and it was dumped in the March-2020 “dash for cash” before its record run. A war that raises real yields is precisely the environment gold cannot fight. Fear alone does not lift gold; fear plus falling real yields does. In the escalation we got the fear and the wrong yields, and gold did exactly what that combination has always dictated.



2. The Pivot — The Hedge Re-Arming in Real Time

The machine ran in reverse in early August, and it happened fast, driven not by the war ending quietly but by the US economy cracking. On 7 August the July jobs report showed employers shed jobs against expectations of a solid gain, with unemployment at 4.1%. Overnight the Fed conversation flipped: futures cut the odds of a September hike sharply, and a hold became the base case. A cooling labour market means the Fed loses its room to fight inflation with higher rates, the market began to price stuck rates against still-sticky inflation, which is another way of saying real yields must fall.

Underneath it sat a rarer signal: a joint US–Japan intervention to support the yen, the first such coordinated action since 1998, with the Fed supplying dollar liquidity so Japan would not have to defend the yen by selling US Treasuries. Washington helping backstop another currency is a tell about strains in the dollar system itself, and gold read it as exactly that. With the earlier ceasefire and Hormuz shipping deal having already pulled Brent back to ~$82, gold responded within days, with a ~7% move on the week, back toward $4,400.

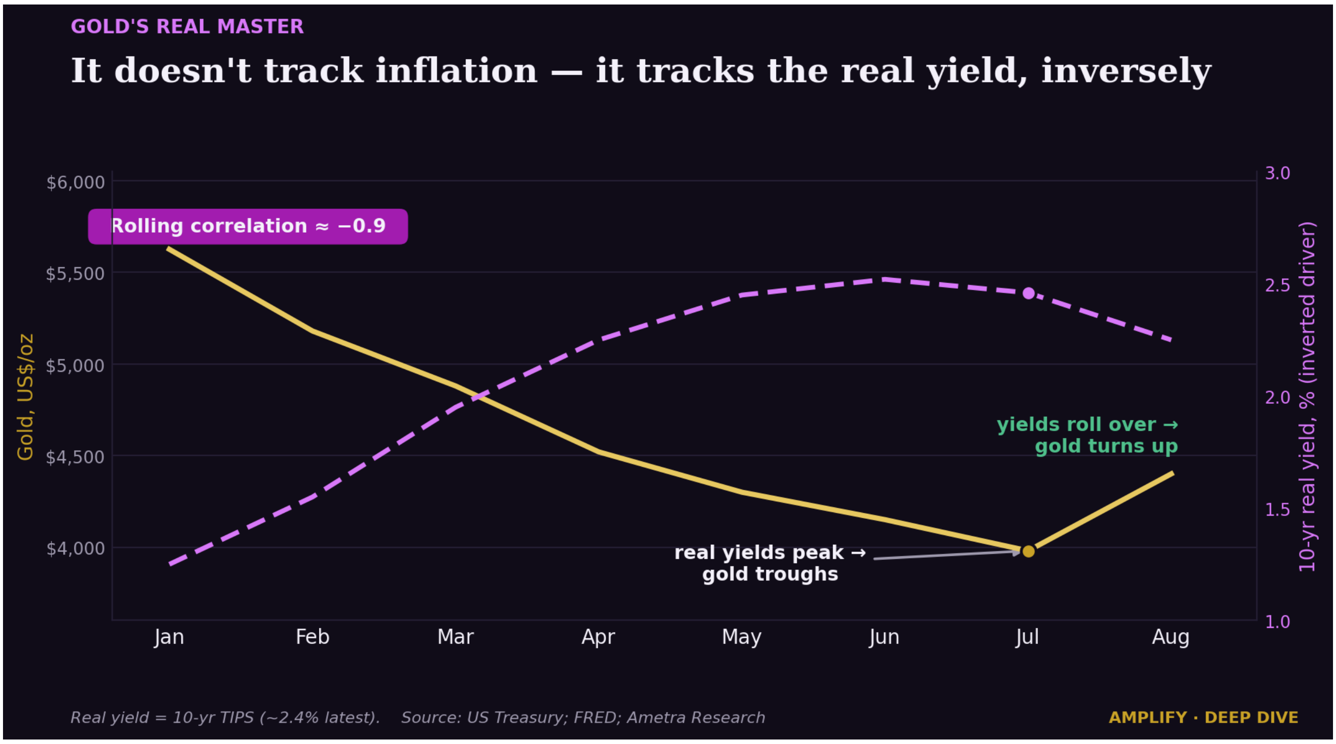
The tell is what rallied hardest. Silver led, and the gold-silver ratio compressed to ~69, not the behaviour of a fear trade (fear sends money into gold and widens the ratio), but of an early-reflation trade, where the cheaper, higher-beta, half-industrial metal moves first as real yields fall. This is the pivot we have been describing for months: gold's catalyst is not the crisis, it is the crisis ending.

One caveat, stated plainly: the turn is early and fragile. The ceasefire is tentative, and next week's inflation print is the swing factor. A hot number would revive the hike talk and put the real-yield headwind straight back on. This is the beginning of a turn, not yet a confirmed trend, and it should be treated as such.

3. Gold's Real Master Is the Real Yield

Both the fall and the turn trace to one variable, and it is not the one investors assume. Gold is a poor hedge against inflation itself; what it tracks, inversely and tightly, is the real (after-inflation) yield. The logic is simple opportunity cost: a risk-free inflation-protected bond now pays a real ~2.4%, while gold pays nothing, so every rise in the real yield makes holding gold more expensive and every fall makes it cheaper.

From 2003 to 2022 the rolling correlation between gold and the 10-year real (TIPS) yield ran near −0.9. Through mid-2026 that yield climbed to its highest in over a decade, the mechanical reason gold fell; in August it began to ease and the mechanical reason gold turned. If you want to forecast gold, forecast real yields.



There is one enduring change to respect, however. That −0.9 grip loosened in 2024–25 because the marginal buyer switched from yield-sensitive Western ETFs to central banks, who accumulate for reserve diversification regardless of the yield, a behaviour turbo-charged after 2022, when the freezing of Russia's reserves taught every non-aligned central bank to hold a reserve no one else can freeze.

The framing to carry forward: real yields set the pace and magnitude of gold's moves; sovereign demand sets the floor. That is why this correction halted near $4,000 rather than cratering, and why central banks now hold more gold than US Treasuries by market value, with gold having overtaken the euro as the second-largest reserve asset held by central banks *(our previous US Debt note)*.

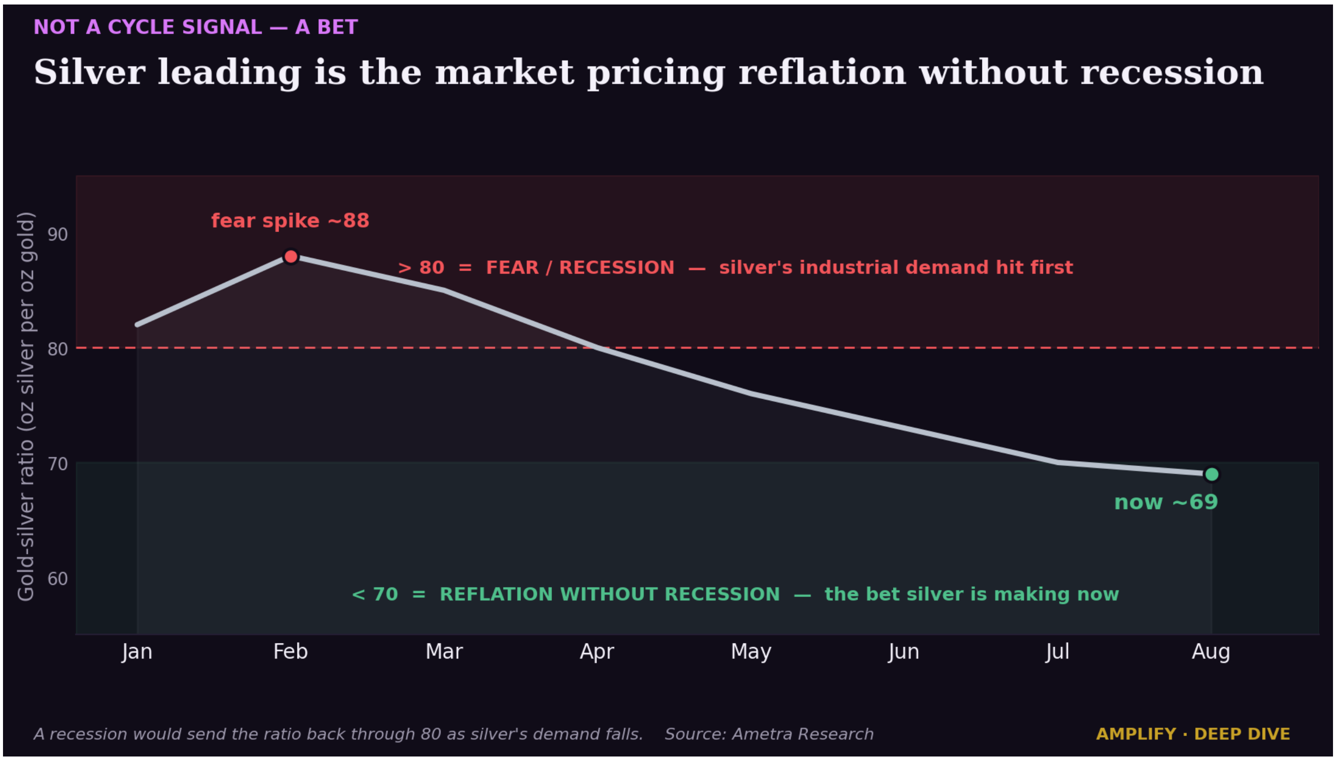
4. The Ratios and the Cycle — Oil, Silver and What Leads

The two great “inflation hedges,” gold and oil, decoupled violently in the war. Oil surged while gold fell. And the ratios between the two commodities now map neatly onto where we sit in the cycle.

Gold buys about 54 barrels of oil, still roughly 2.5–3.5x the 50-year average of ~15–20. That ratio measures how much real-economy energy an ounce of gold commands. So, at these levels gold is historically expensive relative to oil, and with oil now falling and gold rising the stretch is widening, not closing, a reminder that gold's recovery is running ahead of the real economy, driven by financial (real-yield) forces, not industrial demand.

On the gold-silver ratio, we are deliberately not reading the compression to ~69 as a simple "cycle signal." It is better understood as a bet. Silver is half an industrial metal, so its outperformance, which is up sharply this week against gold, is the market pricing reflation without recession: sticky inflation, but growth that holds.

Gold needs no such assumption; it is a pure monetary hedge that works on falling real yields alone, recession or not. That distinction matters now, because the very forces driving this rally - a shock jobs contraction, a labour market and housing that are cracking, are the ones that could tip into recession. If they do, silver's industrial demand takes the first hit, the ratio snaps back through 80, and gold is left standing.

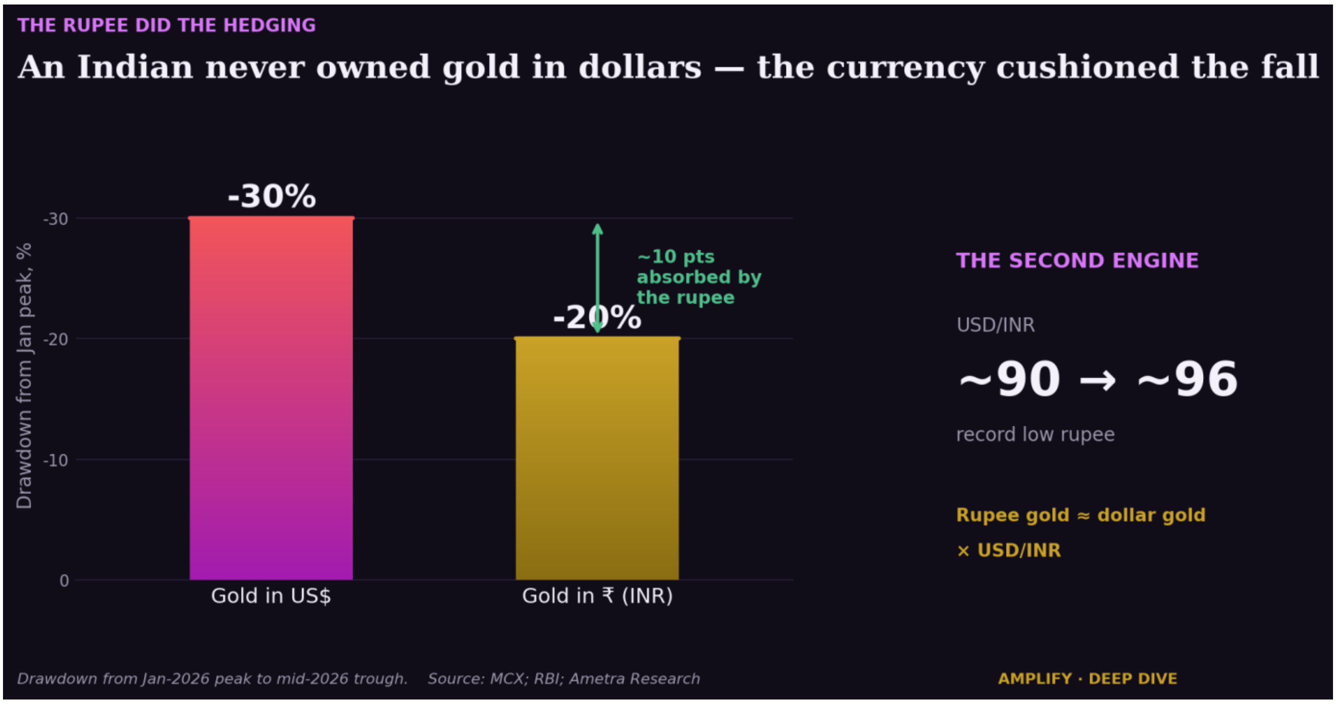


Silver also has a genuine structural story behind the beta: a fourth consecutive annual supply deficit and industrial demand near 700 million ounces, driven by solar panels, EVs and AI data-centre build-out. When real yields fall, silver tends to lead gold, and it already is.

The read: a supply-shock commodity spike is self-correcting, and gold's best returns come after the shock, in the disinflation-and-rate-cut aftermath. That aftermath may just have begun.

5. For the Indian Investor — Gold Is a Rupee Hedge First

Here the "gold failed" story collapses entirely, because an Indian never owned gold in dollars. Rupee gold equals dollar gold × USD/INR, so it has two engines, and in 2026 they pulled in opposite directions. While dollar gold fell ~30% from its January peak, gold in rupees fell only about 20%, from its own record of ~₹1,80,000 per 10g to ~₹1,40,000, because the rupee slid to a record ~96 over the same window *(our previous INR Depreciation note)*, and that currency move offset more than half of the dollar-price fall. The metal stumbled; the currency did the hedging. On the August bounce, rupee gold now rises on both legs at once - a firmer gold price and a soft rupee.



This is structural, not a lucky coincidence of dates. Over decades, rupee gold has compounded at low-double-digit rates, and a large share of that return is nothing more than the rupee steadily losing value against the dollar. For an Indian portfolio, then, gold is first a hedge against a structurally depreciating rupee, and second a hedge against the dollar debasement that central banks are voting on with record buying. Both jobs worked quietly all through gold's "bad" year, and both are accessible cheaply today through gold ETFs, MCX and digital gold, without the making-charges and storage drag of jewellery.

6. Ametra's Read

So, is gold still a hedge? It just showed you it is, in the space of a single week.

— **It failed the wrong test, for the right reason:** Against rising real yields and a firm dollar during the war, gold should have struggled, and did. That was the metal working as designed, not breaking. And history (2008, 2020) says these shock-driven drawdowns are the setup, not the end.

— **The turn is real but early — add on confirmation, not the headline:** The bullish trigger is falling real yields, now underway on a softer Fed and a cracking labour market. But the turn is fragile, so we would scale in as real yields confirm the roll-over rather than chase a 7% week.

— **The strategic and currency hedges never stopped working:** Central-bank demand is the floor under the price; and for our Indian readers, rupee gold fell far less than dollar gold and remains a standing hedge against a depreciating rupee. We keep a core strategic allocation to gold as insurance and a rupee hedge, sized to hold, exactly as our house view has said all year.

— **Silver is the higher-beta version of this trade:** The compressing ratio and silver's supply deficit make it the leveraged play on falling real yields, but it is recession-sensitive and volatile, so keep it small and behind gold, not instead of it.

— **The bigger prize is still the tail.** Gold's most powerful move is the equity downturn. A Fed forced to cut hard, real yields collapsing, the dollar's debasement laid bare. Gold's worst enemy today, the high real yields, is exactly what a recession removes.

Gold did not stop being a hedge in 2026. It hedged the two risks that actually matter to an Indian saver - a falling rupee and a debasing dollar, and then re-armed against the third, real-yield risk, the moment the US labour market began to turn. Judge it by the risks it is built for, not by six months of a chart in a currency you don't spend.

Positioning Map

Stance	Instrument	Rationale (from Ametra's Read)
Core hold	Gold — physical / ETF	Insurance + rupee hedge; sized to hold, per our house view all year
Add on confirmation	Gold	Scale in as real yields confirm the roll-over, don't chase the 7% week
Higher-beta satellite	Silver	Leveraged play on falling real yields; keep small, behind gold, recession-sensitive
Tail hedge	Gold	The equity-downturn scenario (AI ROI / Banks notes): Fed cuts hard, real yields collapse
Access cheaply	Gold ETFs · MCX · digital gold	Avoid jewellery's making-charges and storage drag
Macro watch	Real yields / next CPI	The single driver; a hot CPI could revive the hike talk and the headwind

Disclaimer

Ametra Investment Managers Private Limited | SEBI Registered Portfolio Manager | Reg No. INP000008905

ameträ

AMPLIFY · DEEP DIVE

AMETRA

SEBI REGISTERED PORTFOLIO MANAGER

INP000008905

support@ametra.in

+91 90194 69258

www.ametra.in