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Gold's Slide Shakes Faith in Haven

Investors cash out as rising energy costs drag the commodity to three-month lows

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Gold was rallying to unprecedented highs above $5,000 a troy ounce this year when Stu Bradley jumped on the chance to sell.

The 83-year-old retired financial adviser wanted to pare some of his holdings, doubtful that prices could climb much higher in the near term.

"It's one of those things. You say, 'God, should I just keep all this money? It's going so well.' But then you say: 'No, I've seen this happen before,'" said Bradley, a Michigan resident, who still has 10% of his portfolio in gold and silver.

Now he is glad he sold. Gold is down about 25% from its record high in January of $5,318 a troy ounce, including a 2.6% slide Monday to $3,997 after the U.S. and Iran traded a fresh round of attacks over the weekend. Oil prices gained, and the tech-heavy Nasdaq composite fell about 1.6%, the Dow Jones Industrial Average fell 0.3% and the S&P 500 lost 0.8%.

The biggest gold ETF, **GLD** , is down 25% from January's high. Silver, another haven asset that tends to be more volatile, has tumbled 49% from its record of $115 per troy ounce achieved early this year.

Investors have been worried that the war with Iran could drive up energy prices and inflation, which in turn could lead the Federal Reserve to keep interest rates elevated. " That has increased the opportunity cost of holding gold or the perceived opportunity cost of holding gold, and that's weighed on prices in the near term," said Suki Cooper, head of commodities research at Standard Chartered Bank.

Gold doesn't pay interest, so it struggles to compete with Treasurys and other cash-like holdings when rates are higher. Fed officials broadly agreed at their last meeting in June that they would need to raise rates if inflation stays elevated this year.

Inflation hit a three-year high of 4.2% in May, as the war in Iran drove up energy prices. Investors will get another reading on inflation when the consumer-price index for June is released Tuesday.

On Monday, Brent crude oil prices rose more than 3% to $78.

Gold prices rallied last year as investors sought safety from the inflationary pressures from President Trump's tariffs, the prospect of Fed rate cuts and jitters over booming tech stocks. Then early this year, the metal began its recent slide amid escalating geopolitical tensions

and rising energy prices.

Higher energy costs have also led central banks to sell gold to increase liquidity, said Alex Shahidi, a co-CIO at Evoke Advisors.

Gold prices hit a threemonth low of $3,990 in late June, and have since seesawed with Middle East peace talks.

Aakash Doshi, head of gold strategy at State Street Investment Management, said Fed rate decisions will have a larger effect on gold than daily geopolitical shifts.

"A temporary break of ceasefire does not mean that the market is going to think we're reverting to March, April conflict levels," Doshi said. "It's just day-to-day noise."

Some investors still see gold as a safety net, and they are keeping it in their portfolios.

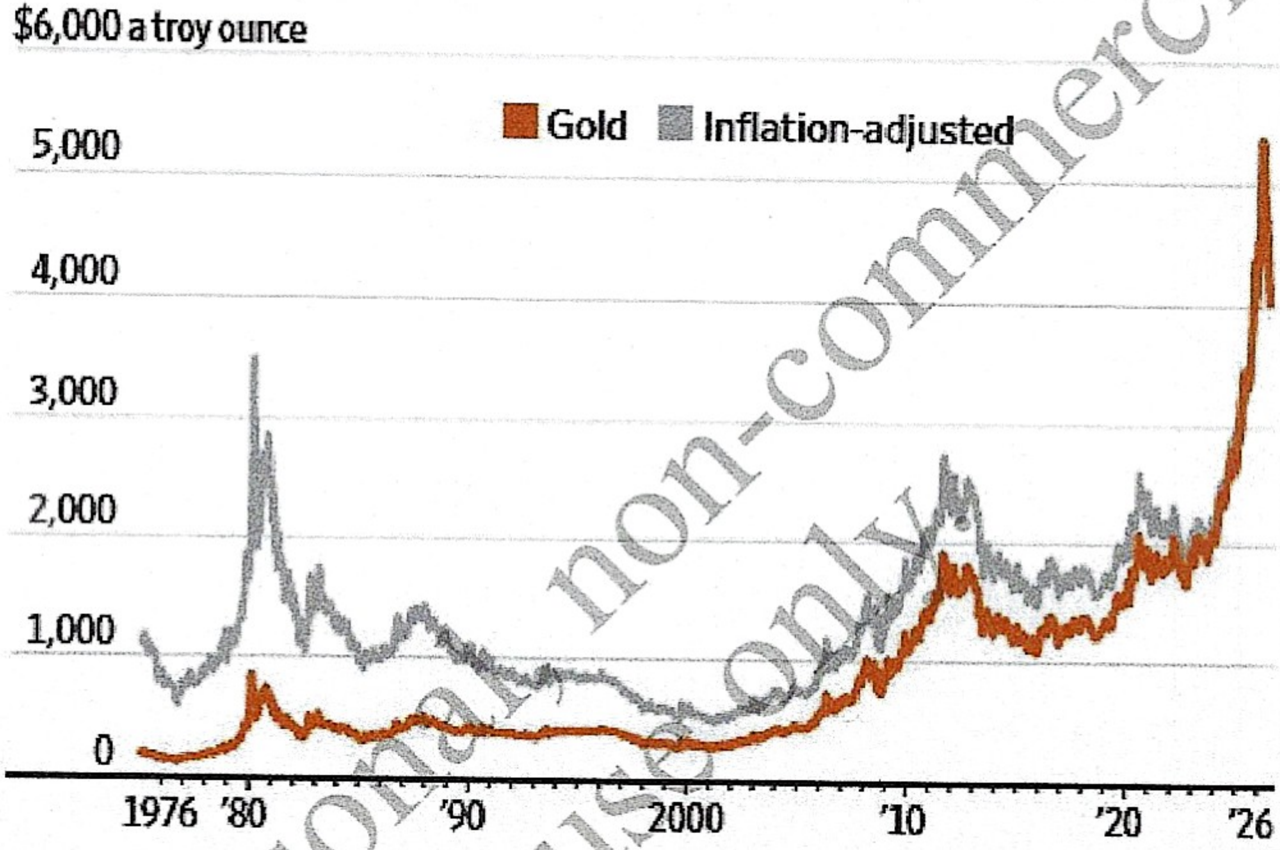
Bradley, the retired financial adviser in Michigan, said he's sitting tight on his remaining gold holdings. "Gold's fairly stable," he said.

Richard Elias, a 76-year-old retired financial adviser in St. Louis, decided to put around 3% of his portfolio in gold after the 2008 financial crisis. He hasn't looked back since, except to shift some of his investment to physical gold coins. "To hold a gold coin in your hand is different from owning a proxy for it," he said.

Elias has decided to stay put even as prices dither.

"The pullback doesn't strike me as anything other than normal."

Gold prices, in both nominal and inflation-adjusted terms



Note: Inflation adjustment through May 2026 release
Sources: FactSet (settlement prices); Dow Jones Market Data (inflation adjusted prices)