

## PERSPECTIVES

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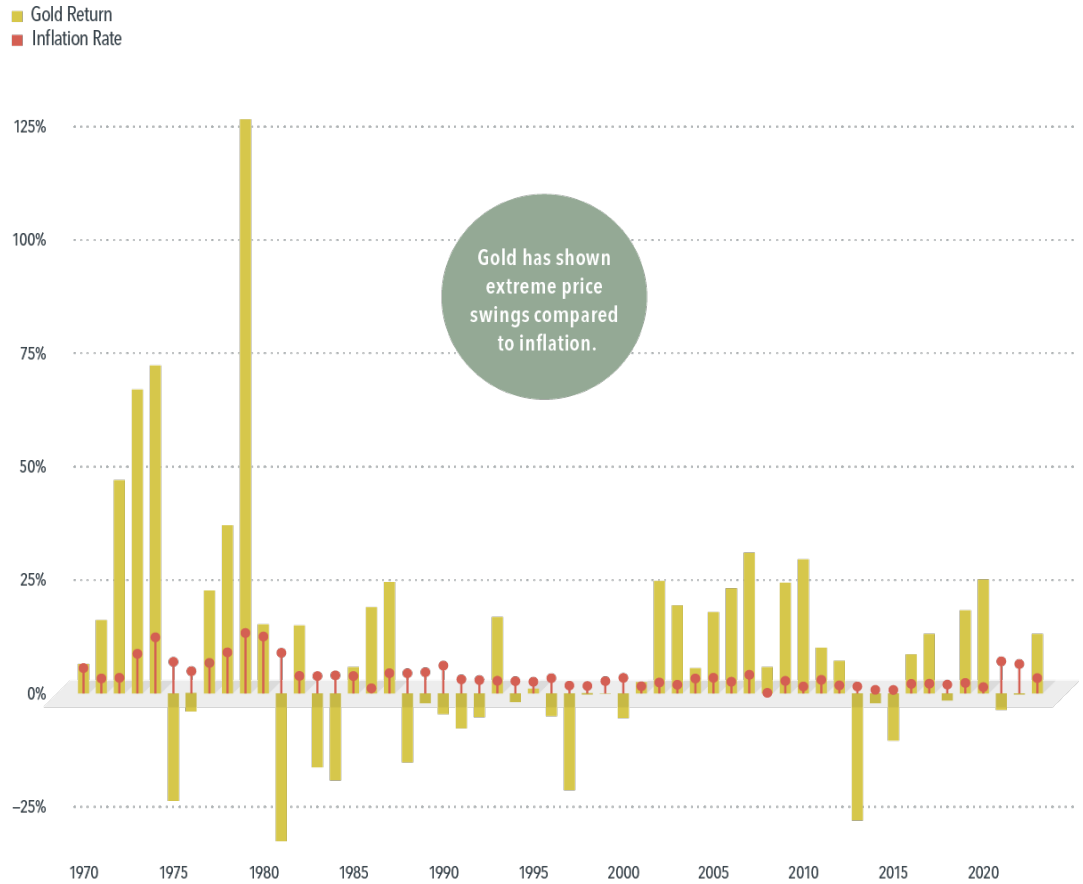
## Gold Hasn't Been Effective at Tracking Inflation

May 21, 2024

Gold is sometimes touted as a tool for protecting wealth from rising prices. But history shows the challenges of using gold to offset the impact of inflation.

Since 1970, gold has often experienced large price swings relative to annual inflation, as **Exhibit 1** shows. An effective inflation-hedging tool should have return volatility that is more on par with changes in consumer prices.

**Exhibit 1**  
**Annual US Inflation**  
**Rate vs. Change in**  
**Gold Price**  
 1970–2023



It's reasonable to be concerned about rising consumer prices, but investors who want to closely track inflation may find gold to be the wrong tool for the job. Using Treasury Inflation-Protected Securities (TIPS), whose values adjust with annual inflation, may be a more reliable approach.

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US inflation is the annual rate of change in the Consumer Price Index for All Urban Consumers (CPI-U, not seasonally adjusted) from the Bureau of Labor Statistics. Returns are in USD. Indices are not available for direct investment.

Gold spot price returns are provided by Bloomberg. Bloomberg data provided by Bloomberg.

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