



The **Tatton** Weekly

Gold behaving oddly

27 March 2026

This week's topics:

Markets hold their breath
Europe's surprising gas supply
Gold's not-so-safe haven

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*'If I won £1 million from
Premium Bonds it wouldn't
change me. Probably because
I'd never find out'*

National Savings keeps your money, Matt, 27 March 2026

Markets hold their breath

Donald Trump's apparent olive branch to Iran helped to temporarily stabilise markets this week. Stock prices gained a little in the early part of the week, government bond yields fell back from recent highs, and energy prices dropped back from last Friday's peak. None of these moves were that big, however, and, more importantly, all were brief.

Markets had a bit of relief, but only a bit. Trump announced on Thursday night that he would extend today's deadline, but Israel has said it will escalate its attacks. There is a chasm between the opposing sides and uncertainty about each side's demands. We seem to be in a holding pattern of sorts. There is a reasonable chance that we do see genuine de-escalation but, the longer we carry on like this, the worse the global growth impact.

Boundary setting isn't de-escalation

The ultimatum Washington issued last weekend – for Iran to reopen the Strait of Hormuz or see its energy infrastructure destroyed – was postponed on Monday. Buyers of the TACO trade (Trump Always Chickens Out) will not be surprised. Both the US and Iran tested the boundaries of what the other might consider acceptable last week (i.e. not damaging long-term Middle Eastern oil and gas production). The threats continue, but the fact both backed away confirmed, for markets, that the boundary exists.

That relieved bond and equity investors, confirming that escalation is not endless. Escalation is also limited by the fact that President Trump’s 15-point “action list” for Iran, submitted through mediators in Pakistan, supposedly does not include demands for full regime change.

But a lack of escalation is not, in itself, de-escalation. Washington submits a peace plan with one hand, and sends an extra 1,000 troops to the Middle East with the other. Even if this is just to establish a credible threat, Tehran clearly does not believe that Trump’s peace plan is genuine. Neither, seemingly, do betting markets: Polymarket’s odds of a ceasefire before the end of April are still below 50%. If this is a TACO, it is a soggy one.

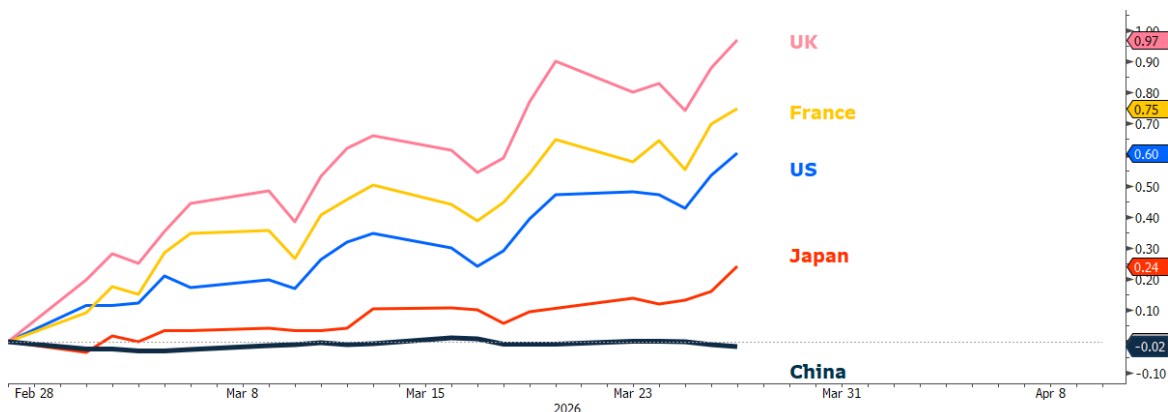
In the meantime, oil and gas exports are still held up in the Strait of Hormuz. The relative pricing of oil and natural gas futures contracts implies a resumption of supply and within a timescale that does not empty the world’s reserves. But, if the blockade continues, energy prices would climb higher and the medium-term global growth outlook would fall further.

From inflation pricing to degrowth pricing

We had the first release of economic data since the war started this week, in the form of Purchasing Manager Indices (PMIs – measuring business confidence). They largely confirmed what everyone had been expecting: business sentiment has been less bruised in US than in Europe and Asia. That is all about the impact on energy prices, particularly natural gas. The gas price impact is much larger in Europe and Asia than the US, as we cover in a separate article.

That suggests lower medium-term growth, which, all else being equal, should mean lower government bond yields (as they are supposed to reflect the background rate of economic expansion). That logic is why bond prices (the inverse of yields) are a good investment counterweight to equities – but the opposite has happened this time. The only bond market that is offering any offset against stock losses is China. Below is a chart of the change in five-year government bond yields:

Global 5-year government bond yield changes
Since 27th Feb



Source: Tatton IM, Bloomberg: G2534

91282CQG Govt (T 3 % 03/31/31) China short bond yields Daily 27FEB2026-10APR2026

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27-Mar-2026 11:54:31

That is because, in China, the oil shock is seen less as an inflation risk and more as a growth dampener. The lesson from China's bond market is that supply shocks are not all about inflation. For US, European and – particularly – UK bonds, the impact on implied inflation expectations has been substantial. Indeed, the move up in bonds' inflation component has been much higher than the one implied by oil futures. Meanwhile, relative growth expectations, measured by real (inflation-adjusted) yields, has been relatively small.

That could change. Central banks across the developed world sounded the inflation alarm last week, but their communications this week were noticeably more growth-focussed. If the war drags on and keeps looking like a global macroeconomic hit, long-term government bond yields could therefore fall.

Liquidity squeeze loosens but brace for next week

The result of central banks signalling tighter monetary policy last week was a tightening of financial market liquidity. That contributed to higher market volatility. In contrast, this week's slightly easier messaging has loosened the liquidity squeeze. That was another key reason for the slight rebound in stock prices.

We see this relief in gold prices too – which had a torrid week last week (covered in a separate article) but stabilised a little this week. In general, holders of speculative assets are under less pressure. That is true even for the ailing private credit sector, and, notably, there is no sign of a knock-on effect from recent private credit fund closures to publicly traded bonds.

This is good news, but it might change next week, if only for technical reasons. Next week is the end of the quarter, end of the financial year, and a long Easter weekend to boot. Those are usually times when trading is light, meaning less short-term liquidity. Small selling pressures can be amplified in such circumstances, so next week could be a little nervy. If that does happen, however, it will likely be a short-term technical blip, rather than a sign of a broader momentum shift. That is, of course, not taking into account what happens with the war. For now, markets are in stasis.

Europe's surprising gas supply

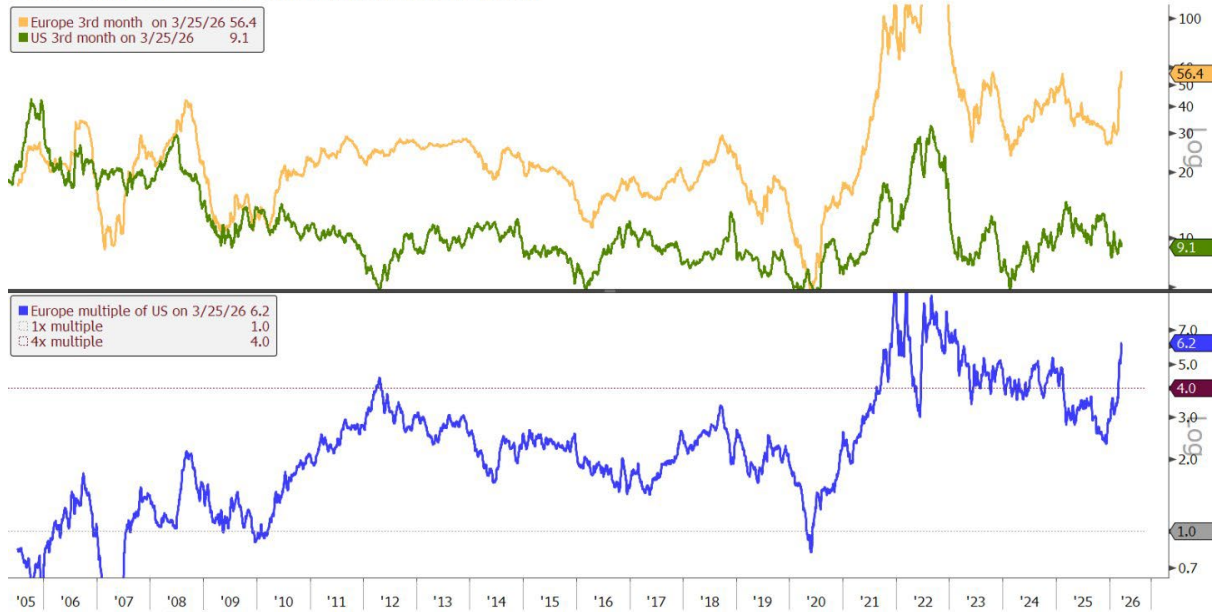
European nations might not want to be involved in the US and Israel's war on Iran – but they definitely feel the effects. Although we often refer to the current global energy crisis as an "oil shock", the biggest impact on Europe comes in the form of sharply higher natural gas prices. For the second time in four years, a geopolitical crisis is choking Europe's gas supply and drastically hurting its economic outlook. But the supply issue is not as simple as it might seem, and there is room for positivity.

A split in US and European gas prices

European natural gas prices are around 55% higher now than before the start of the Iran war, while US prices are roughly where they were a few weeks ago, following a short rise and fall. European gas has traded at a large premium over the US since Russia invaded Ukraine in early 2022. That premium actually declined through 2025, but the Middle Eastern gas flow disruptions mean that European gas prices are now more than six times higher than the US.

Europe has become increasingly reliant on liquified natural gas (LNG) imports since 2022, the biggest share of which come from the US. Pipeline gas from Norway is actually the single largest source of EU supply, but transportable LNG is so often the swing factor – not just for gas but energy prices overall. Before the war, that meant Europe’s gas prices were aligning more with the US. But after a drop in Middle Eastern imports (particularly from Qatar) LNG shipments from the US seem to be at capacity.

Europe natural gas price compared to US Dutch Facility and US Henry Hub contracts, both in €/MWh

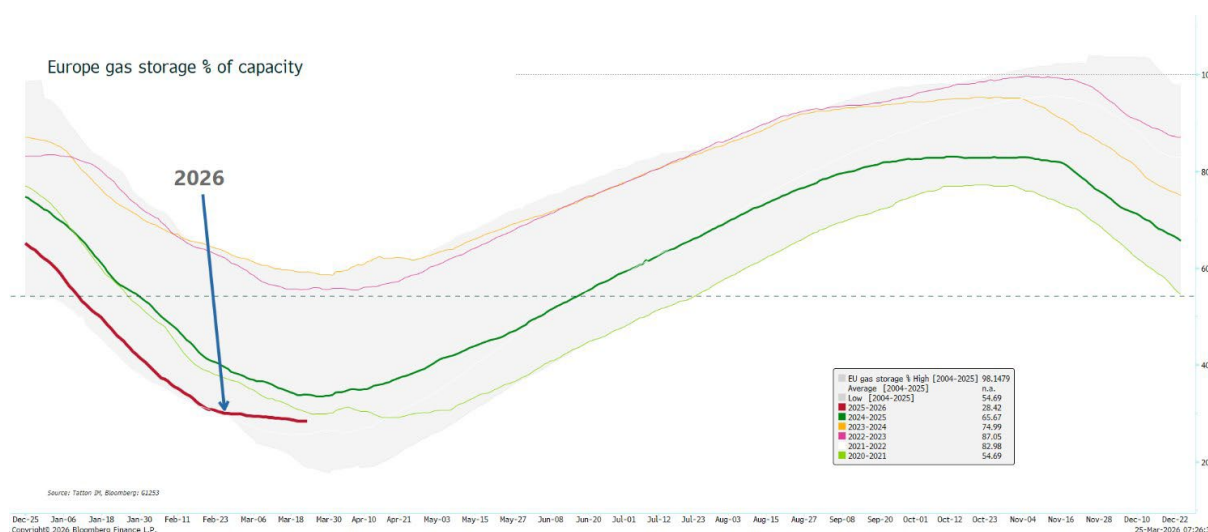


Source: Tatton IM, Bloomberg: G1254
 TZT3 Comdty (Generic 3rd 'TZT' Future) EU vs US gas Daily 29APR2005-08NOV2026 Copyright © 2026 Bloomberg Finance L.P. 25-Mar-2026 12:00:50

That is why US prices have barely moved – and are close to yearly lows in dollar terms – while Europe’s have spiked. US gas producers will obviously want to profit from that premium by shipping LNG across the Atlantic, but they are struggling to do so. That has created an oversupply in US natural gas, in the short-term at least. We can see this in the fact current US gas prices are well below futures contracts for a year out.

Thank the weather for better storage

Europe is in the opposite situation: current gas prices are well above futures prices, suggesting extreme short-term disruption. You would think that would mean stores of European gas are running out but, strangely, the EU's storage outlook has improved. European gas storage follows a seasonal pattern, drawing down through winter and rebuilding during the summer. While gas supplies continue to come down, they have actually improved, relative to seasonal averages, in the last few weeks.



Before the Iran war, gas storage was at the low point of its seasonal average range. This was partly due to a cold snap at the start of 2026, but also because increased LNG reliance was allowing EU suppliers to switch to more of a 'just-in-time' model of gas provision. At the end of February – just before the US and Israel's attacks – we noted that Europe's underlying supply and demand balance was actually improving. Despite everything that has happened this month, that has continued.

For the short-term, this is basically all about the weather. The cold snap has given way to an early spring on the continent. Not only does that reduce the direct need for heating, but it also marks the end of the dreaded 'Dunkelflaute' – a dark but calm weather pattern that provides extremely little wind and solar power. Renewables have been able to pick up more of the slack in overall energy demands, reducing the need to draw down gas supplies.

If geopolitical tensions ease, European supply could rapidly improve

This all suggests that the spike in EU gas prices is more about fear of disruption than disruption itself. Of course, these fears may be well-founded; a total cut off of Qatari supply would certainly be a massive blow. But this tells us that, if the Iran War de-escalates without much damage to long-term gas production, the longer-term supply-demand balance should keep pushing Europe's gas prices down.

It is also worth mentioning that Russian gas flows seem to be largely undisturbed over the last few weeks. There are rumours that the US is pressuring Ukraine to dial down their attacks on Russian energy infrastructure in this period, though that does not quite match up with the fact that two more such attacks occurred this week. In any case, Washington certainly seems more relaxed about Russian oil and gas exports than a few weeks ago. European leaders would hardly be happy with that, but it would again point to a better outlook for gas prices than feared.

Energy prices are crucial to Europe's outlook. The spike in European gas prices has increased inflation expectations and hurt the growth outlook. Comparatively low prices in the US – currently around the lows of last year – have stabilised US inflation expectations in the last few weeks. That has reversed the outperformance of European stocks over the US in the last few weeks (though both are down). But de-escalation could quickly turn that around.

Gold's not-so-safe haven

The steep fall in gold prices has commentators scratching their heads. Gold is the stereotypical 'safe haven' asset, and few things could make people crave safety as much as the US and Israel's war against Iran. But gold prices have fallen 17% since the start of the war. To make matters even stranger, the precious metal has been on an almighty bull run over the last two years, which has seen prices more than triple. Is gold still a safe haven?

Gold traders rush for liquidity

The simplest explanation for gold's selloff is what we might call the natural disaster effect: if you hold safe assets for a rainy day, you sell them when it starts to rain. In a sense, the entire point of 'safe haven' assets is to provide liquidity in stressful times. As the Financial Times noted in an article on gold's selloff, panic in bond and equity markets very often causes gold prices to fall, as investors sell to cover their losses elsewhere.

The two-year rise in gold prices exacerbates that effect. We have noted several times in the last few years that gold had become correlated with a variety of risky or even speculative assets. In the first half of 2025, for example, it moved in line with cryptocurrencies. Links to volatile assets make gold prices themselves more volatile.

There is also a monetary policy effect. In theory, higher long-term inflation should mean higher gold prices – since the static base of gold adjusts to the debased value of money. But precious metals are highly sensitive to interest rates. In the post-pandemic period, gold has often acted as a liquidity drain, rallying as the money supply increases (again, not unlike cryptos). Now, central bank tightening would mean less liquidity in the financial system, hence weaker gold.

What will central banks do?

Forced selling from speculative traders almost certainly played a part, amplifying downward momentum. Those who had bought into gold as a speculative momentum trade would probably have expected the Iran War to boost prices, so when the opposite happens, many will have to liquidate their positions – especially if they are leveraged. That helps explain why the fall has been so sharp, but it does not explain why it started in the first place.

The trigger seems to have been growing expectations that institutions like sovereign wealth funds and central banks might start selling their bullion reserves. It is unclear what caused those expectations. The FT's coverage notes a plan from Poland's central bank to sell gold to fund defence spending, but that was not directly related to Iran and, generally, central banks rarely signal their reserve sales in advance (or even soon after) because that would push down the sale price. Rather, the prevailing rumour is that Middle Eastern central banks might have to sell gold to generate short-term liquidity, while oil exports get held up in the Persian Gulf.

If true, that would be the opposite of what happened after Russia invaded Ukraine. When the US froze Russia out of the SWIFT payment system in 2022, central banks – particularly emerging market banks – began building gold reserves for fear that they too could be frozen out of the global dollar system. Now, however, many suspect that historically high gold prices would be a good opportunity to generate cash. There is no sign that this is actually happening – and even if it was, we would not find out about it for several months. But the whisper of it has been enough for many investors to sell out of gold price tracking exchange-traded funds.

How safe is a safe haven?

We should bear in mind that short-term price volatility does not necessarily undermine gold's status as a safe haven. Gold is a safe haven asset in the same way that government bonds are risk-free. Governments that borrow in their own currency can always print the money to pay you back, but that does not stop bond price volatility. If you own physical gold, you will always have a physical asset to trade, but that does not stop volatility.

There is a difference between gold being a safe haven (a real asset if everything breaks down) and gold prices being a safe haven *trade* (a bet that prices will go up in times of panic). Recent price volatility does not take away from the fact that gold is a useful commodity in a disaster, so it does not diminish its safe haven status. It does challenge the logic of the safe haven trade – but history should make us wary of that trade in the first place.

This is the same reasoning for why we argued against gold as an investment when it was surging up – not because we thought it would go down, but because it is impossible to value in the same way as typical investments like stocks and bonds.

We will end with our usual three reminders on gold: years-long rallies tend to be followed by years of drawdown; it is historically correlated with trust in US power and; even if you think it competes with currencies for reserve status, in the future it will have to compete with China's renminbi – not just the dollar. Even if gold recovers from this selloff, we will continue to prefer traditional investment assets, that provide interest coupons, dividends or at least real economic growth prospects.

Global Equity Markets		27-Mar		Technical		Valuations				
Market	Level	% 1 Week	% 1 Week (GBP)	Short	Medium	Div YLD %	LTM PE	NTM PE	10Y AVG NTM PE	
UK FTSE 100	9937	-0.0	-0.0	→	↗	3.3	14.3	12.8	12.8	
UK FTSE 250	21032	-1.3	-1.3	↘	→	4.2	12.2	10.8	13.4	
UK FTSE All-Share	5313	-0.2	-0.2	→	↗	3.4	14.0	12.6	12.7	
FTSE Small x Inv_Tsts	5930	-1.4	-1.4	↘	→	4.7	13.1	9.5	10.0	
EU STOXX ex UK	726	-0.1	-0.2	↘	↗	3.1	16.5	14.7	15.1	
France CAC 40	7700	+0.1	-0.0	↘	→	3.4	16.4	14.3	14.1	
Germany DAX 40	22268	-0.8	-0.9	↘	→	2.7	16.4	14.1	13.3	
US S&P 500	6416	-2.0	-1.8	↘	→	1.2	23.3	19.3	19.0	
US NASDAQ comp	21129	-3.1	-2.9	↘	→	0.6	32.3	22.6	26.1	
Japan Nikkei 225	53373	+0.0	-0.2	↗	↗	1.5	22.1	22.1	18.5	
World Bloomberg	2249	-1.6	-1.4	↘	→	1.7	20.4	16.9	16.6	
China Bloomberg	1285	-1.2	-1.0	↘	→	2.2	14.1	12.2	12.5	
Emerging Bloomberg	1558	-1.8	-1.6	→	↗	2.3	16.1	11.8	12.5	
FTSE100 Top 6		S&P Global Top 6		(GBP terms)		Global Sectors		(GBP terms)		
Company	%	Company	%	Sector	%	Sector	%			
Croda Int'l	+11.1	Tokio Marine	+24.3	Tech	-2.6	Staples	+1.2			
Smiths	+7.6	IMCD	+20.3	Financials	-0.7	Energy	+3.9			
Mondi	+5.4	PLS	+19.8	Health	+0.9	Materials	+2.9			
GSK	+5.3	Brown-Forman	+17.9	Discretionary	-0.4	Utilities	+1.8			
Anglo American	+5.1	Brenntag	+16.7	Industrials	-0.7	Real_Estate	-0.9			
Weir	+3.9	Enagas	+16.2	Communications	-4.9					
FTSE 100 Bottom 6		S&P Global Bottom 6		(GBP terms)		Fixed Income				
Company	%	Company (GBP terms)	%	Govt bond	%Yield	1 wk chg				
3i	-13.9	Pop Mart International	-28.5	UK 5yr Gilt	4.60	+0.03				
Metlen Energy & Metals	-8.8	Estee Lauder Cos	-20.3	UK 10yr Gilt	5.05	+0.06				
Segro	-8.6	Coinbase Global	-18.0	UK 15yr Gilt	5.42	+0.08				
BAE Systems	-8.4	Boliden	-15.5	US 10yr Treasury	4.45	+0.08				
Babcock Int'l	-7.6	Micron Technology	-14.9	France 10yr OAT	3.86	+0.10				
Kingfisher	-5.6	Kuaishou Technology	-14.2	Germany 10yr Bund	3.10	+0.06				
				Japan 10yr JGB	2.38	+0.11				
Currencies			Commodities			UK Mortgage Rate Estimates				
Pair	last	%1W	Comdty	last	%1W	Rates (LTV c.75%, no fee)	27-Mar	25-Feb		
USD per GBP	1.331	+0.0	Oil Brent \$:bl	110.72	+0.7	UK BoE base rate	3.75	3.75		
GBP per EUR	0.866	-0.1	Gold \$:oz	4446	-2.6	2yr fixed	4.94	3.91		
USD per EUR	1.153	-0.1	Silver \$:oz	68.31	-1.7	3yr fixed	5.01	3.95		
JPY per USD	159.86	+0.5	Copper \$:lb	547.9	+2.0	5yr fixed	4.85	3.95		
CNY per USD	6.922	+0.2	Alumnm \$:mt	3328	+1.5	10yr fixed	5.26	4.52		
USD per Bitcoin	66,263	-5.0	Agriculture BBG	57.44	+0.7	Standard variable	6.62	6.62		

Where possible, prices taken levels at 13:45 today and 14:45 previous Friday.

LTM PE is the index price as a ratio of last 12 months earnings. NTM PE is next 12 months earnings.

Mortgage estimates are derived from sterling swaps markets and moneyfacts.co.uk

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Lothar Mentel

