Lunaro Gold Whitepaper

Gold is a metal, but it trades like an argument about money, inflation, fear, confidence, and state power. We like the definition provided by The World Gold Council (WGC), which describes it as a scarce, highly liquid asset that is "no one's liability"[1]. Its latest market report estimates roughly 220,000 tonnes of above-ground stock worth about $31 trillion exist, with more than $15 trillion in investable gold across physical holdings and official reserves[2].

Gold behaves differently to most commodities, as it combines physical uses with being one of the flagship assets of monetary symbolism. That's one main reason why traders watch it not merely as a material, but as a macro instrument.

For traders, that means gold can be used as a directional view on many different elements. This can include inflation, real interest rates, the US dollar, geopolitical stress, or market risk appetite. It can also be used as a shorter-term trading product because there is plenty of liquidity to buy and sell.

To this end, gold traded a record average of $361 billion a day in 2025, while LBMA trade-reporting data show a 12-week moving-average weekly turnover of roughly $968.9 billion in gold for the period through to July 2026[3].

Getting up to speed on gold is important right now. After surging above $5,500 an ounce intraday in January 2026, it fell below $4,000 in late June[4]. This episode already shows a golden lesson for investors, in that the long-term value of holding the metal doesn't mean there won't be volatile periods of price action in the short run!

In this educational guide, we'll run through:

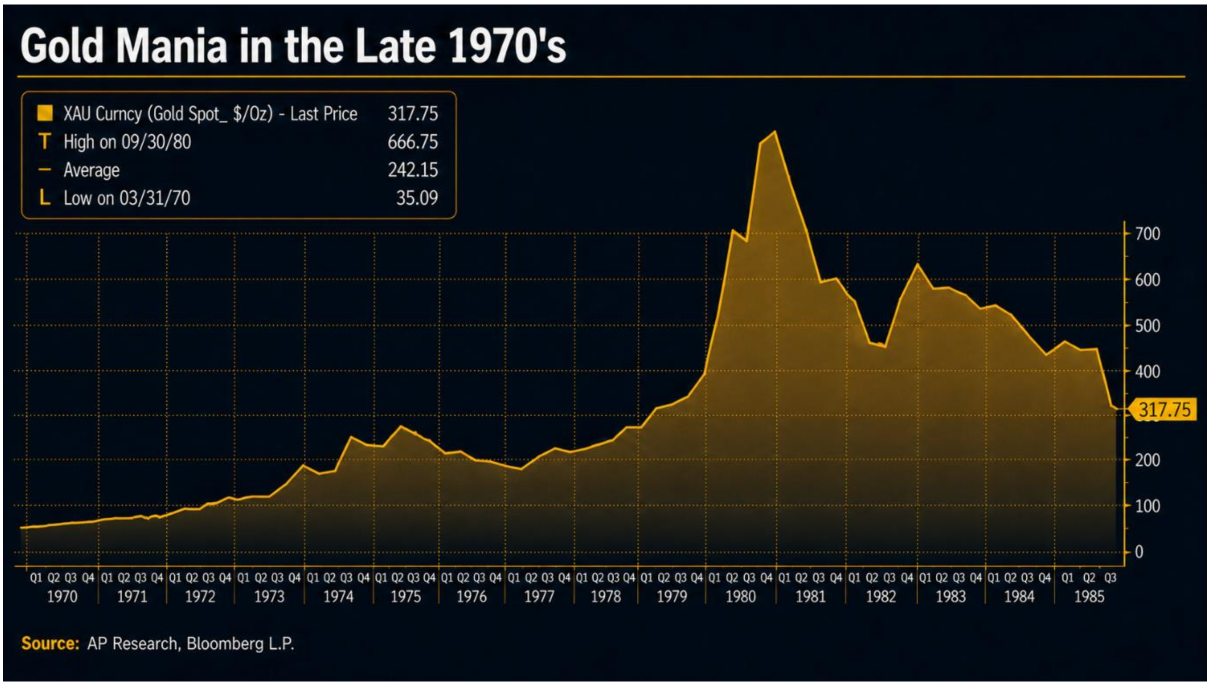
- The history of gold trading
- How the gold market actually works
- Gold supply and demand
- What drives the price
- How to trade gold

Historical Episodes

A logical place to start is with the break between gold and the post-war monetary order. Under Bretton Woods, the US dollar was fixed to gold at $35 an ounce, and foreign official holders could convert dollars into gold.

Strains built through the 1960s as foreign-held dollars grew faster than US gold, prompting the London Gold Pool in 1961 to defend the $35 price. That pool collapsed in March 1968, and in August 1971 President Nixon ended dollar convertibility into gold, effectively closing the gold window and bringing the Bretton Woods system to an end. With these restrictions gone, gold as the trading asset was born in earnest[5].

The first great modern gold blow-off followed. Gold prices soared to close to $700 in 1980, a level not exceeded nominally until 2008. The drivers were the familiar ingredients of a gold mania that we now can appreciate. In this case, it included a Middle East political crisis and high oil prices.



1999 is another date in the diary for gold followers, as the first Central Bank Gold Agreement was signed on 26 September 1999. This was done following fears that uncoordinated central-bank sales were destabilising the market and driving prices lower.6

As a result, the signatories agreed gold would remain an important reserve asset and capped collective sales at 2,000 tonnes over five years[6]. Even though such market distortion might surprise some today, it does serve as a reminder that central banks can shape not only physical supply, but the market's sense of legitimacy.

Then came the global financial crisis. The neat myth is that gold simply rose as Lehman Brothers fell. The reality is actually different, as gold initially sold off in late 2008 as investors sought US dollars and liquidity. This didn't continue, though, and by March 2009 it had recovered above pre-crisis levels and then moved strongly higher as fears about the integrity of the financial system spread[7] . This episode helped to show that gold's role in crises is not always a case of surging instantly. During extreme periods of stress, it can be sold to raise cash or pay for margin calls. Only later does it often become the refuge.

The pandemic repeated that pattern, as WGC data for 2020 shows the global market was heavily disrupted by Covid-19. Annual demand for gold fell that year to an eleven-year low, and yet gold-backed ETFs recorded a record 877.1 tonnes of inflows[8]. In terms of drivers, investment demand overwhelmed weakness in jewellery and other consumer segments.

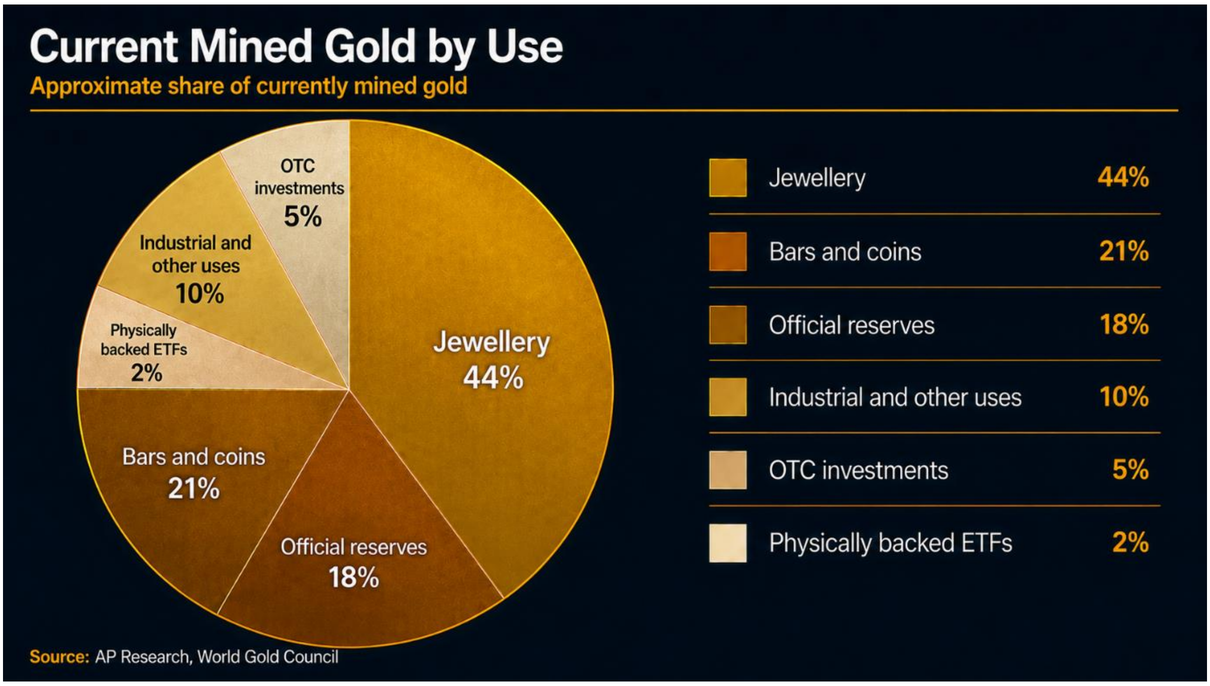
The newest historical chapter began after Russia's full-scale invasion of Ukraine in 2022. Central-bank gold demand surged sharply after the invasion and remains elevated through to

2026. Of note, official-sector demand accounted for more than one-fifth of global demand in that year[9].

A June 2026 assessment from the European Central Bank (ECB) shows gold's share of total official reserves had risen to 27% at the end of 2025 at market prices, above the euro's 15% and US Treasuries' 22%[10].

How the Gold Market Actually Works

The first thing to grasp is that gold is a genuine physical commodity. Of the current mined gold, about 44% is held in jewellery, 18% in official reserves, 21% in bars and coins, around 2% in physically backed ETFs, and roughly 10% in industrial and other uses, with an additional OTC investment segment comprising the remainder[11]. This is visually depicted below:



Because gold is virtually indestructible, yesterday's production remains available to become tomorrow's supply. So, although annual mine output is worth monitoring, it's not monitored in the same way as oil and some other commodities.

The second thing is that the market is anchored by three major trading hubs. These are London, New York and Shanghai. Between the three venues, they account for more than 90% of global trading volumes[11].

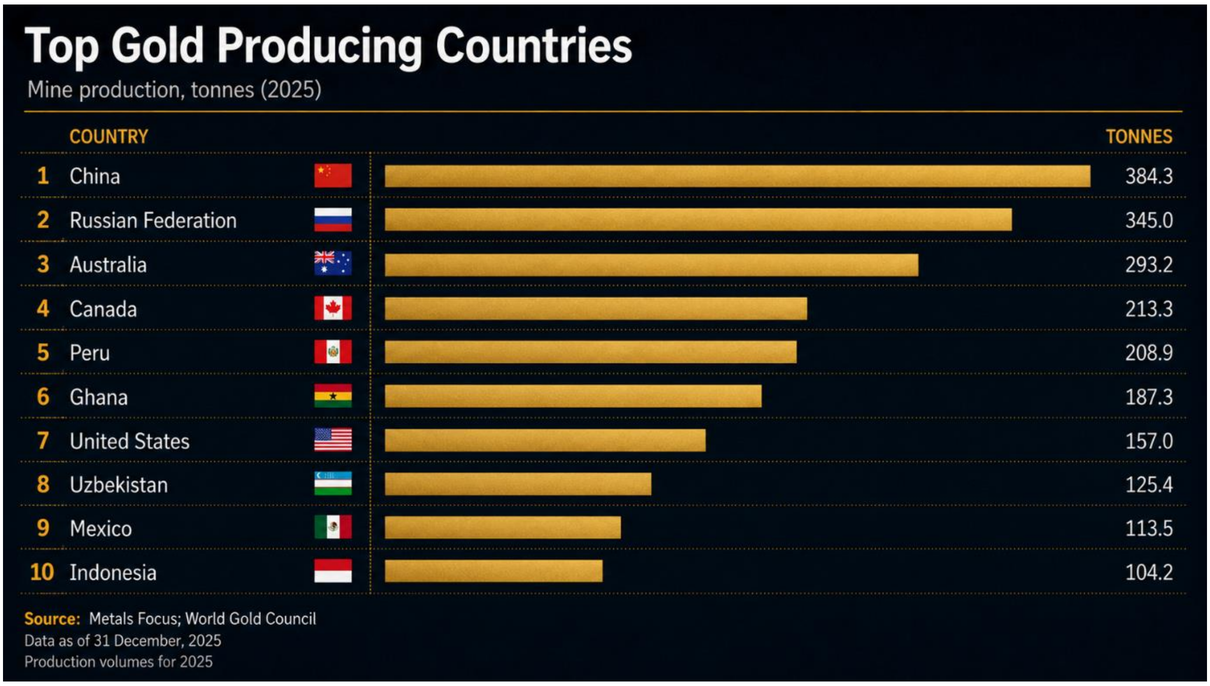
Most of the bespoke, over-the-counter (OTC) trading is done via London. New York dominates the futures market. As for Shanghai, well, it matters because China matters, both as a consumer and as an increasingly influential price-setting venue.

Traders will often look at where the gold fixing price is, otherwise known as the benchmark price. London's daily gold benchmark is set twice each day, at 10:30 and 15:00 UK time. The benchmark is used as the reference rate for trades and related documentation. Whilst we're on the topic of documentation, another feature of physical gold trading relates to whether your purchase or sale relates to allocated and unallocated accounts. What are we talking about here?

In an unallocated account, the holder has a claim on a general pool of metal rather than a specific bar, which means the holder has credit exposure to the institution where the account is held. By contrast, an allocated account is backed by specific bars and works more like custody.

Supply & Demand

Gold supply begins in the ground, which might seem obvious, but it does not end there. The USGS estimates that global mine production reached about 3,300 tonnes in 2025, up slightly from 3,280 tonnes in 2024, with China, Russia, Australia and Canada together accounting for over 37% of world output[12].



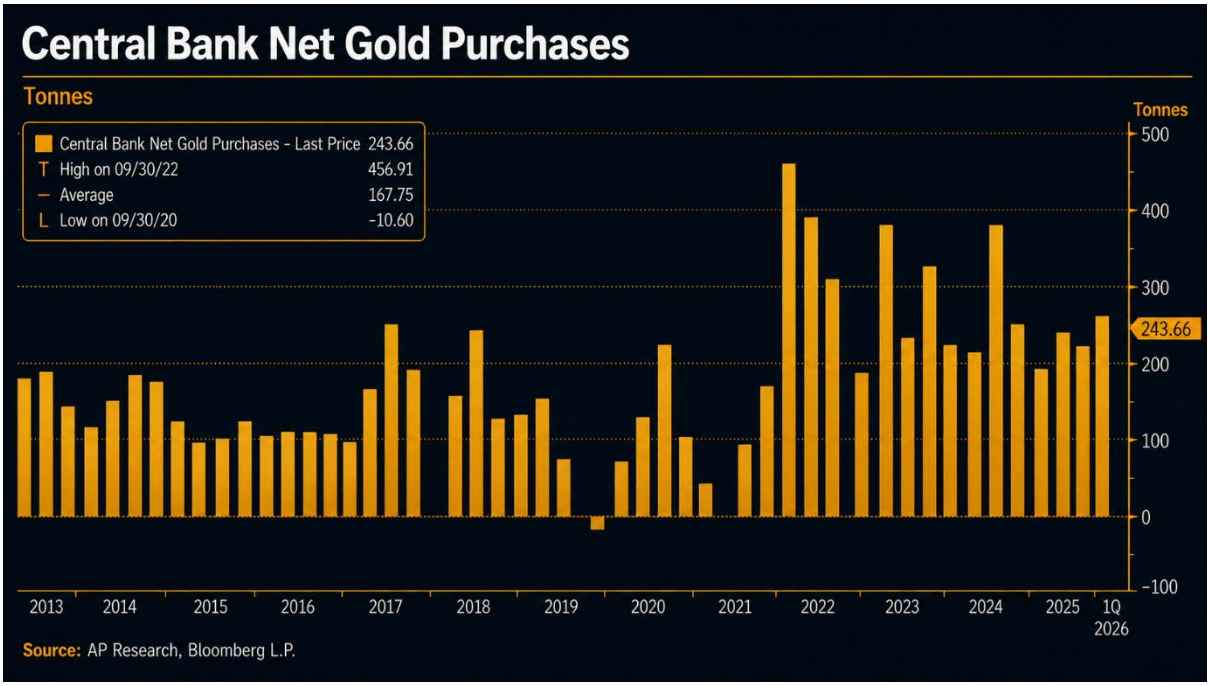
On top of this number, recycled gold also needs to be taken into account, which in 2025 came to 1,404 tonnes[12]. When you put together both the mined volumes and the recycled element, you get a more complete picture of the supply at any given time.

One insight to take from this point is that the mine supply is slow-moving, while recycling is flexible. Above-ground stock grows only slowly, typically around 1-2% per year. This reinforces scarcity, while recycling responds to price and helps absorb shocks as it can be increased at a faster pace without too much of a time lag.

Yet as with anything, there are exceptions to the rule. We saw this just last year, when recycling volume rose only 3% despite a 67% rise in the gold price (XAU/USD), which is clearly a muted response[2].

On the demand side, we’ve already touched on the fact that gold is used in a variety of different ways through different users. In any given year, the changing dynamics can either pull together or offset each other. For example, in 2025 jewellery fabrication fell 19% to 1,638 tonnes as high prices weighed on volumes, while ETF holdings grew by 801 tonnes and bar-and-coin buying hit a 12-year high. Add into the mix that central banks bought 863 tonnes last year, which is still historically elevated even if slower than the previous surge[13].

That pattern has continued into 2026. In the first quarter, the WGC reported total supply of 1,231 tonnes, net central-bank purchases of 243 tonnes, ETF demand of 62 tonnes, and bar-and-coin investment of 474 tonnes. Again, jewellery demand volumes were down 23% year on year, but technology demand edged up to 82 tonnes, helped by AI-related applications. There’s the potential for the AI sector to become a more meaningful element to demand in the coming years[14].



The modern gold market is therefore a more extensive mix than some retail traders might initially think, with the host of factors mentioned above contributing to price movements even before we start to talk about speculative buying and selling.

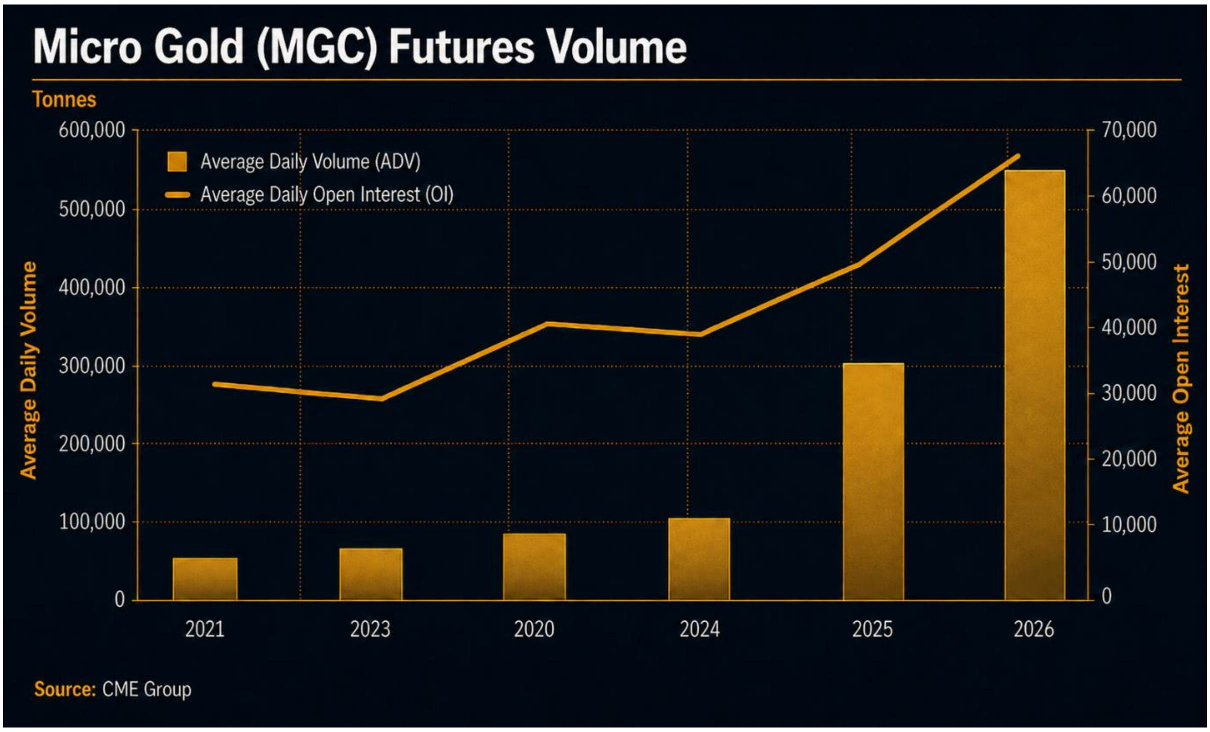
Before we round off this section, central banks deserve a special place because their role has certainly increased in recent years. The WGC’s 2026 central-bank survey found that 89% of respondents expect global central-bank gold reserves to increase over the next 12 months. In fact, 45% expect their own institution’s reserves to rise. In terms of reasoning, crisis performance and diversification were two of the most popular answers given[15].

What Moves the Gold Price

The old textbook answer is real interest rates, and to a certain extent that still holds true. Typically, gold prices are negatively correlated with real yields, which is intuitive. When real yields fall, the opportunity cost of holding a non-yielding asset falls too. So this means that gold prices can rise when real yields fall, and vice versa. The same mechanism still operates in day-to-day trading. Let's say US Fed expectations shift following a central bank meeting, with traders now expecting interest rates to rise. This could act to knee-jerk the gold price lower, supported by a stronger US dollar.

But the market isn't governed by that variable alone. In recent years, geopolitical considerations have grown in importance, especially for central banks. The escalation in tensions and wars in Eastern Europe and the Middle East has acted to put gold as a financial barometer and a good gauge of how worried investors are in general about the outlook.

We also can't ignore more niche drivers for the gold price, which relate to the market-structure dimension. Financial derivatives might only be a fraction of physical holdings (as we saw earlier in our pie chart visual) but they contribute heavily to liquidity and price discovery. That is why gold can move violently in the short run on changes in futures positioning or large options hedging. Even ETF flows can provide a case of the tail wagging the dog, in that the gold price is influenced by these derivatives of it. This is becoming a larger factor, given the increase in average daily trading volume on gold futures contracts.



How to Trade Gold in Practice

When it comes to trading gold, traders have a broad menu of exposures. At one end sits physical bullion. Physical gold provides tangible ownership of the asset and carries no counterparty risk, making it particularly attractive for long-term wealth preservation. However, in reality, owning physical gold also introduces practical considerations such as secure storage and insurance costs. It's also not as easy to trade out of relative to the next option we'll discuss.

For most traders reading this, a popular way to buy and sell gold is via [CFDs] and [spread betting] with a broker, such as Lunaro. Rather than purchasing the underlying asset, traders speculate on whether gold prices will rise or fall, allowing them to profit from both bullish and bearish market conditions. Because these products are traded on margin, another benefit is that traders can gain market exposure using only a fraction of the total position value. This can be seen as a positive, as it enables more efficient use of capital. Yet it's worth remembering that it increases the potential risks associated with leverage, with faster swings in profit and loss than un-leveraged products.

Next comes gold futures, which represent another important avenue for gaining exposure to the precious metal. Again available via Lunaro, futures contracts are standardised agreements to buy or sell gold at a predetermined price on a future date. It's true that they require a good understanding of contract specifications, but can be favoured due to deep liquidity and transparent pricing. Below is an indicative example of numbers involved:

Recent developments in the futures market have made these products more accessible to a wider range of traders. CME Group's introduction of the new one-ounce gold futures contract marks another important evolution. With this lower denomination, the contract is substantially smaller than the traditional 100-ounce COMEX Gold futures contract and even the existing 10-ounce Micro Gold futures, which are currently popular[16].

By lowering the capital commitment required to participate, the new contract broadens access to exchange-traded gold futures as the notional size is smaller.

Next come physically backed ETFs, which are exchange-traded vehicles offering exposure that typically tracks the spot price without requiring the investor to handle storage directly.

Finally, other derivatives such as options can be used to trade gold, which allow more bespoke ways of expressing a view on the precious metal.

In reality, the simplest way to explain the actual trading process is to start with the view and then choose the instrument. If the trader has a multi-month macro opinion on falling real yields, an ETF or longer-dated position may fit. If the thesis is a reaction trade around CPI or a central-bank meeting, a CFD or futures contract may be more appropriate.

Takeaway Thoughts

One of the largest misconceptions is that gold always rises in turmoil. As we've reviewed in this paper, history does not support that. During the 2008 crisis and again during the sharp pandemic liquidation of March 2020, gold fell at points because investors sold what they could to raise cash and meet margin calls.

It's true that gold is often a hedge over a phase of stress, but it is not guaranteed to be a hedge at the first violent moment of stress.

Another takeaway is that "gold" is one price and one thing. In practice, traders deal with spot benchmarks, futures curves, ETF prices and much more. A benchmark price might be set in US dollars, while sterling and euro versions are used by different investors around the world. Futures contracts are closely linked but not identical to the spot price. ETF flows can influence market tone without saying much about jewellery demand. Gold mining stocks can rise or fall for reasons that have little to do with the metal on a particular day.

A sensible gold-trading dashboard therefore needs to be wider than the headline price. To be a savvy gold trader, it's key to understand the plumbing beneath the surface. For example, this could include gold futures activity and contract sizes, ETF flows, central-bank reserve trends, and how related macro variables such as the US dollar and real yields are moving.

In the end, gold's enduring appeal is that it compresses a startling number of macro questions into one tradable line on a screen. It is a commodity with a monetary memory, a haven with episodes of forced selling, an inert metal that can move on politics, and a physical asset whose short-term price is often set by financial flows.

Perhaps the biggest takeaway from this should simply be that gold is never just about gold.

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Appendix

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