

Gold 25000?

By Vineer Bhansali | October 24th, 2025

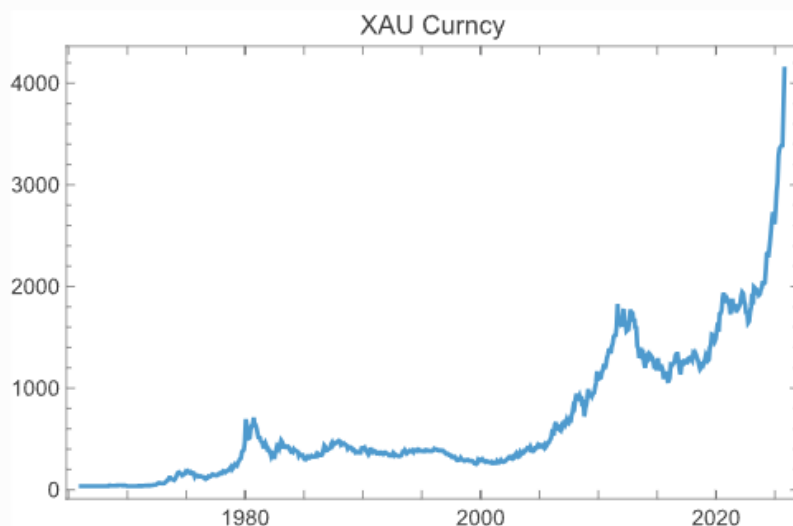
The following article was published [here](#) on forbes.com.

Making outlandish claims makes news. I remember in 1999, when the Dow was trading right around 11,000 that the “infamous” book [Dow 36000](#) by James Glassman and Kevin Hassett came out. Among the dark lords of bond trading at PIMCO, my employer at the time, this was basically a laughable prediction, and most people brushed it off as a book by crazy kooks. Well, the Dow is trading, as we speak, comfortably above 36,000, and within shouting distance of 50,000. And now Kevin Hassett is in the running for the Chair of the Fed.

Another such “crazy” prediction that has come to pass is Bitcoin 100,000, and of course there are predictions of 1 million, and even 10 and 100 million for the digital asset.

But today, I want to talk about Gold 25,000. In full disclosure, with gold at just around 4,000 the idea of 25,000 in my lifetime seems just as ridiculous as did Dow 36000 and Bitcoin 100,000 did a few years ago. There are others (see [here](#) and [here](#)) who have already predicted Gold 25000, so I am definitely not the first to raise the question. But as a science guy I have to put on my rational hat and ask: (1) Could it happen?, (2) What would be the conditions that would enable this to happen? If you ask the options markets, surprisingly the price of a 500% out of the money call option for 10 year expiry on gold is actually not zero. Depending on what model and implied volatility assumptions you use, the probability of this event can be anywhere from 0.20% (for the long term realized volatility of gold of 18% or so) to almost 20% (using an implied volatility of about 35%), and its hard to tell how volatile gold prices will end up being over this term. But clearly this “fat-tail” risk is not something that is being discounted as a non-event by the options market. Take all of these calculations as rough guesses, however, and definitely do not try to trade them based on the opinions here.

Since forecasting and positioning for “Fat-Tails” is what I have done for a living, let me run my imagination wild in a moment. But first look at the physical price of gold since the 1960s (prior to that the price was fixed):



Price of Spot Gold Per Ounce in Dollars since 1966. Source: Bloomberg.

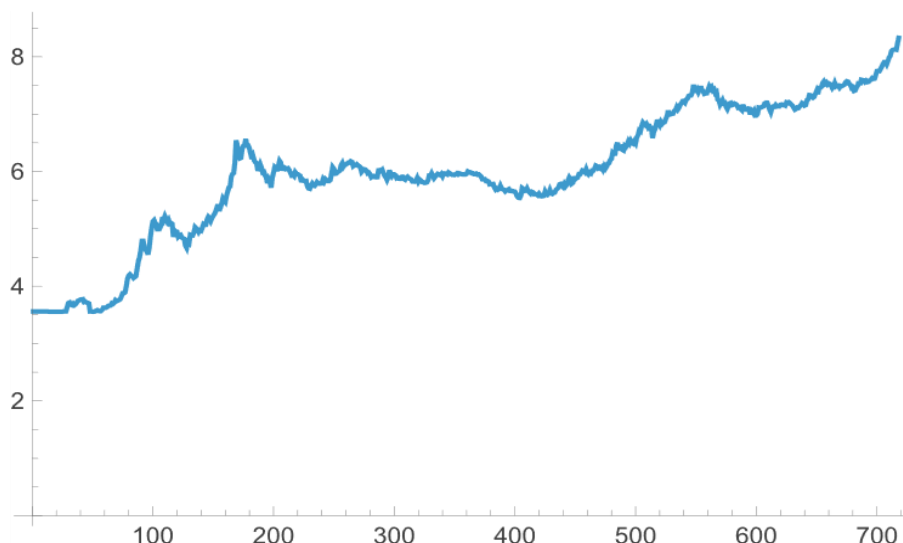
Clearly, something big happened once it started to float in the 1960s (officially 1971 Nixon shock or 1973 when the Bretton Woods system was cancelled) . After a brief pause and decline until the financial crisis, we saw a massive increase in the price of gold as the Fed and other central bankers flooded the market with free money through repeated bouts of

quantitative easing and

helicopter drops of cash. Then, a decline started in the price of gold that bottomed out around COVID-19, followed by another massive, explosive rally to the current level of over 4000. The proximate cause was, again, money printing and profligate spending by countries and their central banks gone wild. So the answer to the second question posed above is that retrospectively, money printing would be an important pre-condition to gold rallying to 25000.

As I wrote last week in this forum, given the speed of the increase in prices, we should be preparing for a pullback in the price of gold any time, as the market always flushes out late-comers and speculators before resuming its momentum. As long as the trend of money printing and spending remains intact, it seems that the pressure will be on for the price to rebound after each selloff. To make sure it is doubly clear, I am not a “gold bug”, but wherever and however I look, and after eliminating all other possibilities, the truth remains that equities and gold (and now crypto) are taking cues from the money-printing ball and running with it.

When we take logarithms of the price, we see a rising line as well, which basically says that the rate of increase itself is increasing. In the picture below we show the log of the rate of the increase versus the last 60 years (or 720 months) of gold prices.



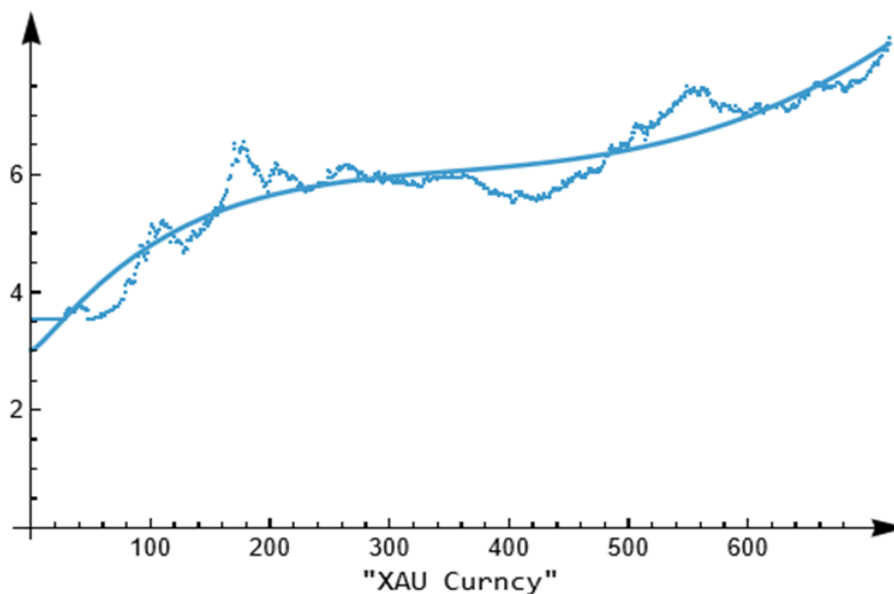
Logarithm of the price of spot Gold Per Ounce in Dollars since 1966. Source: Bloomberg.

A few years ago French researcher Didier Sornette and his colleagues came up with what is now called the “log-periodic power-law oscillation” model of financial bubbles and busts. The idea, beautifully described in Sornette’s book [“Why Stock Markets Crash”](#), is a serious scientific book by a

serious physicist who has studied and researched earthquakes. I have known Didier for over 25 years now, and he also generously wrote a nice cover note for my book on Tail Risk Hedging. As people grounded in science, we are both not satisfied by just describing the data, we have to ask how and why the phenomenon occurs. The basic mechanism is simple: bubbles form due to imitation by participants who observe prices and trade, and the bubble bursts or crashes when the mentality changes, usually suddenly. Prices rise rapidly due to the amplification that comes from imitation. When your neighbor gets rich quickly by buying bitcoin, NVDA, Gamestop and boasts about it, it is hard not to imitate, at least on the margin. The simplicity of this approach in explaining bubbles is impressive, and rather than being narrative, it allows one to make quantitative predictions, which is what investors care about. Also, it does not require deep macro afterthoughts explaining the past, which sells TV news appearances and books, but is pretty useless for protecting your wealth in the future. And not surprisingly, academic finance has paid little attention to it, instead focusing on other mechanisms for bubble formation for the most part, and actually claiming that it is impossible to forecast a bubble. No less an authority than Eugene Fama (“Nobel Prize in Economics”) has [said](#) that bubbles are impossible to predict. Well, Sornette and his followers at the aptly named [“Financial Crisis Observatory”](#) (now a private company) tried to do exactly that.

Here is how the quantitative part works: by observing the signature of the data, which is shown by an exponentially growing price, along with the extremely important oscillations that get more and more frequent as the price rises quicker and quicker, one can predict “criticality” in a statistical sense (by the way, this is a well-established technique in geophysics and other related fields, so this is not quack science) and forecast, in a probabilistic sense, how the bubble will grow and when it is likely to crash. And yes, it frequently gives false positives; i.e. the phenomenon of forecasting “ten of the last three crashes”. But wouldn’t you rather have a false alarm than no alarm for something catastrophic? Sornette and his authors have also predicted that the stock market “bubble” might continue till 2050 or so (another 25 years for the equity bull market with frequent fake-outs, I guess, including the much-discussed potential of an AI bubble).

Applying their technique to gold, here is the picture I came up with in logarithmic prices



Log-Periodic Power-Law Oscillation Fit to Log Gold Prices. Source: Author

displayed on the vertical axis and number of months since 1966 on the horizontal axis:

So, 65 years in since gold started to float, the current price of gold is “fair”, if you believe all of this exponential growth story. The important thing to bring to the front of our minds is that after a slight flattening, the rising curve is beginning to re-accelerate at an

exponential rate. In other words, something is afoot and is pushing the price of gold up higher and faster since the COVID-19 bout of money printing and debt issuance. Have we entered a brand new regime already?

We can only speculate what this “something” is: as discussed in last week’s [post](#), this could be (1) more money printing in the cards; (2) loss of explicit Fed independence; (3) hoarding of gold by the public, especially in India and other developing countries who have seen this movie before; (4) central banks quietly accumulating gold due to the risk that their US dollar assets could be frozen or seized; (5) technicals like a “squeeze” due to the lack of physical gold for retail products such as ETFs. Whatever the reason, when [Ken Griffin](#) and [Ray Dalio](#) are expressing concern about the rapid increase in gold prices, we should pay attention.

Extrapolating the non-linear fit that is displayed above we can now ask the purely statistical (and hence dangerously inaccurate) question posed in this note: can we reach 25000, and when? With all the caveats and other problems with this type of analysis, the answer is shockingly too close: “just” 10 years! Or, in other words, “just” an 18% compounded rate of return will get us a roughly five-fold increase. Lest you want to laugh this out of the room, note that the S&P 500 has done much better since the lows reached in 2008 and is up almost 10-fold over the last 15 years from the lows of the global financial crisis. Or bitcoin, which has gone up more than 30-fold since 2018. Surely these two examples show that such fat-“right”-tails in asset prices are not unprecedented. Also let us not forget that the Fed’s balance sheet has also gone up over 10-fold since quantitative easing became fashionable after the Financial Crisis. All that money had to go somewhere, and we know it went into stocks, and possibly into gold as well. Those who could afford stocks and gold, well, did.

So where does this all leave us practically?

The point of this exercise is that we are in the middle of an era of uncharted money printing, which has not been seen in a while. The trillions of dollars, euros and yen that are floating around in the form of debt will have to be paid in one form or another, especially since governments both issued and bought this debt at crazy prices (remember negative yields in Europe)? This is why as gold has gone up the dollar against other currencies has not gotten decimated. It does not make sense to sell dollars to buy Euros. It makes more sense to sell every fiat currency to buy gold, which leaves the cross-currency exchange rates largely unchanged against each other, and weaker relative to gold. The fact that the current debt load is too large to pay off for most countries means some countries will default again (“Argentina” anyone?), some will inflate, and some will tax their citizenry if they cannot print more money or do not want to “officially” default. The debasement regime shift train has already left the

station. But investors still have time to readjust to this slowly evolving regime shift.

Come to think of it: if gold actually gets to 25,000 in ten years, I might throw my hat in the ring for Fed Chair at that time, or what's left of the Fed at that time. Hopefully this won't be for at least another decade or more, since it is so much more fun and interesting to imagine these fat-tails and be able to do something about it in the markets.

Important Disclosures

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