



## Why gold's recent “silence” is a flashing buy signal

During a crisis, you don't sell what you want—you sell what you can. Gold's recent pullback isn't a rejection of its safe-haven status, but proof of its ultimate role: a source of liquidity when everything else is frozen.

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The recent “calm” in the gold market has left many observers, and especially the precious metal's critics, questioning whether the “safe-haven” thesis still stands or whether its time has passed. In the shadow of the ongoing Middle East conflict and the blockade of the Strait of Hormuz, the yellow metal failed to deliver the immediate, parabolic spike that many assumed should accompany a global energy crisis. Instead, we witnessed the opposite, with a correction from the

January highs. To the uninitiated, this looks like a failure of gold's primary purpose. However, a deeper look reveals that this is not a rejection of gold's fundamentals, but rather a textbook manifestation of the calm before the storm.

The primary driver of this downward pressure is not a lack of conviction, but a desperate and immediate need for cash. When global markets experience a "snap" event, correlations between asset classes tend to temporarily converge. In these moments of acute and widespread stress and uncertainty, institutional investors often find themselves selling not what they *want* to sell, but what they *can* sell. As equity and bond markets plummeted, leveraged funds were hit with a wave of margin calls. Having surged significantly in the preceding year, gold became the "piggy bank" that was raided to maintain collateral requirements elsewhere.

This isn't a sign of gold's weakness; far from it. It is in fact the opposite: it is a testament to its reliability in times of crisis and its ability to provide a lifeline when every other door is locked. This is even more spectacularly demonstrated by the fact that it's not just institutional investors that have availed of this option, but entire countries too.

Following the escalation of the Iran conflict, in the space of just two weeks, Turkey's central bank sold approximately 58.4 tonnes of gold, valued at roughly \$8 billion, to defend the lira against war-related pressures. More than half of the gold was used to borrow US Dollars through swap deals and the rest was sold directly in the open market. This drawdown represents the largest drop in 7 years and this move is a textbook example of a central bank treating gold as its ultimate strategic reserve. Turkey's central bankers didn't sell because they lost faith in the asset, but because gold is the only instrument capable of providing such a massive, instantaneous capital injection during a systemic shock. In other words, gold did exactly what it was supposed to do.

If you think about it, individuals have been using gold for millennia in the exact same way. They accumulate and save in it during prosperous times so that they have the option to resort to it in times of crisis. We saw this scenario play out too at the start of this war. In conflict-adjacent and targeted zones like Dubai, many residents sought to convert their holdings into cash to facilitate their relocation or flee potential danger. In fact, the selling pressure was so intense that gold temporarily traded at a steep discount relative to the London global benchmark. With the airspace partially closed and logistics disrupted at every imaginable level within the small country and especially within Dubai, a significant "bottleneck" effect occurred. This has nothing to do with gold, of course (although it does teach a lesson about storing your holdings in a time-tested, safe and geopolitically stable

jurisdiction), it does go to show that for a lot of people, the yellow metal offered an exit when they most needed it. This is precisely what a “harsh crisis scenario” looks like, which I have been warning clients and readers about for a very long time.

Despite this tactical retreat in gold’s price, the structural case for the metal has perhaps never been more robust. If we look past the immediate noise of the 2026 war, the big picture reveals a global financial system suffering from advanced Fiat Fatigue. Global debt levels have reached a mathematical breaking point, and the continued “sleight of hand” used by central banks to massage inflation data has finally begun to exhaust public trust. People are no longer buying the official narrative. They are looking at their grocery baskets and realizing that their purchasing power is being surreptitiously and intentionally plundered. The fact that official CPI data tell them they are wrong and that actually “inflation is under control”, only makes it worse, as it leads them to distrust the data and the currency itself even more.

We must also consider the immediate mechanical pressure exerted by the Gulf crisis that is driving oil prices dangerously high. The market is bracing for a fresh wave of aggressive inflation, which has sent Treasury yields surging, as investors demand higher returns to compensate for eroding purchasing power. Under normal circumstances, the economy would look to central banks for a pivot toward lower rates and renewed liquidity to cushion the blow of war. However, central banks are currently trapped: they cannot lower rates or restart the printing presses without risking an all-out explosion in inflation expectations. While these rising yields and a stronger dollar create a short-term headwind for gold, they are ultimately symptoms of a system that is becoming increasingly brittle, as the central banks are left with their backs against the wall.

Overall, this period of consolidation is both entirely normal and healthy. Markets that move exclusively in one direction are inevitably headed towards collapse, whereas this “breather” in the gold market is actually strengthening the foundation for the next big leg up. What this means for investors is the current calm in the market is actually presenting a quiet opportunity to build or add to a position before the broader trend of reality reasserts itself.

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