

Gold: an HQLA in all but name

In recent months amid trade policy uncertainty, financial markets experienced a decidedly volatile period marked by sharp declines in stock prices, an uncharacteristic selloff in US Treasuries, and a general widening of bid-ask spreads.

Against this backdrop, gold confirmed what previous research studies have found: a highly liquid and orderly market that mitigates market risk in a manner often associated with assets classified as High-Quality Liquid Assets (HQLAs).¹

During this period, gold's volatility, bid-ask spreads, and trading volumes were equivalent to and, in some cases, better than intermediate and long-term US Treasuries.

Should gold's HQLA status be revisited?

Gold is a globally recognised, highly liquid asset with deep trading markets and a history of serving as a safe haven in times of financial stress. However, under the Basel III regulatory framework,² **gold is not classified as an HQLA** and is therefore excluded from banks' liquidity buffers for regulatory purposes.³

Basel III's Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)⁴ prioritise assets like sovereign bonds, with NSFR assigning gold a high 85% Required Stable Funding (RSF) factor, effectively treating it more like a commodity than a well-established cash-equivalent reserve.⁵

Research by Baur et al (2025),⁶ highlights that while gold is not currently defined as an HQLA, it does seem to satisfy many of the fundamental and market characteristics that assets must meet to qualify as one.

Highlights

Over the past six months gold has shown characteristics associated with HQLAs, including:

Volatility: Gold demonstrated comparable or superior stability to intermediate and long US Treasuries during recent market shocks, highlighting its lower-than-assumed volatility profile.

Spreads: Gold's bid-ask spreads remained narrow – or normalized quickly – during periods of market stress, rivalling those seen in 10- and 30-year US Treasuries.

Volume: Gold's robust daily trading volumes rival that of 10-year US Treasuries, reinforcing its status as a deep and actively traded market.

1. A High-Quality Liquid Asset (HQLA) is defined under the Basel III liquidity framework as an asset that can be easily and immediately converted into cash with little or no loss of value, even in times of stress.
2. The Basel III regulatory framework is an international set of banking regulations developed by the Basel Committee on Banking Supervision to strengthen bank capital requirements, improve risk management, and enhance liquidity and stability in the global financial system. For more on timelines, see [Basel III implementation dashboard](#).
3. [The Basel Framework and regulatory status of gold](#), Norton Rose Fulbright, May 2025
4. For more information on the BIS' Basel III Framework and Liquidity Coverage Ratios, see [High-quality liquid assets](#)
5. [Gold and HQLA: Correcting Misleading Online Information](#), LBMA, May 2025
6. [Is Gold a High-Quality Liquid Asset?](#) Dirk Baur et al, February 2025, SSRN



Our analysis complements these findings by examining gold's behaviour over the past six months, including the most recent period of extreme bond market volatility during April of this year. Concretely, we focus on a few key HQLA characteristics:

- **Active and sizable market** – evidence of breadth and depth through high trading volumes, narrow bid-ask spreads, and diverse number of participants
- **Low volatility** – asset prices should be relatively stable, even under stress
- **Flight to quality** – an asset's reliable behaviour during a time of systemic crisis that signals market participants confidence.

Calm amid chaos: gauging gold's nerves

Assets that demonstrate stable price action and are less susceptible to sharp price swings, particularly to the downside, are considered to have a low volatility factor. Historically, gold has demonstrated comparable volatility to well diversified equity and commodity indices, and significantly lower volatility than most if not all individual components of these indices. But how does gold compare with traditional Level 1 HQLA assets⁷ – specifically, US Treasuries?

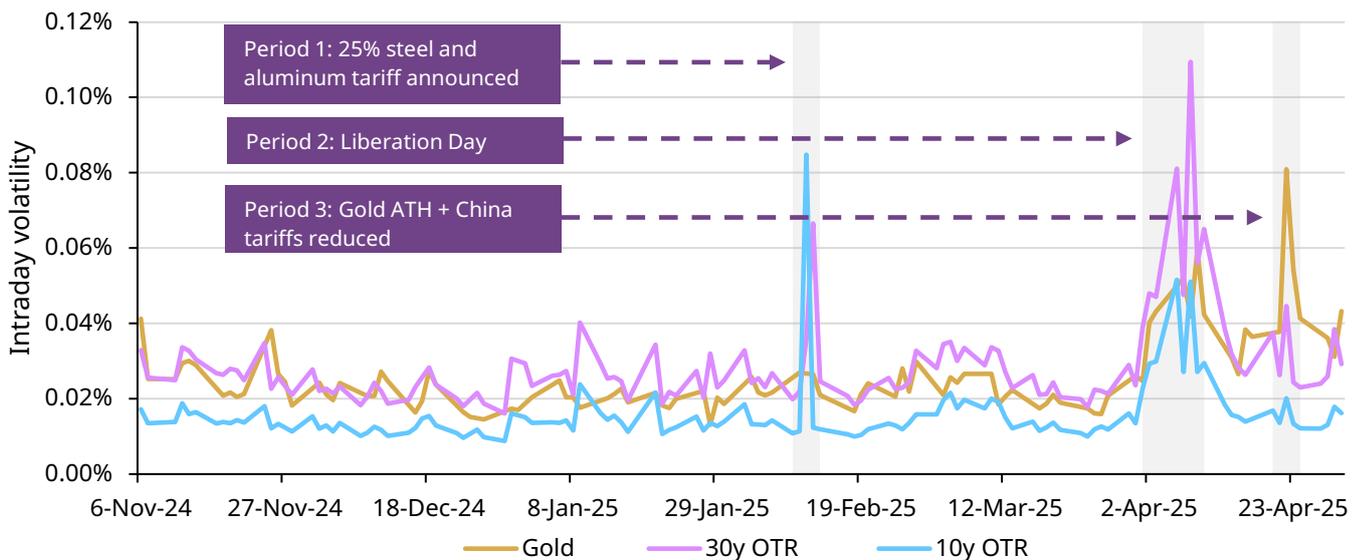
Using intraday minute-by-minute data, we find that **gold's average daily volatility is 0.027%**. This is above the volatility of the **10-year on-the-run (OTR) Treasury notes at 0.016%**, but in line with **30-year OTR US Treasury bonds at 0.028%**.

Further, to test resilience under stress, we examined three recent periods of elevated market-wide turmoil (**Chart 1**):

- **10–13 February 2025** – Trump announced a 25% tariff on steel and aluminium imports.⁸ During this period, both the 10-year and 30-year OTR Treasuries experienced an uncharacteristic selloff and noticeable volatility spikes, while gold remained largely unaffected.
- **2–11 April 2025** – Trump announced global tariffs on 2 April (dubbed "Liberation Day")⁹ that were escalated and broadened in subsequent days but eventually paused on 9 April for most trading partners (except China).¹⁰ Gold's volatility increased but was similar to that of the 10-year OTR Treasury and below that of the 30-year during this period. Further, while a good portion of US Treasury volatility was driven by price pullbacks as tensions increased – contrary to what would have been expected in a flight-to-quality period – gold prices soared and reached record levels.
- **21–23 April 2025** – Gold reached a new all-time-high (ATH) on 21 April amid broader equity market turmoil but later fell, following subsequent statements from Trump announcing that tariffs on China would "come down substantially".¹¹ While gold volatility spiked, it remained below previous peaks observed in the 10- and 30-year Treasuries.

Chart 1: Gold's volatility factor is in line with, if not more favourable than, US Treasuries during periods of turmoil

Level 1 HQLAs (10-year and 30-year US Treasuries) and gold intraday volatility*



*Daily volatility computed using returns on 1-minute data increments from 6 November 2024 to 30 April 2025. Gold based on spot price (XAU) in US\$/oz. US Treasuries based on "on-the-run" (OTR) 10-year and 30-year notes, respectively. Source: Bloomberg, World Gold Council

7. Level 1 HQLA refers to the highest quality assets – such as central bank reserves and sovereign bonds rated AA or higher, that require no haircut. See [Basel III Framework](#).
 8. [Trump sets 25% Steel, Aluminium Tariffs, Widening Trade War | Bloomberg](#)
 9. [Trump's Tariffs Send Shockwaves Across Global Economy | MSN](#)

10. [How fears of a bond market catastrophe convinced Trump to hit the pause button | CNN](#)
 11. [Gold drops as Trump's softer stance on Fed and China ease fears | BNN Bloomberg](#)



Gold trades with precision

Bid-ask spreads serve as a key measure of liquidity – tighter spreads typically indicate more liquid, lower-risk assets, while wider spreads are often associated with less liquid or riskier instruments such as small-cap equities, high-yield corporate bonds, or emerging market debt. In contrast, US Treasuries, and major foreign exchange pairs, consistently exhibit tighter spreads due to higher trading volumes and lower perceived risk.

To evaluate behaviour during stress periods, we examined the same three volatility events outlined earlier. In early February, Treasury spreads widened as expected but, notably, gold’s spreads **tightened**, suggesting robust liquidity and increased demand despite broader market stress. This is consistent with the behaviour of assets favoured during flight-to-quality periods.

On average, gold’s intraday bid-ask spreads came in roughly 2.2bps, slightly wider than the 10Y Treasury’s 1.8bps but tighter than the 30Y Treasury’s 3.3bps.

In April, gold’s spreads briefly widened to 3.1bps before quickly narrowing again (**Chart 2**). The widening of the spread was initially driven by Asian markets, stemming from weekend reports of a 34% retaliatory tariff by China,¹² profit-taking after gold’s new all-time high, and emerging fears of margin calls.¹³

However, by 8 April – when volatility peaked, and Treasury spreads widened and sold off¹⁴ – gold’s spread had normalised and tightened further.

As shown in **Chart 3**, gold’s ability to maintain or even tighten its spreads during periods of heightened volatility underscores its depth and resilience as a liquid asset.

Liquidity in motion

Another key criterion for an asset to qualify as a HQLA is the presence of an active and deep market. While spreads capture one aspect of liquidity, aggregate daily trading volume provides another critical lens.

Gold’s LBMA OTC average daily trading volume between November 2024 and April 2025 was US\$145bn/day.¹⁵ This compares favourably to US Treasuries with durations of between 7 and 10 years, which averaged US\$143bn over the same period. For longer-dated Treasuries (>20-years), the average daily volume was lower at US\$72bn.¹⁶

As depicted in **Chart 4**, gold’s trading is not only substantial but also consistent, placing it on par with the highly liquid 10-year Treasury market – often recognised as the most traded and liquid government bond globally.

In addition, we can see that in early April the increase in volumes for Treasuries was driven by selling due to tariff turmoil. But gold’s increase was due to elevated demand as it reached a new ATH.

Chart 2: Gold’s historical spread in line with HQLAs

Gold and US Treasuries intraday spread (bps) *

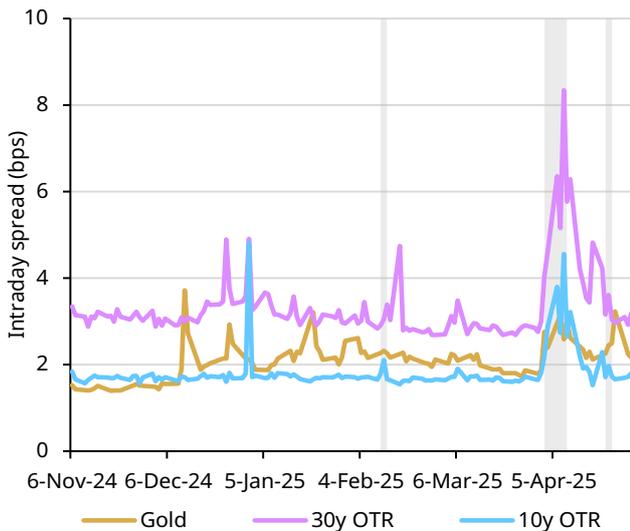
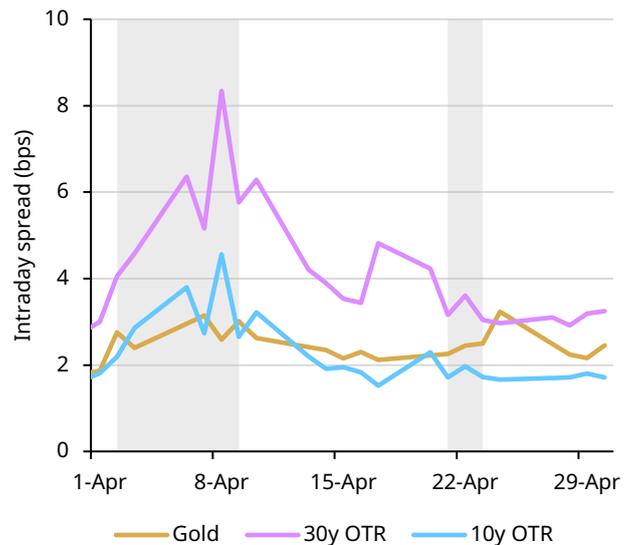


Chart 3: Liberation Day did not faze gold

Intraday spread (bps) on Liberation Day and April 2025



***Chart 2** and **Chart 3** represent average daily spreads based on 1-minute data from 6 November 2024 to 30 April 2025 and 1 April to 30 April 2025, respectively. Gold’s spread is calculated using spot gold (XAU) priced in US\$/oz. US Treasuries based on “on-the-run” (OTR) 10-year and 30-year notes, respectively. Shaded regions correspond to the three periods highlighted in **Chart 1**.

Source: Bloomberg, World Gold Council

12. [Markets tumble as China announces 34% retaliatory tariffs on US imports | FT](#)

13. [Hedge funds hit with steepest margin calls since 2020 Covid crisis | FT](#)

14. [US Treasuries sell-off deepens as ‘safe haven’ status challenged | FT](#)

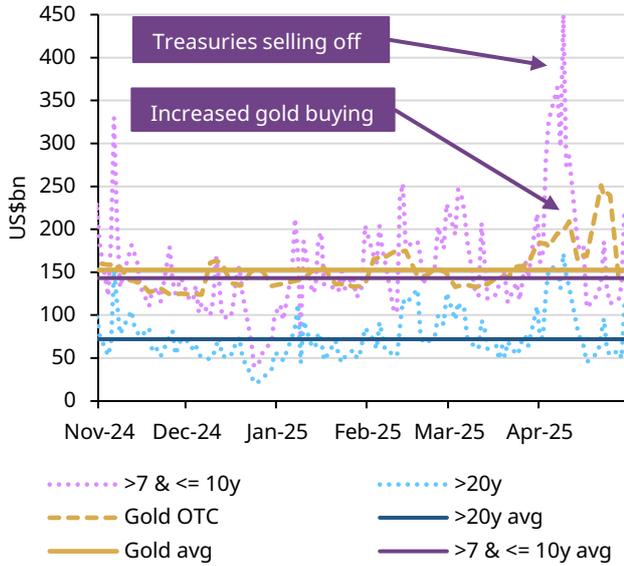
15. Averages shown are based on daily figures from November 2024 to April 2025. For additional information on gold trading volumes please visit our [Trading volumes page](#).

16. Based on [TRACE weekly aggregate statistics](#).



Chart 4: Gold trading volumes on par with 10-year US Treasuries

Gold and US Treasuries daily trading volumes*



*Data is shown as aggregate value traded per day (US\$bn) from 1 November 2024 to 30 April 2025. Daily US Treasury trading activity is provided by TRACE, and we use >7 & <=10y and >20y trading volumes as a proxy for 10-year and 30-year notes, respectively. Gold OTC is based on LBMA OTC trading volumes. For additional information on gold trading volumes please visit our [Trading volumes page](#).
Source: Bloomberg, TRACE, World Gold Council

Putting things into perspective: gold outshines highly-traded stocks

Outside of the Level 1 HQLA's, **Basel III also includes Level 2 HQLA assets**. These assets are liquid but considered riskier, and are split into **2A** (e.g. AA-rated corporate and covered bonds) and **2B** (e.g. lower-rated corporate bonds, RMBS, and some common equity shares).

Not all company stocks meet the requirements for HQLA 2B classification. For example, Nvidia (NVDA) and Tesla (TSLA) have been the most actively traded names in the US equity market over the past six months. Despite this, both stocks fail the HQLA liquidity requirement of not falling more than 40% over a 30-day period – especially important during periods of stress.¹⁷

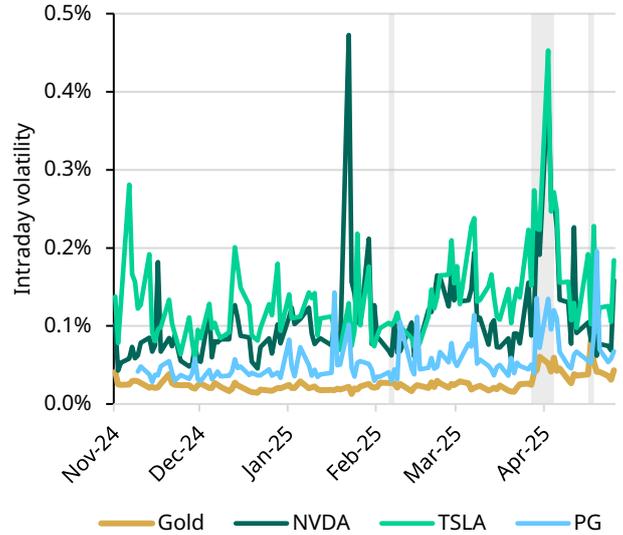
In this sense, NVDA, TSLA and gold are treated equivalently for purposes of LCR and NSFR. Yet, we can see the vast discrepancy in their behaviour from the perspective of liquidity and trading volumes.

Average intraday volatility for both NVDA and TSLA stand at roughly 0.11% and 0.14%, respectively, significantly higher than gold's average of 0.03% (Chart 5). Even Procter & Gamble (PG), one of the least volatile stocks within the S&P 500, has a higher average volatility than gold. The stock price volatility exhibited by each of these companies during the April tariff turmoil provides further evidence that gold's volatility profile is often misunderstood.

17. For more information on requirements for an asset to be a Level 2 HQLA in the US, please see commentary from the Federal Reserve found here: [Liquidity Risk Measurement Standards](#).

Chart 5: Major single name equities are generally more volatile than gold

Intraday volatility of gold, NVDA, TSLA and PG*

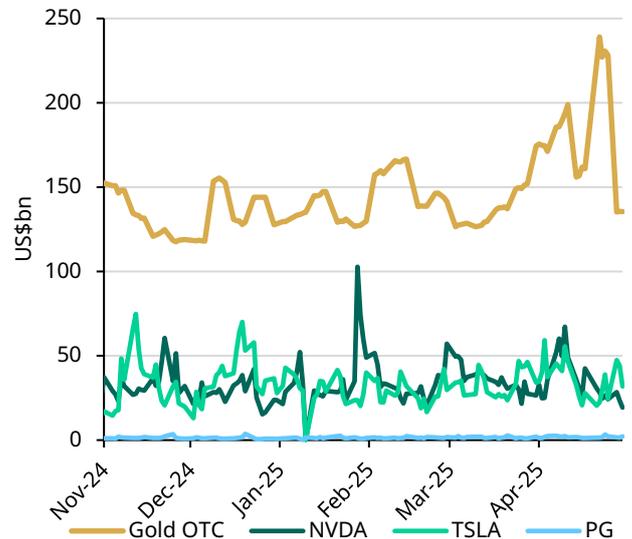


*Daily volatility of intraday returns based on 1-minute data from 7 November 2024 to 30 April 2025, with the later initial date that previous charts due to data availability. Gold volatility is calculated using spot gold (XAU) priced in US\$/oz. Shaded regions correspond to the three periods highlighted in **Chart 1**.
Source: Bloomberg, World Gold Council

Similarly, when we compare aggregate daily trading volumes in US dollars (Chart 6), we find that gold trades four times more than NVDA, TSLA and 100 times more than PG.

Chart 6: Gold volumes trump the most traded equities

Daily trading volumes of gold OTC, NVDA, TSLA and PG*



*Data is shown as aggregate value traded per day (US\$bn) from 1 November 2024 to 30 April 2025. Gold is represented as LBMA OTC trading volumes. NVDA, TSLA and PG volumes based on exchange data (excludes dark pools). For additional information on gold trading volumes please visit our [Trading volumes page](#).
Source: Bloomberg, World Gold Council



Conclusion

Gold exhibits key HQLA characteristics, with volatility, bid-ask spreads and trading volumes that compare favourably to US Treasuries.

During recent periods of market stress, gold maintained price stability, saw spreads tighten or normalise quickly, and sustained robust trading volumes.

Its performance matched or exceeded that of benchmark assets like the 10-year Treasury, reinforcing gold's resilience and liquidity.

Unlike many other assets, gold is universally recognised, free from credit risk, and accepted across borders, making it uniquely suited to meet the global and stress-tested liquidity standards required for Level 1 classification.



World Gold Council

We are a membership organisation that champions the role gold plays as a strategic asset, shaping the future of a responsible and accessible gold supply chain. Our team of experts builds understanding of the use case and possibilities of gold through trusted research, analysis, commentary and insights.

We drive industry progress, shaping policy and setting the standards for a perpetual and sustainable gold market.

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