



Banco de México: Gold's Resurgence on Central Banks' FX Reserves

LBMA

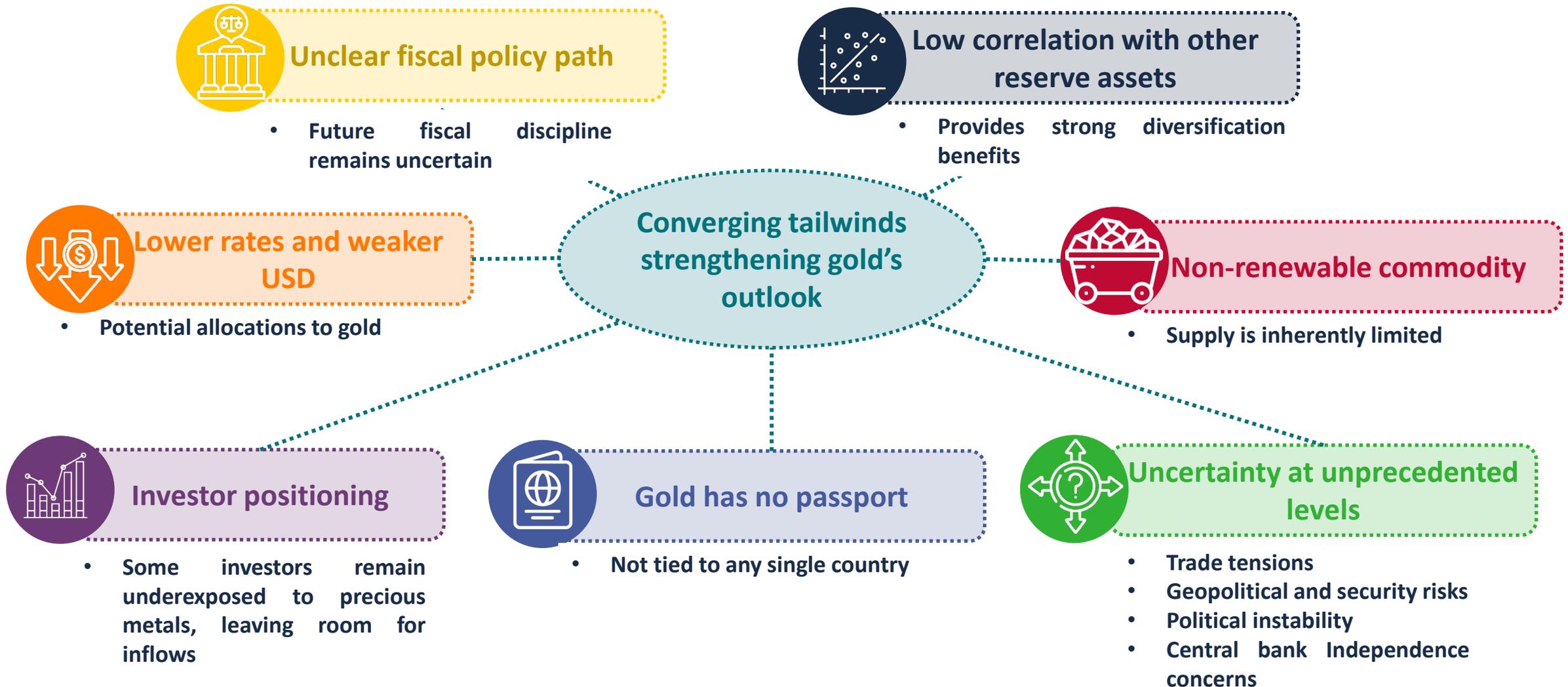
October 28th 2025



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Macro and market conditions

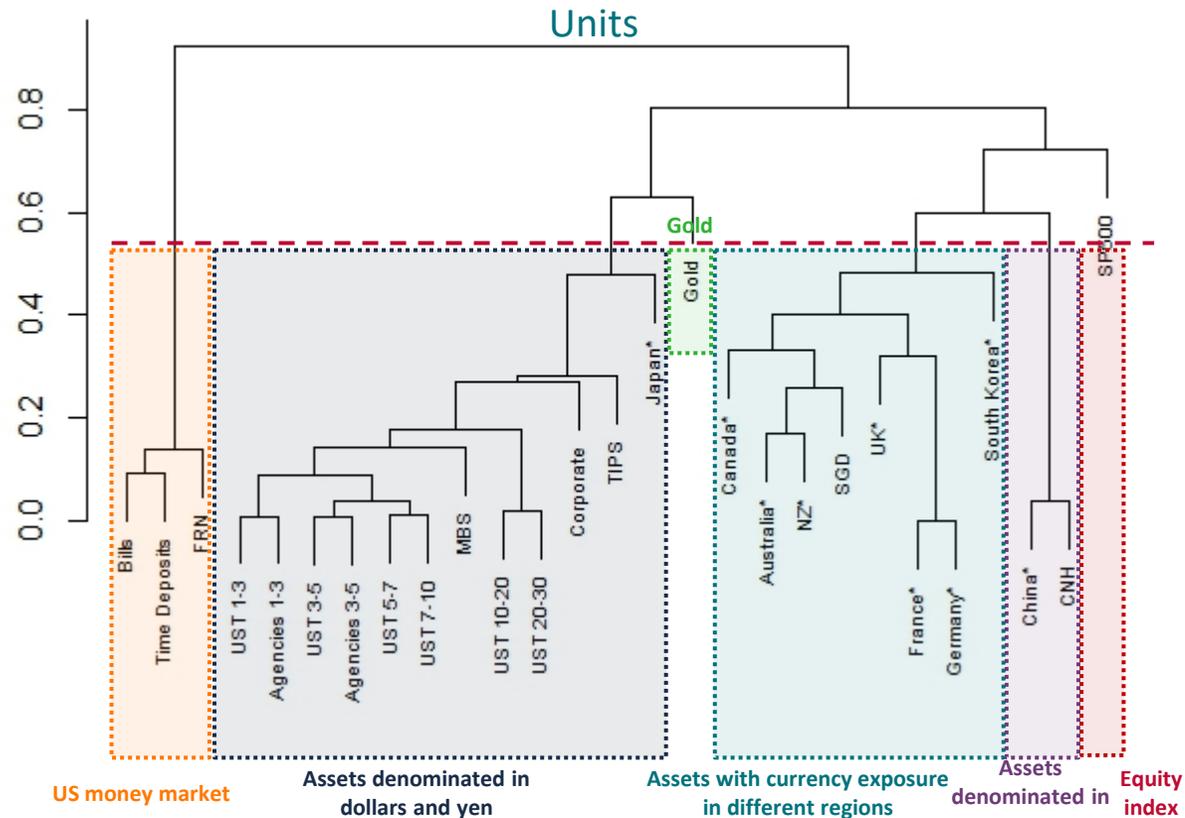
Gold has benefited from a diverse set of factors; many of them seem to be here to stay, reinforcing the gold's role as a safe haven and a place in global portfolios.



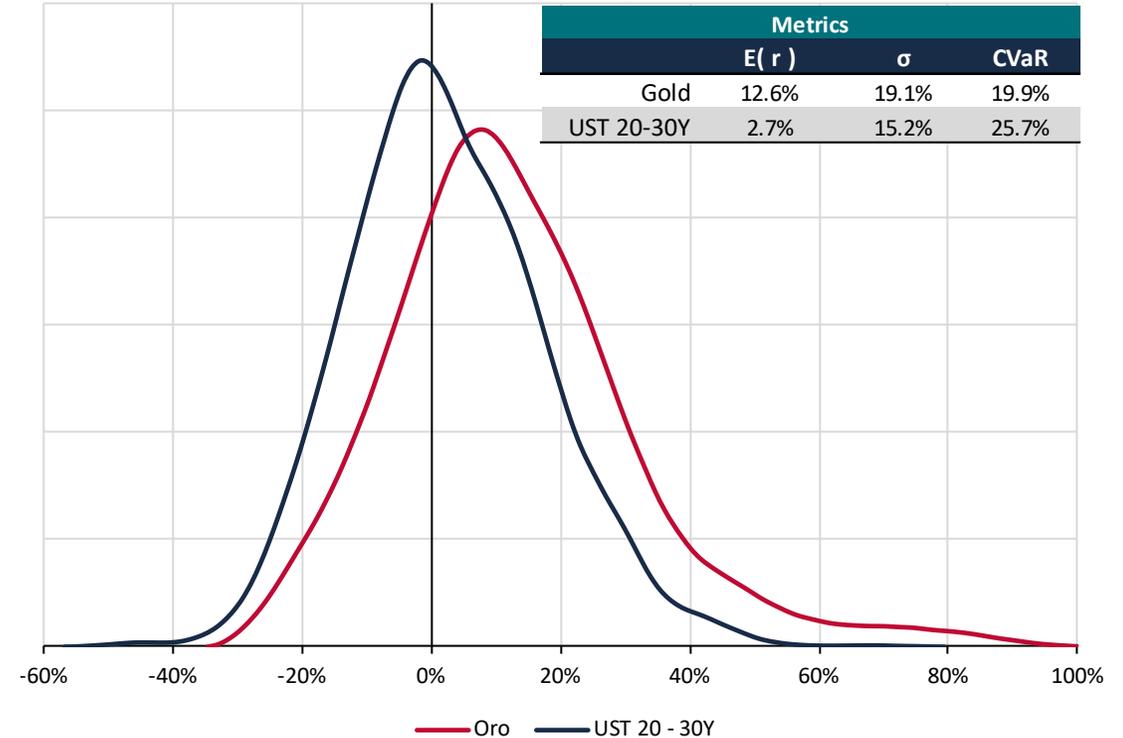
Why Gold Still Matters for Central Banks

- From a quantitative perspective, given its low correlation with traditional reserve assets, gold has been a key component of international reserves... and still looks strong...

Dendrogram of the Hierarchical Clustering process based on the Spearman correlation matrix



Prospective Return Distribution of Selected Assets
Percentage



Source: Banco de México with, Bloomberg data.

Source: Bank of Mexico with Bloomberg data as of August 29, 2025 using information since 2015. Note: the Spearman correlation is defined as $\rho_S = \frac{Cov(F_X, F_Y)}{\sqrt{Var(F_X)}\sqrt{Var(F_Y)}}$, while the linear correlation is defined as $\rho_P = \frac{Cov(X, Y)}{\sqrt{Var(X)}\sqrt{Var(Y)}}$. *For New Zealand the 1-5 year sector is considered, while for the other countries, the 1-3 year sector is used.

Enhancers for gold investments

- Gold's resurgence have led to a proliferation of different activities related to its market, or at least these activities are now more visible to investors.



- **Expansion of custody options**: New custodians have shown interest in participating in the market, offering more products and increasing competition.



- **Growth of alternative investment vehicles**: Non-traditional instruments such as gold ETFs have become more popular.



- **Increase in market participants**: The growing number of investors has expanded liquidity and trading opportunities.

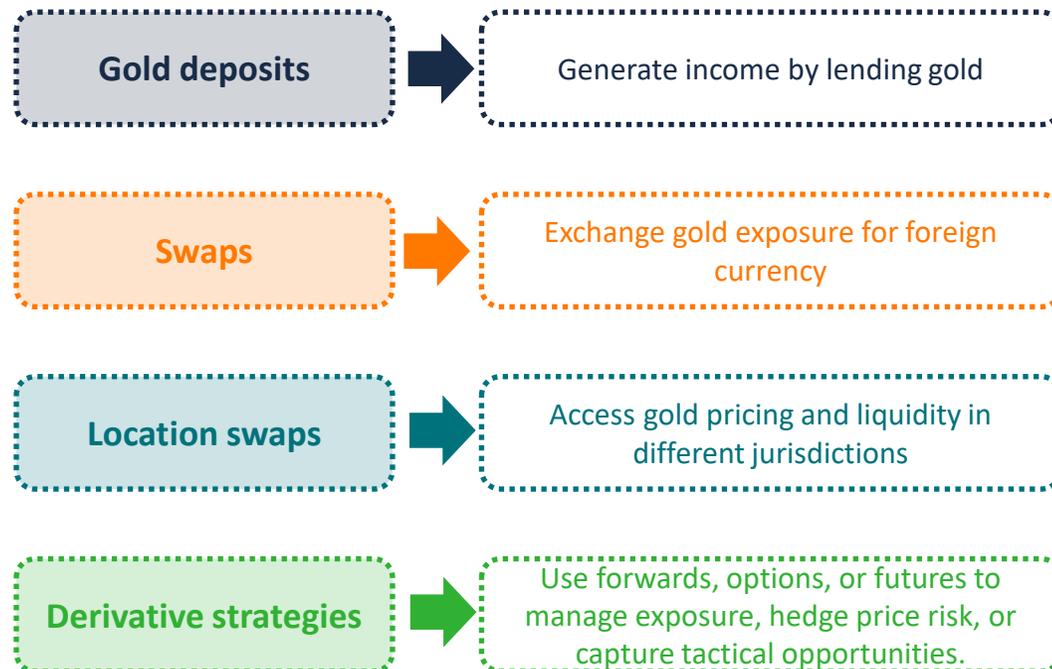


- **Diversification of market infrastructure**: Custodians, intermediaries, and trading venues have become more varied and geographically diversified.

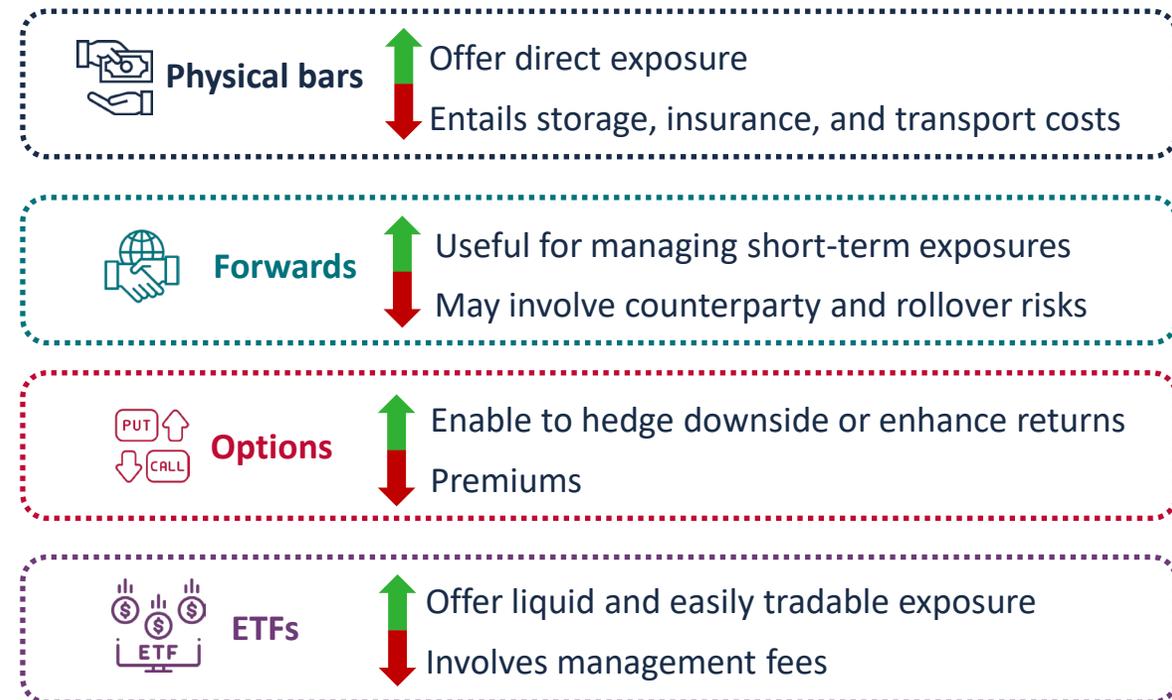
Unlocking the Potential of Gold Holdings

- Gold, by itself, entails storage and custody costs and provides no interest, no carry, no convexity, nor dividends. But there are alternatives to income generation from gold holdings.
- What is the more efficient way to have gold exposure? Every vehicle has its pros and cons!

Strategies to Enhance Gold Portfolio Returns*



Vehicles for Gold Exposure*



*The check marks indicate the asset classes currently included in our investments.

The views and opinions expressed in this presentation are my own and do not necessarily reflect the official position of Banco de México.

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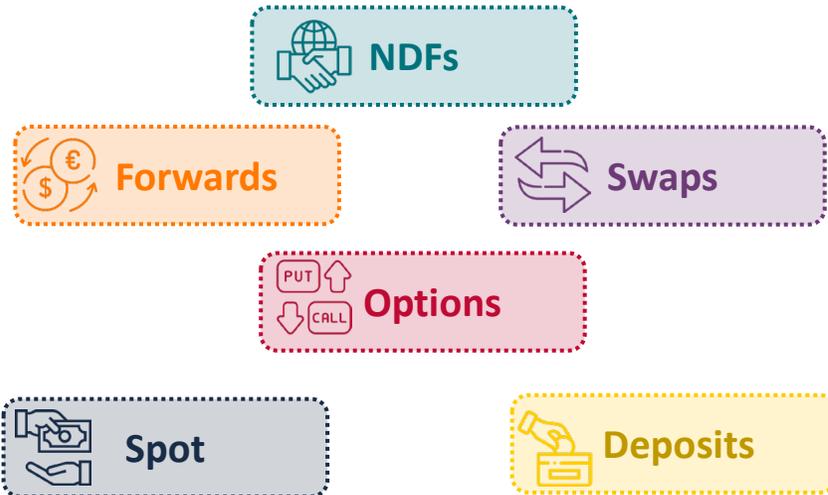
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Why Gold Still Matters for Central Banks

- A broad range of instruments for trading gold has provided us with opportunities to capitalize on emerging market conditions, enabling excess returns over the benchmark this year.
- The recent surge in investor appetite for gold has had, and is expected to continue having, significant impacts on the evolution and structure of the gold market.

Eligible Instruments for Gold Trading



Source: Banco de México.

Excess Return of the Gold Portfolio versus the Benchmark



Source: Banco de México, Bloomberg.

Key Market Impacts



- Expansion of custody options: New custodians have shown interest in participating in the market, potentially increasing competition.



- Growth of alternative investment vehicles: Non-traditional instruments such as gold ETFs have become more popular.



- Increase in market participants: The growing number of investors has expanded liquidity and trading opportunities.



- Diversification of market infrastructure: Custodians, intermediaries, and trading venues have become more varied and geographically diversified.

Source: Banco de México.