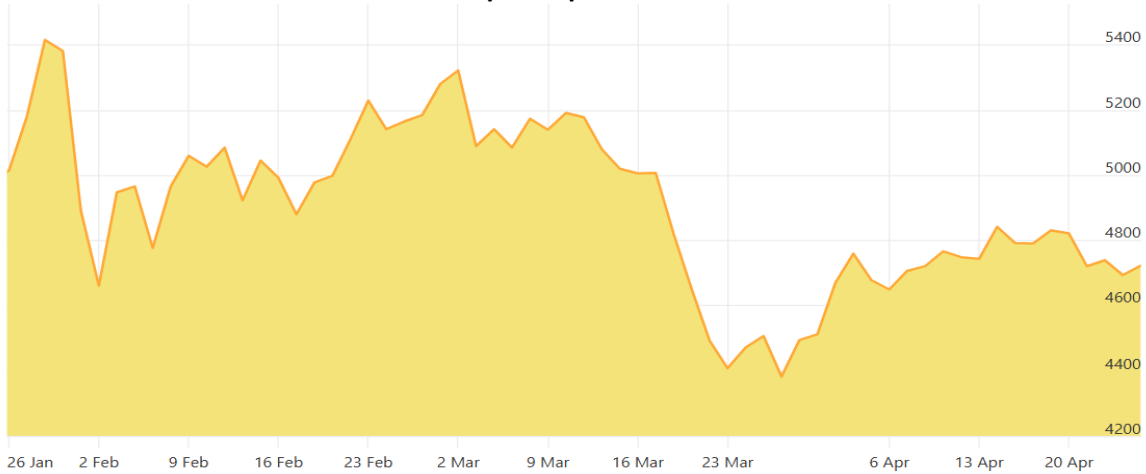


THE CURIOUS BEHAVIOUR OF GOLD DURING THE IRAN WAR.

The curious behaviour of the gold price during the Iran war and more specifically the closure of the Straits of Hormuz created a financial emergency that resulted in an unexpected response from gold. The gold price following the surprise attack on February the 28th can be seen in [the graph below](#).

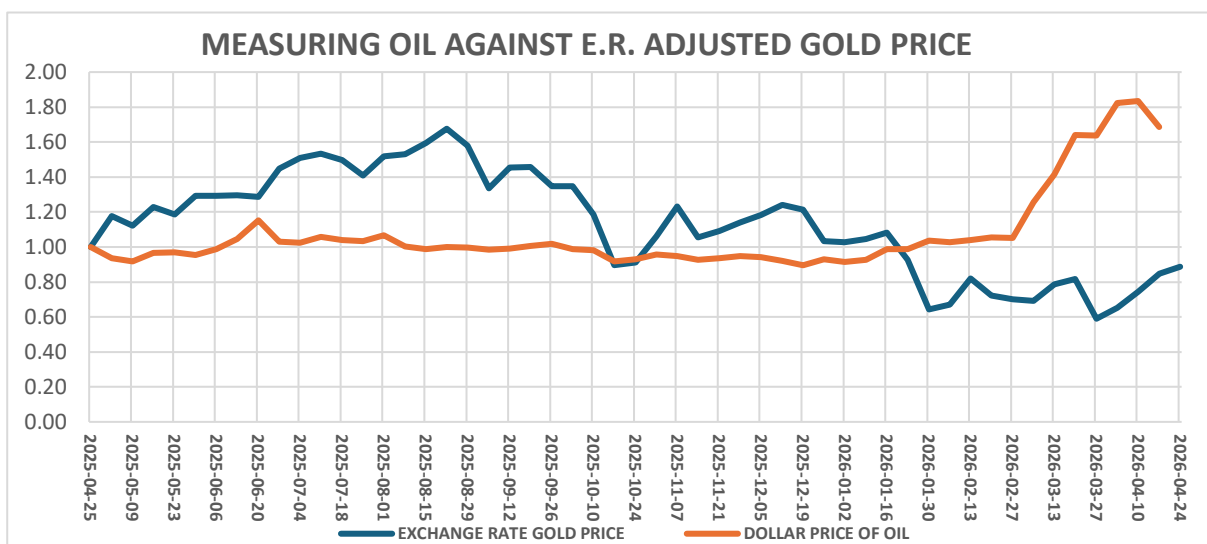
Graph 1. Spot Gold Price.



The gold price rose after the 28th but did not hit its January peak. It remained elevated but then fell by one thousand Dollars despite the war escalating, then regained half its losses as rumours about a ceasefire emerged which was negotiated and agreed in the first week of April. This fall and then recovery during the ceasefire talks seems counter intuitive. Firstly, given its safe-haven status it could have been expected that the gold price would remain elevated during the course of the war, and that it would not have increased in price towards the end of the war as risk abated.

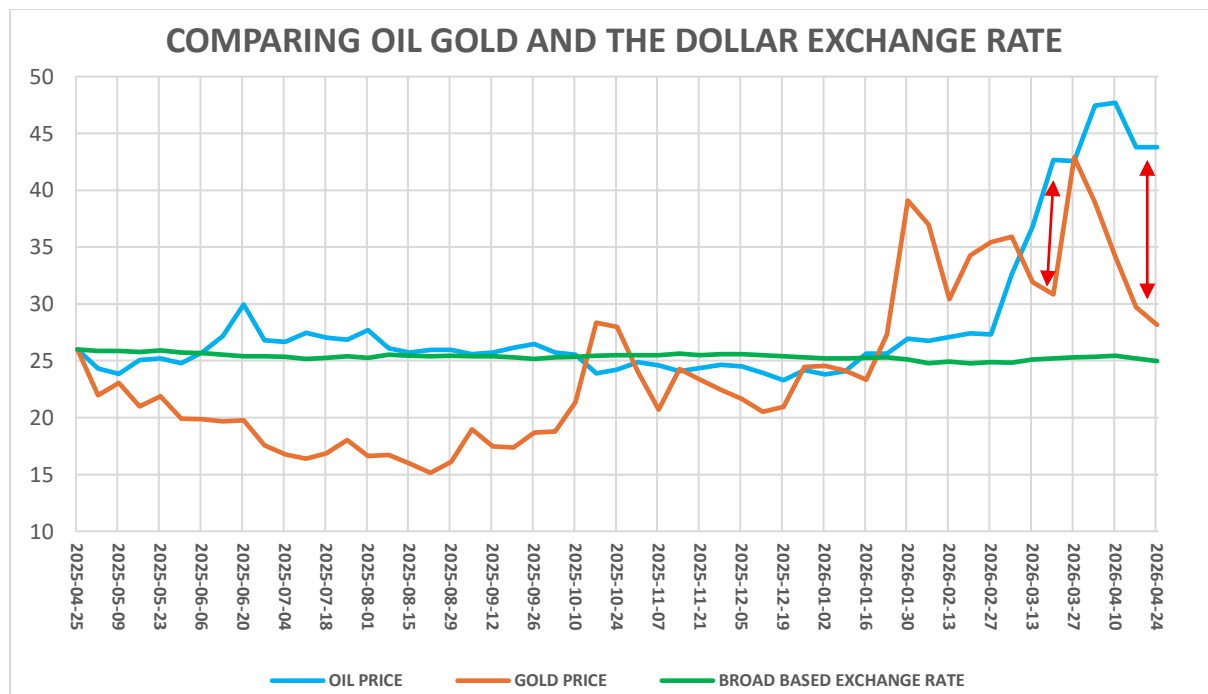
To forestall the first argument that this has something to do with the movement of the dollar I have prepared two graphs. Graph 2 measures the price of oil against the exchange rate adjusted dollar price of gold. The indexed dollar price of gold fell in mid-January and never recovered its January level throughout the entirety of the war.

Graph 2.



On the other hand, the price of oil which had tracked in a 10% window until war broke out appreciated in price by up to 80%. All these effects can be seen more clearly in Graph 3 where I have disassociated the gold price and the dollar exchange rate. Firstly, the exchange rate barely moves compared to the movement in the price of gold and oil. This allows us to compare the price of oil and gold. To make the picture clearer I have indexed all three beginning in April 2025 with a start point of 26. (I have attached a spreadsheet with the calculations as well as the Federal Reserve sources) The red arrows show the disconnect. While risk-on led to a jump in the oil price due to supply disruptions, it also led to falls in the gold price as the arrows indicate.

Graph 3.



Now if gold acted as money this behaviour would raise some theoretical concerns. Classical Marxism teaches us that when gold acts as a standard of price, a rise in its actual cost of production or value means less gold coin is needed to circulate the same quantity of commodities when their value remains unaltered. Therefore, their prices would fall. Conversely if the value of gold falls, more gold coin would be needed, and so prices would rise. But here we have a situation where the exchange rate value of the Dollar is more or less stable, but gold has fallen while oil has risen.

Measured by gold, the 'price' of oil differs only by a quarter compared to its Dollar Price. If gold acted as the standard of price, relative to the dollar, both it and the oil price should have risen in tandem ensuring the gold to oil price ratio was more or less stable. The fact that it did not suggests gold is more of a speculative asset than a universal store of value behind the dollar. One that responds to demand and supply rather than underlying values. How else to explain the rise in the gold price in the run up to the ceasefire, at a time when peace talks were pending and optimism of an agreement rose?

This is the theoretical conundrum is one we need to address. Reality informs theory not the other way around, and this does challenge a number of theoretical assumptions about the nature of money, gold and the role of the reserve currency, the single currency that acts as the actual generalised standard of price against which most currencies are converted into.

Probably the more pressing issue is the future movement of prices due to the grave interruption in the oil supply. Its not only the oil price which is rising but the thousands of other prices it acts on. The scale of the disruptions is analogous to the supply disruptions during the lockdowns that characterised the Pandemic. But there is a difference. This time there will be no support cheques bolstering demand. The additional tax refunds from the *Big Beautiful Bill* averages just \$300 less than ten percent handed out five years ago. It will not substantially raise demand.

The perspective of hyperinflation is therefore highly unlikely. Instead, once the ripple effect of higher oil prices weakens the economy, employment and demand, the price picture will be messy, with rising prices in one sphere depressing prices in other sectors. Outside the issues of demand and supply the fundamental monetary conditions in the economy does not support a generalised and cumulative rise.

For those unfamiliar with my analysis of money under the heading *Modern Marxist Monetary Theory* there are a number of articles on this site. Here are the links.

<https://theplanningmotive.com/2021/05/14/modern-marxist-monetary-theory-or-mmmmt-the-role-of-legacy-value/>

<https://theplanningmotive.com/2021/05/22/modern-marxist-monetary-theory-further-observations/>

<https://theplanningmotive.com/2024/06/13/how-the-money-supply-interacts-with-the-fiscal-deficit/>

<https://theplanningmotive.com/2024/10/17/my-proposed-presentation-on-money-at-the-historical-materialism-conference-in-november/>

A few observations are in order. I reject the category fiat money. The bulk of the money supply or M2, around 90% on average, represents unspent revenues. In turn these revenues comprising wages, rents, interest, profits and taxes consist of legacy value, value fixed and arising from previous cycles of production. Therefore, the act of exchange needs to be reconsidered. In the main it is the act whereby legacy value in the form of monetary revenue on the one side, is exchanged for newly produced value on the other, with the result that the legacy revenue is extinguished through purchase, replaced by the value converted into new revenue through sale. This conforms to the Marxist understanding of value and money, as a social relation not a thing.

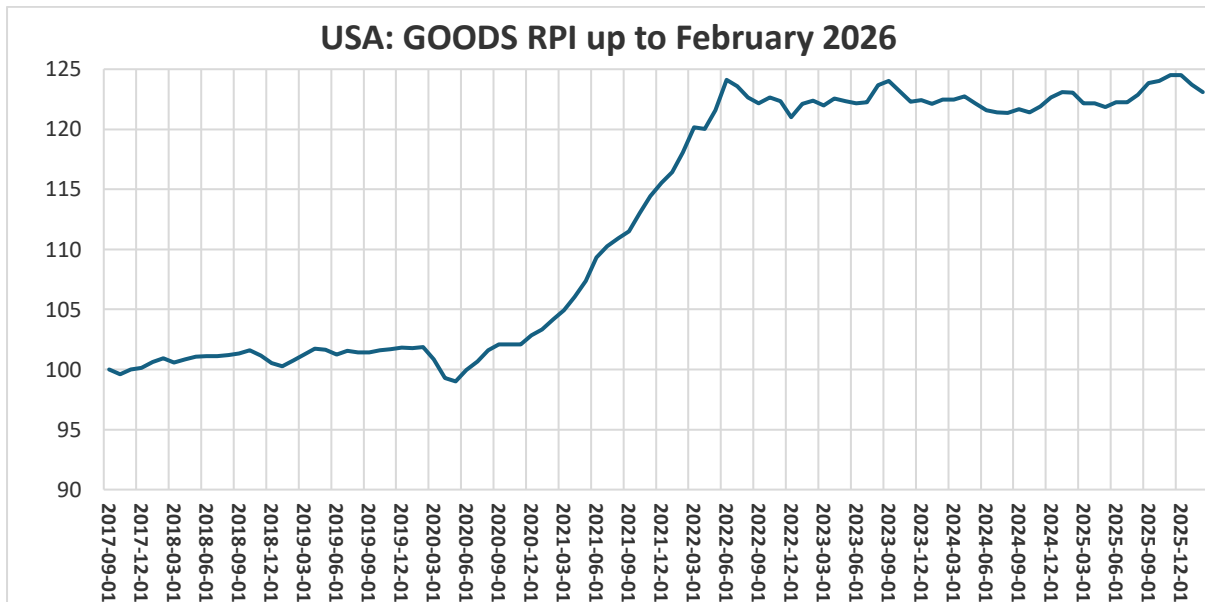
The analysis below compares February 2026 to February 2025 (the latest data) to analyse the composition of M2. Over the year [M2 rose by \\$1054 million](#). Personal Income by \$960 billion. The [fiscal deficit](#) by \$1 million. And finally, [new credit](#) by \$113.8 million. When adding the fiscal deficit to new credit we find that represents around 11% of the additions to M2 leaving unspent revenues adding up to 89% which is in the ballpark for stable prices. (Incidentally one of the reasons for the sharp slowdown in the economy over the last 6 months is the absence of a boost from a growing fiscal deficit.)

A brief note on methodology. I choose to include the fiscal deficit because it converts idle hoards into current government spending and hence into M2. The distillation of new credit, which negates the nonsense that bank credit is the money supply, is more complex. It begins with Table H.8 prepared by the Federal Reserve titled [Assets and Liabilities of Commercial Banks in the United States](#). Line 41 at the end of the second table, is styled **Residual (Assets LESS Liabilities)**. Normally, assets and liabilities balance, but not when credit is created out of thin air, as bank credit is. In this case assets exceed

liabilities as the line shows. This is the total new bank credit, but this credit is also used to purchase fictitious assets, that is to say, it is not money circulating commodities, it does not form the money supply as understood but a hoard. To find out what proportion does, we divide line 9 into line 1, or **Loans and leases** in bank credit into **Bank Credit**. The ratio is about 70% so 70% of new bank credit goes into circulation or M2.

The predominance of revenue in M2 is responsible for stable prices since mid-2022 as the graph below shows. It records the Retail Price Index for goods but not services.

Graph 4.



Conclusion.

More analysis is required concerning the peculiar behaviour of gold during the Iran war when it moved in a contrary manner during periods of acute crisis. This article may have missed some of the forces acting on it, for example, the need to liquidate gold holdings to cover other commitments, or the cost of holding it in the face of inflation expectations.

Brian Green, 27th April 2026.