The Gold Volatility Index – An Overlooked Indicator

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1. What is the Gold Volatility Index?

The Gold Volatility Index (GVZ) is often described as the "gold equivalent of the VIX." It measures the market's expectations of future volatility in gold prices over the next 30 days derived from the prices of gold options. It is published by the CBOE Global Markets and is officially called the CBOE Gold ETF Volatility Index. The oldest data observed dates to June of 2008, amidst the Global Financial Crisis, which reflected the need for risk and volatility benchmarks.

It is often overlooked in comparison to the VIX due to the nature of both their corresponding assets. The S&P 500 is one of the world's most liquid assets with a heavy options-focused market, making the VIX a necessary tool even for retail traders. Moreover, due to this VIX "centrism", most traders naturally rely on it as a gauge for general market risk and uncertainty, instead of any other asset-specific index. Gold, on the other hand, is mainly seen as a stable store of wealth and a safe-haven asset, so its volatility is generally not seen as much of a concern in comparison to stock indices. Its options market is also relatively small, so most people don't even know the GVZ exists in the first place, let alone care about it!

2. What does the GVZ measure?

In more technical terms, GVZ measures implied volatility, not actual volatility. It differs from historical volatility, which is strictly how much gold moved in the past, whereas implied volatility refers to how much options traders expect gold to move in the future based on the options they're buying or selling.

The GVZ levels are expressed in percentages and more precisely indicate the annualized expected movement of gold.

i.e. if the GVZ is at 20, the market-implied forecast is ±20% of the current gold price a year from today, before adjusting for a 30-day horizon.

However, the GVZ does not only indicate percentage movement but can also explain the level of uncertainty and risk perceived by market participants. Generally:

GVZ Level	Indication
10 and below	Very calm gold market
15-20	Normal volatility
25-30	Elevated uncertainty
40 and above	Significant market stress and uncertainty

3. What are the Drivers of the GVZ?

Historically, major movements in gold prices are most often associated with two key variables: geopolitical risk and monetary policy, both of which reflect some level of uncertainty shifting investor sentiment and seeking assets with varying risk profiles.

These two variables generally help investors assess the forces impacting gold prices. Consequently, changes in geopolitical and monetary conditions (among other variables) influence the behavior of options traders, whose transactions are ultimately reflected in the GVZ levels. In other words, as options traders adjust their demand for options – whether for speculation or hedging – in response to changing market conditions and expectations, options premiums fluctuate which thus leads to changes in implied volatility and, consequently, the GVZ. When more traders are buying options than selling, there is an increase in demand for options (whether puts or calls). With this increased demand, the premium of those options increases and consequently increases the implied volatility. Inversely, selling options does the opposite. Shorting options is more often used to directly express a view on volatility[1]. As more traders sell options when they think future volatility is going to be low, that fall in demand[2] decreases option premium prices, and thus their volatility forecast naturally manifests itself in the reported lower implied volatility and thus a lower GVZ level, assuming enough volume enters the market.

4. Historical and Contemporary Examples

- **Global Financial Crisis**

  In October of 2008, gold was still relatively stable even during the housing crisis, closing at 724.6 USD/oz. However, in that same month, the GVZ reached a level of 71.96, which are its earliest spike yet the highest one it has

[1] Many short volatility strategies are often non-directional, meaning that instead of betting on the market going up or down, traders can bet on the market to stay within a certain range and collect a premium if it does at expiry. Some of these strategies include short straddles, short iron condors, and more.
[2] Even though options traders are technically transacting by selling options – whether puts or calls – it still indicates lower demand as traders do not want to hold these options, considering their value is expected to decrease with low volatility.

historically seen. In the following months, GVZ quickly fell to the 15-25 range, and gold began its steady and healthy rally. In September of 2011, gold's bullish trend ended, closing at 1623.9 USD/oz – an impressive 124.1% increase – with the GVZ spiking to 43.51 for different reasons.

Source: tradingview.com

- **Post-Pandemic Monetary Tightening**

In 2022, after the effects of the COVID-19 pandemic settled down, the Federal Reserve began applying aggressive tight monetary policy in order to control inflation, with the Effective Federal Funds Rates increasing rapidly from 0.25% in February of 2022 to 5.5% in July of 2023. In December of 2021, amidst hawkish Fed sentiment yet prior to the first rate hike, the GVZ spiked to a high of 34.57, a level it hasn't seen since the initial outbreak of the pandemic. Five months later, in March of 2022, the GVZ spiked back to 33.77 and gold began decreasing down by 22.02% from a high of 2070.6

USD/oz to a low of 1614.9 USD/oz in September of 2022, marking it as one of the biggest and fastest drops the precious metal has seen.

Source: tradingview.com

- **The 2025–2026 Gold Bull Market and Subsequent Correction**

  These two years have been arguably the most notable years for the precious metal. Despite its universal historical sentiment as a safe-haven asset for investors and financiers, gold has become much more popular, attracting strong demand from just regular people looking to make a quick buck or save their purchasing power. With political pressure on the Federal Reserve, President Trump's tariffs, U.S. budget deficit concerns, and the Iran war, gold was seen as the supreme hedge against all forms of inflation and uncertainty. Generally, however, when the trend of an asset is healthy, its corresponding volatility index tends to be stable. This was not the case during this recent rally.

Source: tradingview.com

As seen in the above image, the GVZ first peaked during the rally at 29.9 on April of 2025. The consequent three months were slow, as indicated by the consolidating small candles. It regained strength until October 2025, when the GVZ made a new high at 33 but gold began hesitating, as observed by the long wick from its high to closing price. Similarly, gold reached its all-time high at 5602.2 USD/oz when the GVZ made a large spike to 48.68, however it showed a strong wick as it closed at 4895.4 USD/oz, indicating even more extreme hesitation and downwards pressure within the same month. Finally, two months later, GVZ began easing and gold started its major sell-off, despite the fundamentals still supporting a bullish bias. The overstated strength of the rally eventually made investors more wary rather than optimistic, which was ultimately reflected in the index.

- **The Current State of the Market**

  In image 3, we can also observe the current state of gold and the index. The GVZ began decreasing and is now moving around the 25-30 range, still indicating market uncertainty but less severe than the last scenario mentioned. Simultaneously, the gold price is still decreasing but at a slower and steadier rate, as reflected by the GVZ easing to a lower range. With the potential temporary reopening of the Strait of Hormuz with the U.S.-Iran Ceasefire and the Federal Reserve maintaining their hawkish-hold stance with their new Chair Kevin Warsh, short-term panic has left the market, thus lowering the GVZ.

5. Limitations to Consider

- The GVZ is merely an indicator of expected gold volatility based on options trading flows and is not in any way a directional indicator. As observed in the aforementioned examples, there were periods when one increased and the other decreased, and all possible combinations tell a different story. Moreover, changes in hedging activity, speculative positioning, or options market liquidity may affect the index independently of changes in gold fundamentals (as observed in the last example). Options are not a binary derivative such as futures or contracts for difference (CFDs), and thus the transactions are not merely reflective of directional bias.
- The GVZ reflects the 30-day expected volatility. In certain cases, the implied volatility on a 30-day horizon may be higher or lower than the implied volatility of a longer-term horizon. Similar to point 1, each combination has

different implications. Many sources and brokers report implied volatilities of different time horizons that can be used by investors if needed.

- The GVZ should not be used in isolation. Investors should therefore consider it alongside other indicators such as real interest rates, geopolitical risk, capital inflows and outflows, and broader macroeconomic factors.

6. Conclusion

The Gold Volatility Index provides investors with a perspective on the gold market that raw price alone cannot offer. While gold prices indicate the direction of the market, the GVZ measures the degree of uncertainty and expected (implied) volatility of the movement. Historical examples ranging from the 2008 Global Financial Crisis to the recent 2025-2026 gold rally show that periods of high GVZ levels often coincide with major shifts in market sentiment, monetary policy expectations, and geopolitical risk. Although the index is not a directional forecasting tool like others, it is still a valuable component of gold analysis that should not be overlooked.

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