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The New 60/20/20 Portfolio: Morgan Stanley's Pivot Heralds in a New Era in Inflation Hedging

By BFI Bullion AG

In mid-September, Morgan Stanley Chief Investment Officer Mike Wilson surprised a lot of investors and market observers by announcing a shift in the bank's strategic thinking. Radically reassessing the traditional "rule of thumb" of asset allocation, the CIO now recommends a 60/20/20 portfolio strategy that includes 20% in gold. He highlighted that this offers a more resilient inflation hedge at a time when US equities are offering historically low upside over Treasuries and investors are demanding higher yields for long-term bonds.

This new blueprint, which allocates 60% to equities, 20% to fixed income, and a robust 20% to gold, positions the yellow metal as the cornerstone of modern inflation resilience. It also boldly underscores gold's evolution from a safe-haven asset, to be resorted to in times of crisis and severe uncertainty, to an "anti-fragile" powerhouse and a necessary allocation for "mainstream" investors, not just for gold bugs. This could potentially unlock trillions in fresh capital flows, and it is certainly bolstering the metal's long-term price outlook.

To fully appreciate the significance of Morgan Stanley's strategic shift, one must first understand what a leap it represents from the "old ways". The traditional 60/40 portfolio (60% equities for growth, 40% bonds for ballast) has been a staple of balanced investing since the post-World War II boom. It thrives on the inverse correlation between stocks and bonds: equities soar in times of economic expansion and bonds do the same during contractions, so it was supposed to offer the best of both worlds - and it did, for a long time.

However, in today's inflationary maelstrom, this old playbook doesn't deliver the results it used to. US equities have been on a tear and continue to climb higher even in the seasonally treacherous month of September. They could keep doing that, in theory, but realistically they will run out of steam at some point (and even if they don't, most of the "winning" stocks are so obscenely overvalued that conservative investors that still care about fundamentals wouldn't consider them as viable options).

It is not looking much better on the bond side of the portfolio either. "Treasuries are losing appeal," Wilson warned, as long-end yields face downward pressure from policy uncertainties and as investors are demanding higher yields, as well as harboring growing concerns over the Federal Reserve's independence.

This is where gold comes in. It "is now the anti-fragile asset to own" Wilson declared, confirming what we at BFI Bullion have been preaching for so long. It might have taken a little longer for the mainstream investors, analysts and financial press to recognize it, but the metal's stellar 2025 performance has by now convinced even the staunchest of skeptics. Gold's price surge reflects not just rate-cut bets but a broader rethinking and repricing of risk. More than that, the metal's rally, combined with its "little brother", silver, also having

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taken off, and with a record-breaking stock market performance, all point to a much more fundamental shift. This new “everything rally” actually represents a mass exodus from fiat money, as trust in governments on their ability to credibly reduce their debt or to bring real inflation under control wanes.

When viewed in this light, Morgan Stanley’s pivot certainly does signal a new era for gold, but it is merely a small part of the larger shift that is already underway. The new portfolio guidelines could definitely unlock massive, fresh institutional demand that would propel the gold price to even higher highs.

However, it is the growing and spreading realization that fiat money cannot be relied upon anymore that is more likely to elevate even the most optimistic of expectations over gold’s performance over the coming years.

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