



Weekly Gold Wrap

2025/6/15

I. Gold Price Recap

Gold rallied on Friday (13 June), with COMEX (GCQ5) settling at \$3,452.6/oz - posting a 1.48% daily gain and a marked 3.65% weekly advance (~vs the prior Friday's \$3,331.0 close). This significant weekly surge outpaced most haven assets. The SPDR Gold Shares ETF (GLD) climbed 1.31% to \$316.3. Haven demand extended gains to a third consecutive session, propelled by Middle East escalation fears following Israeli strikes on Iranian nuclear facilities and leadership targets amid ongoing geopolitical and trade uncertainty.

While the UoM Consumer Sentiment beat expectations at 60.5, Thursday's cooler-than-expected PPI print reinforced 2025 Fed easing expectations. Capital rotated into zero-yield gold, extending bullish momentum. The gold market is currently propelled by a dual-engine dynamic of geopolitical tensions and monetary easing expectations. Despite elevated near-term volatility, the underlying structural trends of persistent haven demand and central bank accumulation remain fundamentally intact. Technical indicators confirm a sustained bullish bias in the gold market, warranting investor focus on upcoming FOMC deliberations and Middle East developments.

II. Key Drivers Behind Gold's Volatility

1) Concurrent Strength in Real Activity and Moderation in Price Pressures

Robust U.S. economic data for May – spanning employment, inflation, and consumer sentiment – initially exerted downward pressure on gold prices, though moderating inflation expectations concurrently reinforced Federal Reserve rate cut projections, establishing constructive long-term support for bullion.

Here's a structured breakdown of key metrics:

➤ Labor Market: Mixed Signals Amid Resilience

-Nonfarm Payrolls: May added 139,000 jobs, surpassing the consensus forecast of 130,000. However, April's figure was revised significantly downward from 177,000 to 147,000.

-Unemployment & Wages: The unemployment rate held steady at 4.2%, while annual wage growth maintained a 3.9% pace—both metrics exceeding market expectations

-Emerging Softness: Initial jobless claims exceeded 240,000 for consecutive weeks, and continuing claims rose to 1.96 million (the highest level since late 2021), signaling underlying labor market fragility.

➤ Consumer Sentiment: Surprise Uptick

UoM June consumer sentiment prelim: 60.5 (+8.3 MoM, largest gain since Jan 24), beating 53.6 consensus and prior 52.2.

➤ **Inflation Metrics: Clear Moderation**

- Producer Prices (PPI): May PPI rose 0.1% MoM, missing the 0.2% consensus, while core PPI (ex-food/energy) gained 0.1% MoM, indicating well-contained price pressures
- Core Consumer Prices (CPI): Headline CPI accelerated to 2.4%YoY (~ April's 2.3%), while core inflation rose 2.8% annually, hitting a four-year low
- Forward-Looking Expectations: U.S. inflation expectations cooled markedly, with the 1-year outlook falling to 5.1% from 6.6% and the 5-year measure edging down to 4.1% from 4.2%, reinforcing the case for Federal Reserve rate cuts.

Despite favorable data trends, post-Iran attack oil price surges and trade policy uncertainty risk reigniting inflation. While tariff impacts have exerted limited pressure on U.S. consumers to date, economists broadly anticipate price pressures materializing in the second half of 2024 as businesses hedge against escalating margin compression risks.

➤ **Market Implications**

The interplay of robust near-term labor data and cooling inflation created a paradox for gold: while strong employment initially dampened safe-haven demand, the deceleration in price growth reinforced bets on Fed rate cuts. This dynamic solidifies gold's role as a hedge against policy easing and long-term inflation uncertainty, underpinning its structural bullish case.

Near-Term Gold Price Impact: Crosscurrents of Competing Forces. Robust nonfarm payrolls, wage growth, and consumer confidence data bolstered the U.S. dollar, pressuring dollar-denominated gold. However, emerging labor market fragility – reflected in rising jobless claims and elevated continuing claims – coupled with oil-driven inflation risks and trade policy uncertainty, amplify haven demand. This crosscurrent of competing forces may sustain gold in a near-term consolidation phase.

Long-Term Gold Outlook: Structural Tailwinds Emerge. Sustained disinflation in core measures (CPI and PPI) would strengthen expectations for additional Federal Reserve rate cuts. Simultaneously, emerging structural softness in the labor market elevates economic uncertainty. Collectively, these dynamics would enhance gold's appeal as a strategic haven asset, constituting material upside support for prices.

2) Cooling Inflation Metrics Pave Way for Policy Easing

➤ **Employment Report and Consumer Confidence Strengthen June-July Rate Hold Expectations**

Following the release of a robust U.S. jobs report and the University of Michigan Consumer Sentiment Index, federal funds futures signal a marked increase in market expectations that the Federal Reserve will keep the benchmark rate steady (4.25%-4.50% range) at its June and July FOMC meetings.

➤ **Inflation Data Boosts September Rate Cut Wagers**

CPI & PPI Both Moderate: After Wednesday's CPI print came in below consensus, Thursday's PPI showed continued easing of wholesale inflation pressures, further confirming the decelerating inflation trend.

Market Rate Cut Odds Rise: Market expectations for rate cuts intensified, with CME Group data showing September cut probability climbing to approximately 60% from 52% before the CPI release, reflecting strengthened conviction in Federal Reserve policy pivoting this year. J.P. Morgan Chief U.S.

Economist Michael Feroli observed that dual cooling in U.S. inflation and employment creates operational space for Fed easing in 2025, a fundamentally supportive dynamic for gold.

➤ **Impact on Gold Prices**

Reduced Carrying Costs: As a non-yielding asset, gold benefits from falling real interest rates driven by Fed easing expectations. Lower opportunity costs enhance its investment appeal.

Haven Demand Amplification: Economic slowdown concerns elevate gold's value as a crisis hedge, driving price appreciation through intensified safe-haven flows.

3) Yields, USD & Gold Dynamics

➤ **Dollar Index Behavior & Haven Implications**

The DXY recovered to 98.1 (as of 10:00 BJT, 14 June) following a test of three-year lows at 97.6. While conventionally benefiting from haven flows during geopolitical stress, the dollar's safe-haven premium is deteriorating amid political uncertainty. Former President Trump's public pressure for accelerated Fed easing, combined with mounting skepticism toward the dollar's reserve currency status, reinforces gold's position as a superior crisis hedge.

➤ **US Treasury Yields & Gold Dynamics**

Elevated real yields currently pressure gold near-term, though sovereign debt risks may trigger haven demand reversals. The 10-year U.S. Treasury yield remains contained at 4.41% (10:30 BJT, June 14), while real yields near 2% (nominal yield minus inflation expectations) increase gold's carrying costs, creating tactical headwinds.

However, softening inflation affords the Fed policy flexibility. Prospective rate cuts would reduce Treasury demand, weakening the dollar and supporting gold. Structurally, 2% real yields alongside 130% U.S. debt/GDP have accelerated debt servicing costs. With sub-2% GDP growth, this fiscal math doesn't add - underpinning global central banks' strategic gold accumulation as sovereign risk hedging.

4) Geopolitical Tensions & Safe-Haven Demand

On Friday, 13 June local time, Israel launched preemptive strikes against Iranian nuclear installations and military command targets, marking a dangerous escalation of Middle East conflict. Prime Minister Benjamin Netanyahu stated the operation specifically countered Iran's nuclear program and would continue for "as many days as necessary" to neutralize threats, declaring a state of emergency in anticipation of potential retaliation. An Iranian military spokesperson asserted U.S. support for the Israeli action.

From a gold market perspective, the Middle East remains a persistent geopolitical flashpoint. Direct state-on-state conflict between Israel and Iran triggered immediate haven positioning, activating gold's status as the premier crisis hedge. During heightened uncertainty, gold's capital preservation attributes become particularly pronounced, driving rapid rotation out of risk assets into bullion that elevated both physical demand and spot prices.

Post-escalation, gold reached its highest intraday level since 22 April during Asian trading hours - a direct manifestation of haven-driven price discovery. Should hostilities persist or regional instability broaden, structural safe-haven demand will sustain gold at elevated levels with tangible upside potential.

5) Tariff Turmoil Drives Gold Swings

U.S. Commerce Secretary Howard Lutnick disclosed a provisional trade framework agreement reached Wednesday, pending heads-of-state ratification. The London-negotiated terms include:

- China's resumption of rare earth exports (6-month leverage window)
- U.S. tariffs maintained at 55% (10% "reciprocal" + 20% fentanyl-related + 25% existing)

China's tariffs at 10%

The framework lacks implementation specifics. Secretary Lutnick declared tariffs "locked in," but President Trump simultaneously expanded steel tariffs to home appliances and asserted unilateral authority to "set terms independently." This hardline stance nullified initial truce optimism. Bloomberg reported Trump will "detail terms via letter in coming weeks," **amplifying policy uncertainty.**

Gold Market Impact Analysis

- Short-Term Haven Surge

Tariff volatility crystallizes global supply chain risks. Unilateral actions exceeding market expectations destabilize trade systems, activating gold's role as a panic hedge tool.

- Escalating Trade Frictions: Growth Slowdown Fears Amplify Haven Demand

Should sustained 55% U.S. tariffs on Chinese goods materialize, domestic inflation may accelerate (e.g., home appliance price passthrough to CPI) while suppressing corporate investment. This would reinforce Fed rate cut expectations - a trend already catalyzed by May's below-consensus PPI. Trade policy volatility cements the dovish narrative, generating medium-term tailwinds for gold.

- De-Dollarization Accelerant*

Unilateral tariffs undermine multilateral frameworks, potentially accelerating de-dollarization. Gold gains strategic appeal as non-sovereign monetary insurance during fiat currency regime credibility erosion.

6)Physical Gold Demand

Central Bank Gold Accumulation: Structural Support Intact

Global central banks added 244 tonnes to gold reserves in Q1 2025, exceeding the five-year quarterly average by 25%. A survey-high 29% of institutions plan further accumulation within 12 months - the strongest commitment since 2018.

Central banks' sustained gold accumulation constitutes a primary structural support for gold prices long-term. This dynamic stems from two fundamental pillars: 1) Gold's enhanced appeal as a hedge against U.S. debt risks, dollar reserve currency erosion, and deglobalization pressures drives strategic diversification; 2) A substantial reserve rebalancing gap exists, with gold comprising 66.1% of Eurozone reserves versus just 21.3% globally - and materially lower in emerging economies. Though April saw a 12% MoM purchase decline, this reflects transient price effects and reporting lags rather than strategic retreat. Medium-term demand sustainability remains evident through China's seven consecutive months of accumulation and leadership from Poland and other emerging markets, cementing enduring price support.

III. Market Sentiment

Gold entered a pronounced uptrend this week, breaching \$3,400 as markets focused on Israeli strikes against Iranian nuclear targets. Despite stronger-than-expected University of Michigan sentiment data and moderating inflation expectations, a dominant risk-off tone prevailed. The attacks triggered broad-based haven positioning, propelling bullion's advance.

IV. Outlook & Key Catalysts

- **Upside Catalysts**

Acceleration toward \$3,500/oz remains contingent on:

Fed signaling imminent cuts at next week's meeting
Middle East escalation (e.g., Israeli ground troop deployment)

➤ **Institutional Targets**

Goldman Sachs, BofA maintain year-end 2025 projections of \$3,700-\$4,000/oz.

➤ **Downside Risks**

Robust US retail/industrial production data delaying rate cut expectations
Inflation resurgence from 6% oil surge (monitor gasoline passthrough)

V. Quantitative Strategy Review

DeCTP-12 Strategy Quarterly Brief

➤ **Core Performance**

Win Rate: 46.5% (Note: ≈5 profitable trades per 10 transactions)

Risk-Reward Ratio: 3:1 (Note: \$3 gained per \$1 lost)

Transactions Executed: 20

Annualized Return: 26%

Max Capital Drawdown: 8.9%

(Note: Represents \$89k impairment on \$1M principal, distinct from equity drawdown)

➤ **Current Positioning**

Gold: Maintained long exposure (futures + options)

Silver: Technically liquidated

➤ **Weekly Performance**

Win Rate: 89% (Note: exceptional near-term accuracy)

Equity Change: +3%

Transaction Frequency: 1 (Note: silver long liquidation)

➤ **Holdings Structure**

Options: Dominant strategy - Short puts + Long calls

Futures: Unidirectional long

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