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Weekly Gold Wrap

2025/6/22

I. Gold Price Recap

COMEX gold futures (GCQ5) fell 0.7% to \$3,384.4/oz on Friday, June 20, marking a 2% weekly decline from last Friday's \$3,452.6/oz close. International precious metals are expected to face heightened volatility. Gold may seek technical support near \$3,350/oz in the near term. The gold ETF (Exchange Traded Fund) GLD closed at \$310.13, down 0.04% on the day and showing a 2% pullback from last Friday's close of \$316.29. Silver remains at a critical bull-bear inflection point, with profit-taking and technical breakdown pressures currently limiting upside potential. Market participants should closely monitor silver's support strength around the \$35.5/oz level.

Trump's delayed military action against Iran eased immediate conflict escalation fears, diverting haven flows toward risk assets. Concurrently, hawkish Fed rhetoric bolstered dollar resilience while higher real rates diminished zero-yield gold's appeal. Traders sought equilibrium between the Fed's data-dependent stance and mounting geopolitical risks. Nevertheless, the Fed's hawkish tilt outweighed Middle East tensions, pressuring gold. Yet several factors capped downsides: fragile global risk sentiment amid persistent trade uncertainty and Middle East flare-ups, coupled with relentless central bank accumulation underpinning haven gold.

Shanghai gold futures showed relatively limited losses, closing down 0.81% at RMB778.58/g. Shanghai silver futures fell 2.79% to settle at RMB8,664/kg. Amid mixed fundamental drivers, market participants are advised to control exposure and await clearer signals. The reference trading range for Shanghai gold's front-month contract stands at RMB768-836/g, while Shanghai silver's benchmark contract is projected between RMB8,659-9,300/kg.

II. Key Drivers Behind Gold's Volatility

1) Gold's Bull-Bear Tussle: Mixed Retail-Manufacturing Data vs Underlying Inflation Risks

- **May retail sales data presented mixed signals:** monthly figures contracted due to a significant decline in auto purchases, while year-on-year figures rose. Industrial production data for May released by the Federal Reserve declined for the second time in three months, signaling manufacturing weakness. May retail sales fell 0.9%MoM (below the market expected -0.7%), dragged down by a sharp drop in auto purchases; year-on-year growth slowed to 3.3% from April's robust 5.0% increase. May industrial production declined 0.2%MoM, falling for the second time in

three months and missing market expectations of 0.1% growth, highlighting persistent softness in the manufacturing sector.

- **The Philadelphia Fed Manufacturing Index** slid to -4 in June, flat relative to May but below the anticipated -1 contraction, signaling persistent economic headwinds.
- **SEP economic projections adjusted:** The Summary of Economic Projections (SEP) showed the 2025 GDP growth forecast revised down from March's 1.7% to 1.4%, the unemployment rate projection raised from 4.4% to 4.5%, and core PCE inflation expectations lifted from 2.8% to 3.1%.
- **Geopolitics escalate energy risks and fuel inflation concerns:** Iran has mapped U.S. military bases in the Middle East as a deterrent and conducted its first "Sejjil" missile strike against Israel, triggering market anxiety over energy transit security. The Strait of Hormuz handles nearly one-third of global seaborne crude shipments; any conflict-driven disruption could send oil prices soaring, further fueling inflation and amplifying gold's safe-haven appeal.
- **Tariff policies heighten inflation risks:** The Federal Reserve warned that Trump administration tariffs could exacerbate inflation, raising its 2026 and 2027 inflation targets to 3.6% and 3.4%, respectively. Gold is expected to perform strongly in high-inflation environments.

Near-Term Gold Price Impact: weak U.S. retail and industrial data reinforce expectations for Fed easing, compounded by escalating Middle East geopolitical conflicts boosting safe-haven demand — both supporting gold prices; however, the SEP's elevated core PCE inflation expectation of 3.1% may prompt the Fed to delay rate cuts, and a near-term dollar rebound could cap gold's upside. Additionally, an anticipated recovery in the Philadelphia Fed Manufacturing Index may temporarily lift risk sentiment, intensifying gold's volatility.

Long-Term Gold Outlook: sustained central bank gold purchases (2025 buying forecast >1,000 tonnes) and the Fed's upwardly revised 2026 inflation target to 3.6% underscore gold's anti-inflation and counter-cyclical safe-haven value; prolonged energy transit risks in the Strait of Hormuz and protracted Middle East tensions may embed lasting safe-haven premiums into gold prices.

Nevertheless, vigilance is warranted as the Fed may maintain high rates to curb tariff-induced inflation spirals, leading to persistently higher real interest rates that pressure gold; however, the downward trajectory of real rates amid "stagflation" risks remains a long-term support.

2) Gold Pressured: Fed Hawks + High Rates

- **Fed Holds Rates Steady, Updates Economic Projections:** On Wednesday, Fed officials indicated they still anticipate two rate cuts in 2025, while keeping the target range for the federal funds rate unchanged at 4.25%-4.50%, reiterating that the U.S. economy continues to expand at a solid pace with labor market conditions remaining strong. However, only one rate cut is now projected for 2026 (versus two previously), as inflation is expected to persist above the 2% target, reflecting a slightly hawkish tilt. Yet the prospect of prolonged higher rates by the Fed weighs on non-yielding assets. The Summary of Economic Projections (SEP) showed the 2025 GDP growth forecast revised down to 1.4% from March's 1.7%, the unemployment rate projection edged up to 4.5%, and core PCE inflation expectations raised to 3.1% (up from 2.8%). Despite heightened inflation pressures, the Fed retained its expectation for two 25-basis-point rate cuts in 2025, with one cut each in 2026 and 2027, while raising the longer-run federal funds rate projection to 3%.

- **Powell's Remarks: Policy Stance and Risk Assessment:** Chair Jerome Powell remarked that while policy is "moderately restrictive," the current stance is "well positioned." He acknowledged tariff effects have yet to materialize, adding that "someone has to bear the cost" among manufacturers, intermediaries, or consumers. Powell struck a cautiously neutral-to-hawkish tone in the press conference, reiterating that monetary policy is "well positioned to respond" to external shocks like tariffs or geopolitical risks. Additionally, he noted: "The tariff impact will depend on their magnitude," and "this year's tariff increases could dampen economic activity and boost inflation." He stated: "As long as the labor market holds and inflation resumes its decline, the right course is to keep rates steady." Per Prime Market Terminal data, money markets show traders pricing in 46 basis points of rate cuts by year-end.
- **Implications for gold prices:** As a non-yielding asset, gold typically benefits from rate cut expectations. However, while the Fed maintained its cutting path, it raised inflation forecasts and emphasized policy uncertainty, resulting in divergent market reactions. Key dichotomy: The elevated core PCE inflation forecast (3.1%) theoretically supports gold's inflation-hedging attributes, but the Fed's projection of sustained higher rates (2026 median fed funds rate at 3.6%) caps gold's upside potential.

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, June 2025

Variable	Median ¹				Central Tendency ²				Range ³			
	2025	2026	2027	Longer run	2025	2026	2027	Longer run	2025	2026	2027	Longer run
Change in real GDP	1.4	1.6	1.8	1.8	1.2–1.5	1.5–1.8	1.7–2.0	1.7–2.0	1.1–2.1	0.6–2.5	0.6–2.5	1.5–2.5
March projection	1.7	1.8	1.8	1.8	1.5–1.9	1.6–1.9	1.6–2.0	1.7–2.0	1.0–2.4	0.6–2.5	0.6–2.5	1.5–2.5
Unemployment rate	4.5	4.5	4.4	4.2	4.4–4.5	4.3–4.6	4.2–4.6	4.0–4.3	4.3–4.6	4.3–4.7	4.0–4.7	3.5–4.5
March projection	4.4	4.3	4.3	4.2	4.3–4.4	4.2–4.5	4.1–4.4	3.9–4.3	4.1–4.6	4.1–4.7	3.9–4.7	3.5–4.5
PCE inflation	3.0	2.4	2.1	2.0	2.8–3.2	2.3–2.6	2.0–2.2	2.0	2.5–3.3	2.1–3.1	2.0–2.8	2.0
March projection	2.7	2.2	2.0	2.0	2.6–2.9	2.1–2.3	2.0–2.1	2.0	2.5–3.4	2.0–3.1	1.9–2.8	2.0
Core PCE inflation ⁴	3.1	2.4	2.1		2.9–3.4	2.3–2.7	2.0–2.2		2.5–3.5	2.1–3.2	2.0–2.9	
March projection	2.8	2.2	2.0		2.7–3.0	2.1–2.4	2.0–2.1		2.5–3.5	2.1–3.2	2.0–2.9	
Memo: Projected appropriate policy path												
Federal funds rate	3.9	3.6	3.4	3.0	3.9–4.4	3.1–3.9	2.9–3.6	2.6–3.6	3.6–4.4	2.6–4.1	2.6–3.9	2.5–3.9
March projection	3.9	3.4	3.1	3.0	3.9–4.4	3.1–3.9	2.9–3.6	2.6–3.6	3.6–4.4	2.9–4.1	2.6–3.9	2.5–3.9

Source: Federal Reserve Summary of Economic Projections

3) Yields, USD & Gold Dynamics

➤ Dollar Index Behavior

The U.S. Dollar Index (DXY), which tracks the U.S. dollar's performance against a basket of six major currencies, edged up to \$98.71 as of June 20, notching a weekly gain. Escalating investor concerns over the deepening Israel-Iran conflict and potential U.S. military intervention in the region have substantially amplified safe-haven demand for the U.S. dollar. The U.S. dollar's appeal as a "safe-haven asset" has outpaced that of gold, precluding the precious metal from extending its upward trajectory.

➤ US Treasury Yields & Gold Dynamics

U.S. Treasury yields remained unchanged, with the 10-year Treasury yield stabilizing at 4.377%. U.S. real yields, which exhibit an inverse correlation with gold prices, also held steady at approximately 2%. The relatively elevated real yield on U.S. Treasuries, sustained at around 2% (real yield = nominal yield - inflation expectation), has short-term increased the carrying costs of gold, exerting transient downward pressure on gold prices.

4) Geopolitical Tensions & Safe-Haven Demand

➤ Amid geopolitical tensions, gold traditionally functions as a flight-to-safety asset.

Geopolitics remain a key gold price driver, with U.S. outlets including The WSJ and CBS News reporting President Donald Trump has authorized plans to strike Iranian nuclear facilities while weighing diplomatic off-ramps. June 22 – U.S. President Donald Trump has confirmed that American forces conducted airstrikes on three Iranian nuclear facilities.

Previously, Russia issued a stark warning against potential U.S. military involvement, with Foreign Ministry spokeswoman Maria Zakharova cautioning that any American intervention would constitute an "extremely dangerous step carrying genuinely unpredictable negative consequences."

Concurrently, Israeli Defense Minister Yoav Gallant stressed intensified offensive actions post-escalation, underscoring persistent Israel-Iran standoff risks.

Gallant singled out Supreme Leader Ayatollah Khamenei, stating objectives center on neutralizing nuclear and missile threats. Iran's expanding enriched uranium stockpiles heighten proliferation concerns, prompting renewed U.S.-Israeli commitments to block Tehran's nuclear weapons capability.

➤ Gold market implications:

Escalating Middle East tensions catalyze gold through three channels:

- 1) Near-term upside: The Trump administration's approval of plans to attack Iranian nuclear facilities, U.S. President Trump's social media confirmation that 'the U.S. military has bombed three Iranian nuclear facilities, and Israel's intensified military operations – combined with Iran's expanding enriched uranium stockpiles – are exacerbating regional tensions, stimulating safe-haven demand, and driving short-term gold price surges.
- 2) Oil & Inflation double shock: Russia's military intervention warnings coupled with Strait of Hormuz supply disruption risks could ignite oil price surges and imported inflation, reinforcing gold's inflation-hedging credentials.
- 3) Risk premium injection: Great-power brinksmanship and military miscalculation risks embed geopolitical premiums, with conflict escalation potentially propelling gold toward highs.

5) Tariff Turmoil Drives Gold Swings

➤ Tariff policy impacts

This week, the Trump administration is set to impose 50% tariffs on EU goods and 25% tariffs on Apple and Samsung smartphones, potentially elevating import costs and spurring inflation. Additionally, Trump signaled imminent tariffs on pharmaceuticals, injecting uncertainty ahead of the July 9 deadline for heightened reciprocal duties. Although persistent dollar strength caps gold's upside, trade friction risks continue underpinning safe-haven demand. Fed Governor Waller warned that repeated tariff hikes risk "second-round pass-through" effects far exceeding one-off impacts, raising inflation stickiness risks – a bullish catalyst for gold.

6) Physical Gold Demand

Global central banks continue to increase gold holdings, with 2024 purchases hitting unprecedented levels—a trend persisting into 2025. This official sector accumulation not only reflects dedollarization efforts but provides long-term support for gold prices. Sustained central bank buying offers fundamental underpinning, even as short-term prices fluctuate with dollar movements, yields, and geopolitical headlines.

The World Gold Council's annual survey of a record 73 central banks (highest participation in eight years) reveals 95% expect higher gold reserves over the next 12 months (vs. 81% last year), while over 40% plan direct purchases (up from 29%). Longer-term, 72% foresee modest increases in gold's reserve share within five years, with 4% anticipating significant growth. The predominant rationales for holding gold reserves encompass: its crisis performance, portfolio diversification benefits, properties as a store of value and inflation hedge, alongside historical significance. These motivations prevail more broadly among emerging economy central banks than their developed-market counterparts, though the historical reserve asset argument is cited more frequently by advanced economy institutions. This survey underscores gold's escalating strategic imperative, with heavy official accumulation appearing firmly in place for coming months.

III. Market Sentiment

International precious metals markets are expected to see intensified volatility in the near term. Gold may find technical support near \$3,350/oz in the short term, while silver faces a critical juncture in the bull-bear tug-of-war. Profit-taking activities and technical breakdown pressures are currently capping gains, with close monitoring required on silver's tolerance level around \$35.5/oz.

IV. Outlook & Key Catalysts

➤ **Next Week's Focus:**

- U.S. GDP preliminary reading
- Core PCE inflation print
- Fed speaker commentary
- Geopolitical risk persistence

V. Quantitative Strategy Review

DeCTP-12 Strategy Quarterly Brief

➤ **Core Performance:**

Quarterly Performance:

-Win Rate: 46.5%

-Profit-to-Loss Ratio: 3:1

-Number of Trades: 20

-Annualized Return: 26%

-Maximum Drawdown: 8.9%

➤ **Current Position Description:**

-Gold (NYMEX):

Holding 2,508 short put options (strike \$3,320)

Maintaining overall long exposure (futures + options)

-Silver:

Partially took profits on long positions

Initiating short-term tactical plays on downside volatility

Medium-term model remains bullish

➤ **Weekly Performance Metrics:**

-Weekly Win Rate: 62%

-Equity Change: -0.5%

-Trading Frequency: 2 trades(Gold: Sold put options/Silver:Closed out previously sold put positions;Sold new puts at adjusted strike prices)

*Notes:

-Win rate is the number of wins divided by the total number of participations, calculated as (number of wins / total participations) \times 100%. Excluding draws, it is (number of wins / (wins + losses)) \times 100%. In statistics, a trade is considered a win if profit > 0.

-Profit-loss ratio has two calculation methods: total profit divided by total loss, or average profit per trade divided by average loss per trade. The latter is adopted here.

-Maximum drawdown is the largest decline from a peak to a trough. It is calculated by identifying the historical peak net value and subsequent trough net value, using the formula: (peak net value - trough net value) / peak net value.

-Equity changes refer to fluctuations in account funds, which occur after each position closing. In live trading, there are daily static equity changes and dynamic changes (fluctuating every second with position P&L).

-Selling AU2508 put 3320 (Sell Put): A options trading strategy where the investor holds a bullish or neutral outlook on the underlying asset price, expecting no significant decline, to generate income from premium or establish a position at a price lower than the market.

Reference:

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