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Weekly Gold Wrap

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I. Gold Price Recap

Global precious metals futures closed broadly higher on Friday (July 11). The COMEX gold (GCQ5) gained 1.34% to settle at \$3,370.30/oz, booking a 0.82% weekly advance. COMEX silver futures surged 4.74% to \$39.08/oz, notching a 5.37% weekly gain.

Gold dropped over 1% to \$3,300/oz Tuesday following President Trump's 50% copper tariff proposal triggering broad commodity liquidation. Subsequent escalations included new tariff warnings targeting countries allied with the BRICS nations, as well as 20-30% duties imposed on secondary trading partners such as Algeria, Libya, and the Philippines.

Concurrently, June FOMC minutes affirmed 2024 rate cut consensus while acknowledging tariff inflation impacts. Some participants deemed these effects potentially transitory or moderate. Thursday's stronger dollar, fueled by better than expected jobless claims at 227K versus 235K forecast, constrained gold's rebound.

On Thursday, President Trump announced 35% tariffs on Canadian imports effective August 1, alongside proposed blanket tariffs of 15-20% for most trade partners. This immediately triggered haven rotation. On Friday, gold capitalized on deteriorating market sentiment to climb toward the \$3,350 zone, recouping early-week losses.

The latest tariff measures stimulated fresh safe-haven gold demand. Escalating trade tensions offset broad dollar strength, underpinning bullion prices. Friday marked a third consecutive session of haven inflows into gold. While fading Fed rate-cut expectations failed to hinder spot gold's upward momentum, both the Fed and investors pivoted toward June U.S. CPI data to assess tariff impacts. Reinforced safe-haven sentiment continues to support gold prices, which are expected to consolidate near-term at elevated levels with contained downside.

II. Key Drivers Behind Gold's Volatility

1) Robust Jobs Data Shifts Focus to Next Week's Inflation Metrics

This week's US economic calendar is light, with market focus shifting to key data releases clustered next week-most notably the CPI.

- **US June Nonfarm Payrolls:** Added 147K jobs, exceeding expectations and rising from May's revised figure of 144K (up from 139K). Additionally, the June unemployment rate remained unchanged at 4.1%. These reports indicate continued resilience in the labor market, diminishing the prospect of near-term monetary easing by the Fed. This, in turn, **supports the US Dollar and exerts some downward pressure on non-yielding assets like gold.**
- **US Labor Department Data:** Showed US initial jobless claims came in lower than both expectations and the prior week's revised figure, signaling economic strength. **Consequently, heightened market optimism has capped gold's upside.** Initial jobless claims fell to 227K for the week ending July 5th, below forecasts and the prior week's downwardly revised 232K. Combined with the strong US employment data released last Thursday, these figures point to a resilient US labor market, implying no urgency for the Federal Reserve to cut interest rates.

2) Monetary Policy & Gold Market Impact

- **June Fed Rate Decision:** In June, the Federal Reserve chose to maintain the benchmark interest rate within the 4.25% to 4.50% range, citing labor market resilience and persistent inflation pressures.
- **Trump Criticizes Powell:** Concurrently, President Trump continued his criticism of Fed Chair Jerome Powell. On Tuesday, Trump called on Powell to "resign immediately." On Truth Social, he stated: "He should have cut rates months ago. The only reason he didn't is because he doesn't want me to win." These remarks reflect Trump's longstanding dissatisfaction with Powell, originating during his first term and intensifying as monetary policy remained tight.
- **The latest Federal Reserve policy meeting minutes,** released Wednesday, **emphasized officials' concerns that tariffs could trigger persistent inflation risks.** The minutes stated, 'Most participants remarked that tariffs could pose upside risks to inflation over a longer period,' underscoring the Fed's cautious stance which prioritizes greater clarity on the economic outlook before policy adjustments. Separately, Chair Jerome Powell recently observed that in the current low-hire, low-fire environment, any increase in layoffs could rapidly push up unemployment. While the minutes revealed most officials viewed lowering the federal funds rate sometime this year as appropriate, with several advocating July cuts should data evolve as expected, market expectations for a July rate reduction have faded despite this internal push. This shift reflects persistent worries about inflation pressures and concerns that tariffs may fuel broader price increases.

➤ **Listing of viewpoints:**

Musalem (St. Louis Fed): St. Louis Fed President Alberto Musalem stated that the US economy is in good shape, with the labor market at or near full employment. He also noted that inflation risks are tilted to the upside due to tariffs, whose effects are not yet visible, and that a weaker dollar could exacerbate

inflation further.

Daly (San Francisco Fed): San Francisco Fed President Mary Daly indicated that current monetary policy remains in restrictive territory, suggesting it is time to consider adjusting rates. She further added that current tariff levels are not as high as feared, and that economic fundamentals support lowering rates at some point.

Waller (Fed Governor): Additionally, Fed Governor Christopher Waller pointed out that the inflation impact of tariffs is likely transitory, and a rate cut now would not be politically motivated. **Waller, seen as a potential contender to succeed Powell in 2026, reiterated his call for an earlier rate cut in July.**

➤ **Market Pricing (CME FedWatch):**

According to the CME FedWatch Tool, **markets currently price in a 67.4% probability of a 25-basis-point Fed rate cut in September.** So far this year, supported by a robust US labor market, the Fed has kept rates within the 4.25% to 4.50% range.

➤ **Impact on Gold:**

While Trump's criticism exacerbates monetary policy uncertainty, it has not altered the Fed's focus on inflation and employment. Minutes showing officials' tariff-inflation concerns provide some support for gold as an inflation hedge. However, diminished July rate cut expectations and the prospect of rates staying higher for longer limit gold's upside. Comments from the St. Louis Fed President about economic strength and upside inflation risks, combined with market expectations for a potential September cut (67.4% probability), **leave gold caught in a tug-of-war between bullish and bearish factors-downward pressure from high rates vs. support from inflation hedge demand and potential easing expectations. This suggests gold may remain in a volatile consolidation phase in the near term.**

3) Yields, USD & Gold Dynamics

➤ **Dollar Index Behavior**

Resurgent USD buying pressure has propelled the DXY from multi-year lows (96.40-96.30) to 97.85, nearing the critical 98.00 threshold in July.

Dollar Weakness & Gold Impact:

(1) Dual Drivers of Dollar Weakness

Market expectations for US dollar depreciation originate from two distinct catalysts, each exerting differential impacts on USD and gold prices. First, the US implementation of a "Salami Tactic" - characterized by this week's phased tariff notifications to 23 nations, primarily mirroring April's policy framework. Unlike April's comprehensive announcement, this gradual rollout has enhanced market absorption capacity. Second, entrenched market anticipation of presidential behavior patterns, epitomized by the traders' axiom "Trump always backs down" referencing his historical retractions of high tariffs pre- or post-implementation. This expectation sustains market calm.

-Divergent USD Depreciation Pathways:

Both scenarios ultimately induce dollar depreciation through divergent timelines. Should the latter scenario materialize, where anticipated presidential retraction fails to occur and tariffs take effect as scheduled on August 1, market volatility would intensify. This development could trigger initial modest haven-driven USD appreciation, rapidly transitioning to depreciation amid mounting concerns over economic impairment. Under the former scenario characterized by rollout-induced stability, orderly dollar weakening would manifest only upon confirmation of material deterioration in fundamental indicators, progressing in tandem with economic softening.

-Gold Price Support Dynamics Across Scenarios

Both scenarios structurally support gold prices. Under gradual tariffs, accumulating safe-haven sentiment and inflation concerns steadily boost demand for gold as a dual-purpose asset, driving moderate appreciation. Though episodic USD strength may temporarily cap upside, it cannot reverse the uptrend of gold price. Should tariffs trigger implementation panic, gold's safe-haven properties would experience strong activation. Coupled with mounting inflation expectations, prices could surge rapidly. Even near-term haven-driven USD gains would fail to override gold's momentum, with subsequent dollar depreciation further amplifying price advances.

(2)Structural Erosion of Dollar Appeal

The weaponization of the US dollar in foreign policy has heightened reserve diversification caution globally. More broadly, ballooning national debt alongside persistent fiscal deficits erodes confidence in the greenback. With no visible improvement in rapidly deteriorating US fiscal metrics and zero political resolve to address borrowing/spending imbalances, concerns over the dollar's long-term stability persist.

Though its reserve currency status faces no imminent threat, these structural vulnerabilities underpin gold's strategic value.

(3)Gold's Divergent Dynamics

Gold typically exhibits inverse correlations with the dollar and rates. Rising yields enhance the attractiveness of yield-bearing instruments over non-interest-bearing bullion - a dynamic that pressured gold in recent sessions. Despite sustained dollar buying this week nearing two-week highs, gold's advance remained unimpeded. Traders have dialed back near-term Fed cut bets amid tariff-driven inflation expectations, yet maintained robust bullish sentiment toward gold despite its zero-yield status.

➤ US Treasury Yields & Gold Dynamics

U.S. Treasury Yield Dynamics

The 10-year U.S. Treasury yield stabilized within a 4.3%-4.4% range before advancing on Friday. Key yield movements registered:

10-year yield rose 7 basis points to 4.417%;

30-year yield increased 9 basis points to 4.954%;

2-year yield climbed 2 basis points to 3.889%;

Elevated yields and dollar strength confined gold to narrow-range fluctuations.

Last week's nonfarm payrolls underscored persistent labor market strength, diminishing near-term rate cut expectations. This development drove broad-based yield increases across the maturity spectrum, further bolstering the dollar while exerting downward pressure on gold.

Gold's Conditional Resilience

The intensity of such pressure depends critically on dominant market narratives: Should trade tension-induced safe-haven demand emerge as the primary driver, its supportive effect on gold could surpass the constraining impact of rising yields, enabling prices to advance against conventional headwinds.

4) Geopolitical Tensions & Safe-Haven Demand

Resurgent geopolitical tensions in the Middle East could cap gold's downside. Israel confirmed military strikes late Sunday against Houthi targets at three Yemeni ports and a power plant. Defense Minister Yoav Gallant stated the operation responded to repeated attacks by the Iran-backed rebel group on Israeli interests. Any escalation signs would likely trigger safe-haven flows, propelling gold prices higher.

5) Tariff Turmoil Drives Gold Swings

➤ Tariff policy impacts

President Trump announced new tariffs set to take effect in August. During Tuesday's Cabinet meeting, he confirmed there would be no further extension of the August 1st effective date. On Truth Social, he declared: "Everyone must bear the cost. They have the privilege to trade in America - that's the equalizing measure."

Regarding specific tariffs, the Trump administration signaled potential 50% duties on U.S. copper imports and up to 200% tariffs on pharmaceuticals. The administration continues dispatching letters to trade partners outlining proposed reciprocal tariff rates on American imports. This has revived concerns about the economic fallout from escalating tariffs.

- This week, the **U.S. administration formalized new tariff notifications for approximately twenty nations, specifically naming Japan and South Korea among affected jurisdictions.** The White House extended its cross-scale trade pressure campaign, designating seven economies in the latest policy advisories: **the Philippines (20%), Moldova (25%), Brunei (25%), Algeria (30%), Iraq (30%), Libya (30%), and Sri Lanka (30%). Brazil faces a differential tariff imposition at 50%** - substantially exceeding the 20-30% ad valorem duties applied to counterpart economies.
- **President Trump threatened an additional 10% tariff on BRICS-affiliated nations.** The BRICS economic group (Brazil, Russia, India, China, South Africa) coordinates trade, finance, and development strategies to boost global influence through annual summits.
- **Trump imposed 50% tariffs on Brazil and separately threatened 50% duties on copper,** triggering price surges. Citing national security, he declared up to 50% copper tariffs effective August 1, stating on Truth Social: "America will rebuild a dominant copper industry." These actions coincided with Trump labeling Brazil's ongoing prosecution of ex-President Bolsonaro as politically

motivated, alongside initiating a Section 301 probe into Brazil's digital trade policies

- Tariff Warning Mechanism: President Trump indicated during Thursday's NBC News interview that **nations failing to reach trade agreements within the 90-day reciprocal tariff suspension window could face 15-20% duties.**
- **Canada Tariff Enforcement:** Effective August 1, a **35% tariff will apply to Canadian imports** via presidential proclamation. This measure, formally notified through official channels, constitutes the latest among over twenty tariff decrees issued since Monday.

Gold Market Implications: While near-term safe-haven positioning has moderately subsided, structural gold demand remains underpinned by persistent tariff policy uncertainty. **Sustained safe-haven allocations continue to provide gold fundamental price support.**

6) Physical Gold Demand

- **Gold ETF Holdings Data (June 2025)**

The World Gold Council (WGC) announced that gold ETFs recorded their largest H1 inflows in five years during 2025. "Global gold ETF holdings increased by 397.1 tonnes (\$38bn) in the first half of 2025," with total assets under management (AUM) rising to 3,615.9 tonnes by end-June - the highest since August 2022.

Notably, the **People's Bank of China (PBoC) disclosed a 70,000-ounce reserve addition, bringing cumulative purchases to 1.1 million ounces since resuming acquisitions in November 2024.**

WGC's June gold ETF holdings data revealed a monthly inflow of 75 tonnes. **Quarterly net buying reached 170 tonnes in Q2, contributing to H1's 397-tonne accumulation - the strongest first-half ETF demand since 2020.** While pandemic-era monetary stimulus drove flows then, **current catalysts center on policy uncertainty from volatile U.S. tariff actions under President Trump.** Peak inflows in February-April coincided with maximum trade policy ambiguity, with over 50% of H1 flows originating from U.S.-listed ETFs. This surge critically propelled gold's record-breaking April price rally. However, recent ETF impact has diminished: despite early June price strength, gold failed to breach previous highs and retreated to close the month with marginal gains.

- **Structural support for gold remains potent, reflecting:**

- (i) Safe-haven demand amid global trade friction and U.S. policy unpredictability;
- (ii) Institutional/Central bank recognition of gold as an inflation hedge and dollar hedge amid eroding USD credibility.

Near-term price volatility may persist due to Fed policy expectations and Treasury yield fluctuations, yet **medium-to-long-term fundamentals provide robust underpinning - cementing gold's strategic allocation value.**

III. Market Sentiment & Key Technical Levels

- Fundamentals are broadly neutral with a slight bullish bias. Despite a stronger US dollar, gold prices staged a robust rebound fueled by technical structure and safe-haven demand

IV. Outlook & Key Catalysts

- **Next Week's Focus:**

- June CPI
- Retail sales
- Initial jobless claims data
- Pre-blackout Fed commentary wave (effective July 19)
- Geopolitical risk persistence
- Tariff and trade policy
- The implementation of the Trump's Big, Beautiful Bill

Source: Wind

V. Quantitative Strategy Review

Quantitative models signal a bullish breakout from consolidation structures, indicating high probability of sustained gains with volatile ascent. Precious metals (gold, silver) maintain bullish bias for the coming week.

- **Strategy Performance:**

-Quarterly Performance

Win Rate: 46.5%

- Risk-Reward Ratio: 3:1
- Trades Executed: 20
- Annualized Return: 26%
- Maximum Drawdown: 8.9%

-Weekly Trading Summary:

- Weekly Win Rate: 60%
- P&L Change: 0.001%
- Trade Frequency: 5 trades

*Notes:

-Win rate is the number of wins divided by the total number of participations, calculated as $(\text{number of wins} / \text{total participations}) \times 100\%$. Excluding draws, it is $(\text{number of wins} / (\text{wins} + \text{losses})) \times 100\%$. 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: $(\text{peak net value} - \text{trough net value}) / \text{peak net value}$.

-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).

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