Future Gold Labs

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Weekly Gold Wrap

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I. Gold Price Recap

International precious metal futures generally closed lower this Friday (July 25). The COMEX gold (GCQ5) closed down 1.04% at $3,338.5/oz, with a cumulative weekly decline of 0.51%. COMEX silver futures closed down 2.29% at $38.325/oz, posting a 0.26% drop for the week.

Gold Prices Swing Dramatically Amid Shifting Market Forces：
Early in the week, gold broke through its prior consolidation range, attracting technical buying momentum. Concurrently, the US dollar faced downward pressure as President Trump's public rift with the Federal Reserve deepened, further amplifying gold's bullish trajectory. This surge was reinforced by Fox News reports that Republican Congresswoman Anna Paulina Luna had formally referred Fed Chair Jerome Powell to the Justice Department over allegations of perjury, while Treasury Secretary Scott Bessent demanded a comprehensive review of the Fed's "alarmist rhetoric" on tariffs absent significant inflation evidence. These developments propelled gold over 1% higher on Monday.

The rally extended into Tuesday with prices climbing another 1% to breach the $3400/oz threshold for the first time in approximately one month. However, Wednesday witnessed a sharp reversal as risk-on sentiment gripped financial markets. President Trump's announcement of a "major deal" with Japan – featuring $550 billion in Japanese investment commitments and a reduction of reciprocal US tariffs from 25% to 15% – ignited market optimism. Japan's Nikkei 225 index surged over 4% to a July 2024 high, eroding demand for gold's safe-haven attributes.

Downward pressure intensified Thursday following stronger-than-expected US economic indicators. Initial jobless claims fell to 217,000 for the week ending July 19, while S&P Global's preliminary Composite PMI rose to 54.6 from 52.9, signaling accelerated private-sector expansion. Treasury Secretary Bessent's remark that the US and China were in a "pretty good place" on trade further weighed on gold prices.

On Friday, market optimism over improving U.S.-China trade relations persisted, keeping risk sentiment buoyant and pushing gold further below $3,350/oz. The Wall Street Journal reported that the Trump administration is preparing for a new round of trade talks with China next week, focusing on reaching an economic agreement to increase U.S. market access in China, particularly in commercial and technological sectors. However, Trump's criticism of the Federal Reserve, coupled with lingering concerns over tariff and inflation uncertainties, reignited safe-haven demand for gold, providing partial support. Meanwhile, investors assessed the severity of the ongoing military conflict between Thailand and Cambodia, limiting gold's decline.

Easing global trade tensions was the key driver behind this week's pullback in gold and precious metals. U.S. President Donald Trump stated that countries offering greater access to U.S. markets could receive preferential tariff treatment, noting that the recently concluded U.S.-Japan trade deal could serve as a model for ongoing negotiations with the European Union. Under the proposed agreement, most EU goods would face a baseline tariff of 15%, significantly lower than the 30% rate that would take effect on August 1 if no deal is reached.

Market attention is also turning to next week's crucial U.S.-China trade talks. U.S. Treasury Secretary Steven Mnuchin will meet with Chinese Vice Premier He Lifeng in Stockholm from Sunday to Tuesday to discuss extending the current tariff truce, which expires on August 12. Meanwhile, markets are focused on the FOMC meeting, as well as some geopolitical conflicts and the release of more U.S. economic data.

II. Key Drivers Behind Gold’s Volatility

1) Solid U.S. Macro Data Keeps Gold Under Pressure

U.S. data showed initial jobless claims came in below expectations, pointing to a strong labor market. However, S&P Global data was mixed: its Manufacturing PMI, retreating from a 37-month high hit in June, signaled the U.S. economy was losing steam, reflecting signs of weakness. Nonetheless, S&P Global's flash data indicated U.S. private sector activity accelerated in early July, with the composite PMI rising to 54.6 from 52.9 in June, beating forecasts. Core durable goods orders (excluding transportation) in June edged up 0.2%, suggesting underlying resilience in business investment. Such relatively solid data weighed on gold prices.

- **Initial jobless claims:** The US Bureau of Labor Statistics (BLS) reported that for the week ending July 19, initial jobless claims fell to 217,000, below the expected 227,000 and down from the previous week's 221,000. While this marked the lowest level since mid-April, continuing claims remained steady at 1.96 million, near the highest level since 2021, indicating that unemployed workers still face persistent challenges in finding new jobs. The recent trend of initial claims coming in below expectations has reinforced market expectations that the Federal Reserve may keep interest rates high. This has supported US Treasury yields and the US dollar, both of which are typically negative for non-yielding assets like gold.

- **PMI**: S&P Global data revealed a mixed picture of US business activity in July. The Manufacturing PMI dropped into contraction territory, falling from a 37-month high in June to 49.5, below the expected 52.5, signaling a deterioration in factory conditions. In contrast, the Services PMI rose to 55.2, above the expected 53.0 and up from 52.9 in June, indicating robust growth in the services sector. S&P Global's preliminary Composite PMI rose to 54.6 from 52.9, signaling accelerated private-sector expansion in early July.
- **US Durable Goods**: Orders fell in June, primarily driven by a sharp drop in aircraft demand. Headline orders declined 9.6%MoM, following a 16.5% surge in May. While the decline was significant, it was smaller than the -10.8% contraction forecast by market analysts. Transportation equipment led the decline, plummeting 22.4% in June. However, core durable goods orders excluding transportation rose 0.2%, indicating certain underlying resilience in business investment.

2) Monetary Policy & Gold Market Impact

The Federal Open Market Committee (FOMC) will hold its interest rate meeting from July 30 to 31. The Federal Reserve entered a "quiet period" this week. However, Fed officials have not made any significant statements on the U.S. economy or the future direction of interest rates.

- **The Challenge to Federal Reserve Independence**

Market focus is still on the Federal Reserve. Despite repeated calls for interest rate cuts by Trump, the market generally expects the Fed to keep rates unchanged. In fact, Trump has launched personal attacks on Jerome Powell over his insistence on maintaining rates and has repeatedly called for the Fed Chair to resign.

Fed Governor Christopher Waller and Trump-appointed Vice Chair for Supervision Michelle Bowman have advocated for an immediate rate cut at the next policy meeting on July 30. **This has weighed on the U.S. dollar and offered some support to non-yielding gold.**

Federal Reserve Chair Jerome Powell has hinted that the Fed may not cut rates in the short term due to uncertainty about the impact of Trump's tariff policies on inflation. But this stance is contrary to that of Trump and his allies, who have repeatedly called for Powell's removal in recent months. On Thursday, Trump visited the Federal Reserve to inspect an ongoing renovation project, which was suggested as a potential means to dismiss Powell, continuing to challenge the independence of the Federal Reserve.

- **Fed funds futures rate cut expectations:**

Interest rate probability indicates that the Federal Reserve will maintain its current rates, with a 96% probability of keeping rates unchanged at the July 30 meeting and a 4% probability of a 25-basis-point rate cut.

- **CME FedWatch data:**

According to the CME FedWatch Tool, the market currently prices in a 62.3% probability of a 25-basis-point rate cut in September, with a 36.1% probability of keeping rates unchanged. While there remains an expectation of at least one rate cut this year, recent comments from the Federal Reserve have indicated a growing sense of caution.

According to the CME FedWatch Tool, the Federal Reserve is certain to keep interest rates within the current range of 4.25%-4.50%. A scenario where the Fed maintains interest rates at a relatively high level is unfavorable for non-yielding assets such as gold.

- **Impact on gold prices:**

Minutes of the June Federal Open Market Committee (FOMC) meeting revealed that most officials were hesitant to ease monetary policy, citing inflation risks stemming from rising import costs, particularly amid unresolved trade disputes.

This makes the outcomes of the ongoing U.S.-EU and U.S.-China trade negotiations particularly crucial. A failure to reach new agreements could reintroduce tariff-related price pressures and complicate the Federal Reserve's policy path. In such a scenario, investors may turn back to gold to hedge against heightened market volatility and inflation risks.

3) Yields, USD & Gold Dynamics

- **Dollar Index Behavior**

The US Dollar Index (DXY), which tracks the performance of the US dollar against a basket of six major currencies, rose 0.27% to close at 97.642 in late trading. Sustained buying momentum drove the dollar higher — **a stronger dollar tends to dampen demand for dollar-denominated commodities, which is negative for gold prices.**

- **US Treasury Yields & Gold Dynamics**

Treasury yields fell significantly (the 10-year yield dropped 0.99 basis points to 4.388%). U.S. real yields (calculated as nominal rates minus inflation expectations) declined to approximately 1.9%.
As a non-yielding asset, gold's appeal is negatively correlated with the opportunity cost of holding Treasuries: **when Treasury yields—especially real yields—fall, the relative opportunity cost of holding gold decreases. This can enhance gold's attractiveness to investors, thereby supporting its price.**

4) Geopolitical Tensions & Safe-Haven Demand

The US Dollar attempted a modest rebound as escalating tensions between Thailand and Cambodia triggered cautious market sentiment. According to China Central Television News, the two Asian countries have requested an emergency meeting of the UN Security Council on Friday. The neighboring nations are embroiled in a fierce dispute over the "Emerald Triangle" region, which lies at the border junction of the two countries and Laos and is home to several ancient temples.

Investors are concerned that the conflict between the two countries could escalate into a broader regional conflict. **Safe-haven capital flows have revived demand for the US Dollar and gold as safe-haven assets, driving the Dollar's rebound while limiting gold's downside.**

5) Tariff Turmoil Drives Gold Swings

- **Impact of trade tariff policies:**

Trade optimism has weighed on gold and other precious metals. Prices of gold and other precious metals have come under pressure from improved risk appetite, a trend that began largely with the U.S.-Japan trade deal reached earlier this week. Japanese exports will face a 15% U.S. tariff, lower than the 25% initially threatened by Trump. This deal has fueled hopes that Washington will strike more trade agreements before Trump's August 1 deadline for imposing higher tariffs on a number of major economies, with both the European Union and India seen as close to signing deals. **The cooling of market safe-haven sentiment is negative for gold.**

- **Progress in trade negotiations:**

-The United States has reached trade agreements with Japan, Indonesia, and the Philippines, and made progress in trade negotiations with the European Union (EU). This has eased market concerns about a potential resumption of a tariff war before the August 1 deadline. **Affected by this, as the market expects the US and EU to reach a deal by the August 1 tariff deadline, global trade fears have subsided, leaving precious metals under heavy selling pressure.**

-Minutes of the US-Japan agreement show that the US will impose a 15% baseline tariff and auto tariff on goods imported from Japan; meanwhile, the 25% import tax the US levies on all foreign automobiles is separate from the baseline tariff rate.

-Despite the recent US-Japan agreement, fears remain that no deals will be reached with the EU, Canada, and Mexico – a scenario that could push up prices as tariffs exceed the 30% threshold.

-Earlier, a Financial Times article revealed that after Trump sent a letter threatening 30% tariffs, the EU might agree to reciprocal tariffs (set to take effect on August 1); however, the White House denied rumors of progress in EU-US trade talks, dismissing them as speculation. Nevertheless, another Financial Times report on Wednesday indicated that EU officials have signaled willingness to agree to a trade deal with the US to avoid a damaging trade war.Market experts believe that the US-Japan agreement confirmed on Tuesday heightened concerns among EU officials – they worry about losing share in the US auto export market, as the US has cut tariffs on Japanese auto imports to 15%.

-Currently, the EU is still pushing for key concessions: it is reported to be advocating for a 15% baseline tariff; at the same time, it is seeking clearer details on how tariffs will be applied to specific industries (such as pharmaceuticals, automobiles, and semiconductors) – sectors deemed critical to the EU economy. The EU is seeking assurances that these industries will not face disproportionate penalties under any new US tariff system.

-On Wednesday, US President Donald Trump commented on tariffs and trade at an AI summit: he reiterated that countries will face "uniform tariffs ranging from 15% to 50%", while stating that negotiations with the EU are "serious"; market risk appetite improved when Trump announced, "If they agree to open their markets to US businesses, then we will allow them to pay lower tariffs".

-Additionally, The Wall Street Journal reported that the Trump administration is preparing to hold a new round of trade talks with China next week, focusing on reaching an economic agreement to increase US access to the Chinese market, particularly in commercial and tech sectors.
Market attention is also turning to next week's crucial US-China trade talks. US Treasury Secretary Scott

Bessent will meet Chinese Vice Premier He Lifeng in Stockholm from Sunday to Tuesday to discuss extending the current tariff truce, which is set to expire on August 12.
Under the current agreement, the total tariff rate imposed by the US on Chinese imports is 55%, while China levies a 10% tariff on US imports. The 55% tariff rate consists of a 10% baseline tariff, a 20% "fentanyl" tariff, and a 25% Section 301 tariff. The upcoming Stockholm meetings will focus on potentially extending the truce and addressing other economic issues.
If the negotiations collapse, the total tariff rate imposed by the US on Chinese imports will revert to 145%, and China's tariff rate on imports from the U.S. will revert to 125%. This scenario could trigger a sharp deterioration in risk sentiment and reignite safe-haven demand for gold.
Meanwhile, Chinese Minister of Commerce Wang Wentao expressed support for improving trade relations with the US, noting that restoring long-term economic stability is in the mutual interest of both parties. His remarks eased market concerns earlier this week, reinforcing the broader risk-on environment.

➢ **Gold Market Implications:**

As the August 1 tariff deadline approaches, the imposition of additional tariffs on U.S. imports could further bolster demand for safe-haven assets, including gold. Conversely, eased trade tensions and improved risk sentiment may weigh on the price movement of spot gold.

6) Physical Gold Demand

Based on the first-half 2025 data released by the China Gold Association, combined with supply and demand dynamics, market sentiment, and the macroeconomic backdrop, the following is an analysis of key factors influencing gold prices and an outlook on future trends:

➢ **The support for gold prices is mainly driven by the supply and demand structure**

-China's gold output in the first half of 2025 saw a slight decrease of 0.31% (domestic raw material gold production). After adding imported raw materials, the overall supply remained basically flat, with no significant growth on the supply side, forming a tight balance to support gold prices.
-Although demand dropped by 3.54%YoY, the structural differentiation was obvious: demand for gold bars and coins surged by 23.69% (reaching 264 tons), and gold ETFs increased their positions by 173.73%, showing strong investment demand. This growth almost offset the 26% decline in jewelry demand (dropping to 200 tons), and the demand for gold bars and coins has exceeded that for jewelry, becoming the core force supporting gold prices.

➢ **Investment demand dominates price trends, while jewelry demand plays a stabilizing role**

-Carsten Fritsch, a commodities analyst at Commerzbank, pointed out that investment demand (gold bars and coins) has a more significant impact on prices: its growth benefits from the uncertainty caused by Trump's tariff policies, highlighting gold's attribute as a safe-haven asset and a store of value, which directly supports gold prices.
-Jewelry demand has declined due to the suppression of record-high gold prices, but it has a counter-cyclical effect, playing a role in stabilizing prices with limited suppression on gold prices.

➢ **Market activity, prices, and reserves strengthen support**

-The trading volume of gold on the Shanghai Gold Exchange and Shanghai Futures Exchange increased by 12.7% and 88.39% year-on-year respectively, with transaction volume rising by over 56% and 149%. This indicates extremely high market participation and abundant liquidity, which drive up prices.

-International gold prices rose by 24.31% in the first half of the year (London spot gold reached $3,287/oz), and domestic gold prices rose synchronously by 24.5% (Au9999 reached 764 yuan per gram). China increased its gold holdings by 18.97 tons (reserves reached 2,298.55 tons), clearly supporting the long-term trend of gold prices.

➢ **In summary, gold prices have clear support**:

-A tight balance in supply lays the foundation; robust growth in investment demand (gold bars, gold coins, and ETFs) serves as the core driver, offsetting the decline in jewelry demand; rising market activity, synchronized gains in domestic and international gold prices, and increased reserves together reinforce short-term support and a clear long-term positive trend.

III. Outlook & Key Catalysts

➢ **Next Week's Focus:**

-The Federal Reserve's next monetary policy decision will be announced on July 29-30.

-Investors are focusing on data such as the Fed's decision, U.S. Q2 GDP, core PCE, nonfarm payrolls, and trade policies.

IV. Quantitative Strategy Review

Quant Team's Input:

➢ **Summary and Outlook**

Weekly Summary:

- Gold rallied then pulled back, with an initial top structure emerging;
- Safe-haven flows and policy dynamics intertwined, prompting longs to take profits at highs;
- Technicals turned weak, but medium-to-long-term trends remain supported.

➢ **Technical Structure Analysis | Rally Fades, Shifting to Range Trading**

Daily Chart:

- Inverted V pattern formed, MACD bearish crossover at highs, RSI pulled back to 55–58;
- MA5/MA10 bearish crossover, approaching MA20 support with downside breakout risk.

4-Hour Chart:

- Two failed attempts to breach 3430 formed a top; pullback with expanded volume, bears in control.

1-Hour Chart:

- Clear "triple top" structure (3400/3430/3439) confirmed;
- RSI rebound constrained, support at 3330–3325; a break below will intensify selling pressure.

Key Levels:

- Support: 3330 / 3325 / 3310
- Resistance: 3375 / 3400 / 3439
- A close below 3310 will shift from a strong trend to a neutral range-bound pattern.

➢ **Comprehensive Judgment:**

Gold is in a broad range of 3310 – 3439 in the short term, driven by both FOMC and nonfarm data. Operationally, focus on event-driven factors and avoid chasing trends. Monitor the stability of support at 3310 – 3325 below; refrain from aggressive bullish positions before breaking above 3439. On the daily chart, gold fell further on Thursday and closed below the 23.6% Fibonacci retracement level of $3,377 from the rebound off April's all-time high – this level, once a key support, has now turned into strong resistance. However, the 14-day Relative Strength Index (RSI) remains above the midline, currently around 52, indicating lingering hope for buyers.

For longs to regain dominance, a reclaim of the $3,377 Fib level is needed. A valid break above the static resistance at $3,440 could trigger a sustained uptrend, with the next target at the June 16 high of $3,453.

If selling pressure intensifies, gold may test the $3,340 area, where the 21-day and 50-day moving averages converge as support. Further down, the next key support is around $3,297, the 38.2% Fibonacci retracement of the current rally.

➢ **Quantitative Model Data:**

Model Strategy Performance:
Quarterly performance: 46.5% win rate
Risk-reward ratio: 3:1
Number of trades: 20
Annualized return: 26%
Maximum drawdown: 8.9%
Weekly Trading Overview:
Weekly win rate: 50%
Equity change: -0.001%
Trading frequency: 15 times

*Notes:

-Win rate is the number of wins divided by the total number of participations, calculated as (number of wins / total participations) × 100%. Excluding draws, it is (number of wins / (wins + losses)) × 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).

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