Future Gold Labs

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Weekly Gold Wrap

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I. Gold Price Recap

Early Saturday Beijing time (Friday, August 15, New York time), COMEX gold futures edged down 0.03% to $3,381.7 per ounce, bringing the weekly loss to 2.16%. COMEX silver futures dipped 0.13% to $38.01 per ounce, falling 1.35% for the week.

Gold fell this week as reports emerged that the White House was reluctant to impose tariffs on metal imports. Donald Trump personally announced that no additional tariffs would be imposed on gold, removing a key driver for gold and triggering a correction. However, a weaker dollar amid accelerating inflation limited the decline, providing some momentum to gold, as did falling U.S. Treasury yields.

Reviewing the weekly performance:

- On Monday, optimistic expectations of a U.S.-Russia summit potentially de-escalating the Russia-Ukraine standoff and a pause in U.S.-China tariffs dampened safe-haven sentiment, sending gold lower.
- Tuesday saw gold consolidate at relatively low levels after July U.S. CPI data bolstered expectations for a Fed rate cut before year-end.
- Wednesday brought calm, with gold trading sideways in a tight range amid a lack of key data.
- Thursday saw July U.S. PPI surpass expectations, stoking inflation concerns; markets reassessed Fed policy, U.S. Treasury yields rebounded, and gold's weekly loss widened.
- Friday saw mixed U.S. retail sales, industrial production, and consumer confidence data, leaving gold oscillating at relatively low levels.

II. Key Drivers Behind Gold's Volatility

1) Mixed U.S. macroeconomic data triggers gold price volatility

(1) Producer Price Index (PPI) and Core PPI

July's overall PPI rose to 3.3% YoY from 2.4% (vs. 2.5% expected), with a sharp 0.9% MoM surge (vs. 0.2% expected) - the largest gain since June 2022. Core PPI (excluding food and energy) climbed 0.9% MoM and 3.7% YoY, both far exceeding expectations, potentially linked to tariff impacts. Elevated inflation pressures reduced expectations for aggressive Fed rate cuts, raised the opportunity cost of holding gold, and pressured prices in the short term.

(2) Retail Sales

July's total sales rose 0.5% MoM (in line with expectations) but lagged June's upwardly revised 0.9%. YoY growth slowed, while core retail sales control group gained 0.5% MoM (below 0.8% expected), signaling softening consumer demand. Weak demand stoked economic concerns, partially offsetting inflation-driven pressure on gold and offering modest support.

(3) Manufacturing and Industrial Output

August's New York State manufacturing index rose to 11.9 (above expectations), but July industrial output dipped 0.1% MoM (vs. flat expected), a notable slowdown from June's growth. Divergent data kept market sentiment cautious, limiting gold's short-term volatility.

(4) Consumer Confidence

August's University of Michigan consumer sentiment index fell to 58.6 (vs. 62.0 expected) from 61.7 prior, indicating weakening confidence. Softened confidence boosted safe-haven demand, providing potential support to gold, though constrained by inflation and rate expectations.

- **Impact on Gold Prices:**

In summary, July-August U.S. economic data this week reflected "high inflation + weak demand + low confidence." Markets oscillated between Fed rate-cut expectations and safe-haven sentiment, driving gold into a volatile downward trend. Short-term, persistent high inflation may keep gold weak, while rising safe-haven sentiment could trigger rebounds.

2) Monetary Policy & Gold Market Impact

(1) Trump's Intervention in the Fed and Data System:

- **Criticized Fed Chair Powell, challenging the Fed's independence.**

Trump stated on Truth Social that he is considering allowing a major lawsuit against Powell, citing Powell's "extremely poor and incompetent management of the Fed building construction." The remarks heightened market concerns about political interference in central banks, highlighting doubts over the Fed's independence.

- **Intervened in BLS personnel and data releases.**

Trump fired BLS head Erica McEntaffer after the release of July's weak jobs report, nominating Heritage Foundation chief economist Anthony to lead the agency. Anthony criticized the BLS's data collection methods, proposing to suspend monthly jobs reports and switch to quarterly releases, which could undermine the timeliness of employment data and market judgments on the economy.

For gold, such moves increase market political and policy uncertainty, boost safe-haven demand, and support gold prices.

(2) Fed and other officials' stances on monetary policy:

- **Alberto Musalem (St. Louis Fed President):** Expects most of tariffs' inflationary impact to fade in 6-9 months (or longer), with effects already transmitting to inflation; emphasized labor market risks, with slightly reduced concerns over inflation risks; current economic conditions and data don't support a 50-basis-point rate cut.
- **Scott Bessent (U.S. Treasury Secretary):** Advocated for 150-175 basis points of Fed rate cuts, urging a 50-basis-point cut in September citing cooling inflation and weaker revised jobs data.
- **Austin Goolsbee (Fed official):** The upcoming Fed meeting is a "critical juncture" for policy

decisions; views tariffs as a "stagflationary shock," rejecting the notion they only bring one-off price impacts; service inflation in the latest CPI was "poor," but the labor market remains "quite robust," with slowing job growth possibly linked to declining population growth rather than weak demand; needs months of favorable inflation data to justify rate cuts.

- **Raphael Bostic (Fed official):** Believes the labor market is strong, giving the central bank the "luxury to wait" before adjusting policy, and reiterated that one rate cut in 2025 is appropriate.

(3) Market Watch

- **Prime Market Terminal Data**

Fed rate probability data shows traders have priced in a 95% chance of a 25-basis-point cut at the September meeting.

- **CME FedWatch Data**

Markets expect two 25-basis-point Fed cuts by year-end, benefiting non-yielding gold.

(4) Impact on Gold Prices

- Trump's criticism of the Fed Chair and interference in the Bureau of Labor Statistics' personnel and data release practices challenge the Fed's independence, undermine data timeliness, heighten market uncertainty, and boost safe-haven demand, thereby supporting gold prices.
- Fed policymakers continue to balance their dual mandate of price stability and full employment. Recent economic data have raised more concerns about employment, with hiring momentum slowing sharply over the past three months. Meanwhile, core inflation remains above the Fed's 2% target. Given these factors, most Fed officials remain cautious about rate cuts, curbing expectations of aggressive easing and pressuring gold; meanwhile, the Treasury Secretary's advocacy for substantial rate cuts provides short-term support to gold.
- Fed Chair Jerome Powell is scheduled to speak at the Jackson Hole Economic Policy Symposium on August 22, with investors focusing on his views on the economic outlook and potential policy adjustments to gauge the pace and magnitude of future rate changes amid persistent inflation and shifting market expectations. Gold oscillates amid policy divergences, with future direction hinging on Powell's remarks. A dovish tilt could trigger a rebound, while caution may extend weakness.

3) Yields, USD & Gold Dynamics

(1) Dollar Index Behavior

On Friday, the US Dollar Index (DXY), which tracks the greenback against a basket of currencies, fell 0.41% to 97.85. It dropped for the second straight week, with a cumulative 0.3% decline this week following a 1% fall last week. **The dollar's pullback provided partial support to gold prices.**

(2) US Treasury Yields & Gold Dynamics

The 10-year US Treasury yield rose 3 basis points to close at 4.328%, exerting partial pressure on gold prices. If inflation fears truly spread, the 10-year yield may continue to face upward pressure. **Real interest rates remain relatively high, weighing on gold prices.**

4) Geopolitical Tensions & Safe-Haven Demand

In the first half of the week, markets were optimistic as they anticipated that the U.S.-Russia summit could push for a ceasefire in Ukraine. Global markets performed well; although geopolitical risks were a focus, there was no significant safe-haven buying, with traders keeping a wary eye on developments.

The summit ultimately yielded no substantive results, with both sides only vaguely committing to having made "progress," and Trump set to deliver Russia's peace proposal to Ukraine and the EU.

For gold, pre-summit optimism suppressed safe-haven demand. Post-summit, the lack of substantive outcomes coupled with no deterioration in the situation left gold oscillating with limited support.

5) Tariff Turmoil Drives Gold Swings

(1) Analysis of WTO's Impact on U.S. Tariff and Trade Policies

The WTO raised its 2025 global merchandise trade growth forecast to 0.9%, which remains below the level before tariff hikes, mainly due to advance U.S. imports. The U.S. imposed differentiated "reciprocal tariffs" of 10%-50% on 69 trading partners, pushing global tariffs to their highest level since 1934. This has undermined multilateral trade rules, impacted countries like Switzerland, Brazil, and India, and triggered countermeasures from many nations through the WTO. The U.S. also seeks to build a new trade order, reaching unilateral agreements with some countries that are controversial and face multiple lawsuits. The 90-day suspension of U.S.-China tariff measures has eased concerns about a full-scale trade war between the world's two largest economies. The struggle between unilateralism and multilateralism is likely to persist long-term.

(2) Impact on Gold Prices

Trade uncertainties and geopolitical risks caused by U.S. tariff policies have provided safe-haven support for gold. However, recent reduced uncertainty has weakened this support.

6) Perspective on Gold Data and Market Analysis from Authoritative Institutions

World Gold Council Releases - China's Gold Market in July

China's gold market in July: Prices rose steadily, with RMB-denominated gold up over 22% year-to-date; demand diverged, with wholesale showing a tepid recovery, ETFs seeing monthly outflows but annual net inflows hitting a new high; the central bank continued to increase holdings, while first-half imports plummeted year-on-year.

(1) Price Performance

Gold prices were generally stable in July. The LBMA gold price in USD edged up 0.3% MoM, while the Shanghai gold benchmark price in RMB rose 0.5%MoM (mainly due to RMB weakening against the USD). Year-to-date, RMB-denominated gold has gained over 22%, outperforming most local assets.

(2) Market Trading and Demand

Wholesale demand: The Shanghai Gold Exchange (SGE) saw 93 tons of gold withdrawn in July, up 3 tons month-on-month and 4 tons year-on-year, showing a seasonal recovery (driven by improved Q3 jewelry demand and increased physical investor holdings). However, it remained far below the 10-year average, reflecting weak demand – particularly in the jewelry sector, where consumption declined due to high gold prices, dragging down merchant restocking.

Gold ETFs: Outflows of RMB 2.4 billion in July slightly reduced total AUM by 1% to RMB 151 billion, with holdings dropping 3 tons to 197 tons (due to better-than-expected Q2 GDP, a stronger stock market lifting risk appetite, and cooled rate cut expectations). However, year-to-date net inflows reached RMB 61 billion, a record high.

Futures trading: The Shanghai Futures Exchange (SHFE) gold futures averaged 242 tons daily, down 18% month-on-month but above the five-year average (216 tons/day), as narrowed price volatility dampened trading enthusiasm.

(3) Official Reserves and Imports

Central bank purchases: The People's Bank of China extended its buying streak to 9 months, adding 2 tons in July to bring total reserves to 2,300 tons, accounting for 6.8% of foreign exchange reserves; cumulative purchases this year reached 21 tons.

Import data: June imports plunged 45% to 50 tons, dragging Q2 imports to 250 tons (18% lower than the same period in 2024); first-half imports totaled 323 tons, a 62% year-on-year collapse (the lowest H1 figure since 2021), mainly due to weak wholesale demand.

(4) Future Outlook

Wholesale demand: Expected to improve seasonally (especially in jewelry), but high gold prices may limit trading volumes.

Investment demand: Demand for gold bars and coins will depend on price trends and risk appetite; the recent stock market rally may divert funds.

III. Outlook & Key Catalysts

➢ **Next Week's Focus:**

-Investors are focusing on: initial/continuing jobless claims, existing home sales, U.S. housing starts/building permits; speeches by Fed's Bowman & Waller; CFTC positions; tariff and trade policies, geopolitics, etc.

IV. Quantitative Strategy Review

Quant Team's Input：

1) Technical Structure Analysis of COMEX Gold

Range intact

1. Daily chart: 3330－3500 range, intertwined moving averages, MACD dulled near zero axis, RSI at 50－55. CPI formed a positive candle, PPI a negative one, with a small negative candle on Friday pulling price back to the range's midpoint.

2. 4-hour chart: Failed to hold after rallying to 3500, pulled back to the midpoint; 3330－3350 acts as support at the range's lower edge.

3. 1-hour chart: Under moving average pressure, rebound highs trending lower, with frequent battles around 3400.

Strategy Section

- Range bottom buying: Light long positions on stabilization at 3330－3350, targeting 3400－3450, stop-loss below 3300.
- Range top shorting: Short on resistance at 3450－3480, targeting 3330－3350, stop-loss above 3500.
- Trend following: Chase longs to 3450－3460 on a volume-driven break above 3400－3410; short to 3250 on a volume-driven break below 3310.
- Position management: Single-trade risk ⩽ 0.5%－1% of net worth; avoid full positions ahead of key data releases.

2) Quantitative Model Data

Quarterly performance:

Win rate: 46.5%

Profit-loss ratio: 3:1

Number of trades: 20

Annualized return: 26%

Maximum drawdown: 8.9%

Weekly Trading Overview:

Micro gold hedging operations conducted this week:

Weekly win rate: 76%

Equity change: +7.9%

Trading frequency: 72 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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