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Weekly Gold Wrap

2025/8/31

I. Gold Price Recap

As of Friday (New York time, August 29) / early morning Beijing time on August 30, COMEX gold futures rose 1.2% to $3,516.1/oz, gaining 2.86% on the week and 5.2% in August. COMEX silver futures climbed 2.64% to $40.75/oz, up over 4% weekly and 10.76% monthly. Gold demand rebounded as traders bet on Fed easing, with expectations of Fed loosening, ongoing geopolitical and economic uncertainties, and concerns over Fed independence boosting its appeal. Short-term pullbacks may be seen by some investors as buying opportunities.

Weekly performance review:

- Monday: Gold failed to extend last week's gains amid a stronger dollar.
- Tuesday: Trump's attempt to fire Fed Governor Lisa Cook (who sued to block the move, citing illegality under the Federal Reserve Act) stoked concerns over Fed independence, supporting gold. Additionally, Trump's threat to impose up to 200% tariffs on China unless it supplies rare earth magnets drove safe-haven flows into gold.
- Wednesday: Gold traded sideways.
- Thursday: A massive Russian airstrike on Ukraine (killing 23, including 4 children, and damaging EU facilities) dented peace talk hopes, lifting gold. However, better-than-expected U.S. Q2 GDP limited gold's upside the next morning.
- Friday: Gold reversed losses to hit a new high (highest since June 16) after the U.S. PCE inflation report largely met expectations. A weaker dollar and persistent bets on September Fed easing further buoyed gold.

II. Key Drivers Behind Gold's Volatility

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

U.S. Key Economic Indicators This Week & Their Impact on Gold Prices:

(1) July PCE:

Core PCE price index rose 0.3% MoM and 2.9% YoY; headline PCE was up 0.2% MoM and steady at 2.6% YoY.

(2) Q2 GDP:

BEA revised up annualized GDP growth to 3.3% (vs. initial 3.0% and expected 3.1%).

(3) July Pending Home Sales:

Fell 0.4% (worse than expected 0.1% drop), though improving from June's 0.8% decline, reflecting a weak housing market amid high borrowing costs.

(4) Initial Jobless Claims:

Fell to 229k in the week ending August 23 (vs. revised prior 234k and expected 230k).

(5) Michigan Consumer Sentiment:

August final reading dropped to 58.2 (vs. preliminary 58.6 and July's 61.7), signaling heightened consumer worries about the economic outlook.

- **Impact on Gold Prices**:

Rising core PCE highlighted inflationary pressures, while weak housing data and falling consumer sentiment stoked safe-haven demand. Combined, inflation boosted gold's appeal as a hedge, and economic structural concerns supported prices.

2) Monetary Policy & Gold Market Impact

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

- Trump challenged Fed independence via personnel and policy pressure. While Cook sued to block her dismissal, the White House prepared replacements—Trump noted Treasury Secretary Scott Bessent oversaw Fed Chair selection, and reports suggested Stephen Milun (nominated to replace Adriana Kugler) may shift to Cook's seat for a longer term. His Senate hearing to replace Kugler is expected next week.
- VP Vance argued the administration would not allow monetary policy to be set without input from elected officials.

For gold, fears over Fed independence weakened dollar bulls, supporting gold.

(2) Fed Officials'stances on Monetary Policy

- **Jerome Powell (Fed Chair)**: signaled a possible September rate cut at Jackson Hole, citing rising downside risks to the labor market and potential policy adjustments amid balanced inflation and employment risks.
- **Richmond Fed's Tom Barkin**: expected “modest adjustments” given steady growth.
- **Dallas Fed's Lorie Logan**: urged better communication on policy outlook.
- **SF Fed's Mary Daly:** suggested that policymakers would soon be ready to cut interest rates, and stated that inflation triggered by tariffs might be temporary. In a short social media post on August 29, she wrote: "The time will soon come to recalibrate policies to better match the economy."
- **NY Fed's John Williams:** said rates may fall but depended on upcoming data.
- **Fed Governor Christopher Waller**: backed a 25bp September cut, with 125-150bps cumulative cuts over 3-6 months (dismissing 50bp odds unless August jobs data shows sharp weakness).

(3) Market Watch Data

- **CME FedWatch:**

CME FedWatch Tool showed 85% probability of a 25bp September cut.

(4) Impact on Gold Prices

- Trump's intervention in Fed personnel has triggered a crisis of its independence; markets worry that the foundation of the dollar's credibility is damaged, prompting capital to flow into gold as a safe haven and boosting gold's investment appeal.
- Most Fed officials have signaled interest rate cuts, which lowers the opportunity cost of holding gold and enhances gold's advantages in inflation hedging and asset allocation, jointly driving up gold prices.

3) Yields, USD & Gold Dynamics

(1) Dollar Index Behavior

On Friday, the U.S. Dollar Index (DXY), which tracks the greenback against a basket of currencies, fell 0.04% to close at 97.771 in late forex trading. The dollar was under pressure as markets maintained bets on a dovish Fed.

(2) US Treasury Yields & Gold Dynamics

In late New York trading on Friday (August 29), the 10-year U.S. Treasury note yield rose 2.51 basis points to 4.2284%, having fallen 14.56 basis points cumulatively in August after dropping sharply from the monthly high of 4.4060% on August 1.

Additionally, the 2-year U.S. Treasury note yield fell 1.23 basis points to 3.6167% in late Friday trading. It declined 34.04 basis points in August overall, plunging from the monthly peak of 3.9571% on August 1 and hitting 3.6024% on August 29, showing an overall "L-shaped" long-tail decline.

- **Impact on Gold**

On Friday, the 2-year U.S. Treasury yield fell while the 10-year yield edged up. Both have trended downward throughout August, which lowered the opportunity cost of holding gold. Meanwhile, rising market expectations for Fed rate cuts pushed gold prices higher.

Real interest rates typically have a strong negative correlation with gold prices. A decline in nominal interest rates or a rise in inflation will lead to lower real interest rates, thereby providing partial support for gold.

4) Geopolitical Tensions & Safe-Haven Demand

Efforts to achieve peace between Russia and Ukraine have faltered, with geopolitical tensions continuing to escalate. Following a meeting between Russian President Putin and U.S. President Trump in Alaska, the White House stated that Putin had agreed to meet with Ukrainian President Volodymyr Zelenskyy, with preparations "underway". However, German Chancellor Merz revealed that no such meeting would apparently take place, casting a shadow over the prospect of a negotiated end to the conflict.

Hours before Merz's remarks, Russia launched a deadly missile strike on Kyiv, killing at least 23 people and damaging EU and UK diplomatic facilities—further highlighting the fragility and deterioration of the conflict. This has supported gold's safe-haven demand, boosting its price.

5) Tariff Turmoil Drives Gold Swings

(1) Tariff & Trade Policy Developments

- **U.S.-China Trade:** The U.S. publicly demanded China export rare earth magnets, threatening 200% tariffs on related products if it refuses. As the world's largest rare earth magnet supplier, China added various rare earth products and magnets to its export restriction list in April. Trump accused Beijing of monopolizing the global magnet market.

- **U.S.-EU Trade Agreement**: Bloomberg reported on August 27 that the EU plans to propose legislation this week to scrap all tariffs on U.S. industrial goods and offer preferential tariffs on some U.S. seafood and agriculture. In return, it seeks U.S. cuts to tariffs on EU auto and parts exports (from 27.5% to 15%, retroactively effective August 1 if EU legislation is done by end-August). The European Commission will skip regular "impact assessment" to speed up the process, but the European Parliament's trade committee chief Bernd Lange said the parliament may veto the proposal.
- **U.S.-Japan Trade Talks:** Japanese trade envoy Ryosei Akazawa canceled his U.S. trip this week. He had planned to visit the U.S. on Thursday to discuss financial details of Japan's $550 billion investment plan in exchange for lower U.S. tariffs on imports from Japan, which is the world's fourth-largest economy.

(2) Impact on Gold Prices

This week, markets focused more on Fed independence and upcoming labor market data. While attention on trade policy dynamics eased, lingering trade frictions and uncertainties still enhanced gold's safe-haven appeal, supporting its price.

6) Gold Market Observation

(1) Wall Street's Bullish Sentiment on Gold Rises

Bullish sentiment on gold has grown amid bets on monetary policy easing.

- **Ian Samson, Multi-Asset Portfolio Manager at Fidelity International**: "Despite gold's sharp gains in recent years, gold bull markets typically last for years. With the U.S. likely facing stagflation soon, investors have no reason to cut positions." He added: "Falling rates, high inflation, and weak growth together boost gold. This combination may also weaken the dollar—gold's main rival as a safe-haven and store of value. Unprecedented tariff policy uncertainties and changes still linger, and gold's status as the ultimate 'safe haven' lets it cope with any potential shocks."
- **Goldman Sachs Analysts**: Gold prices behave more like high-end Manhattan real estate, driven by ownership transfers rather than traditional supply-demand. They forecast gold to rise to $3,700/oz by end-2025 and $4,000/oz by mid-2026.
- **JPMorgan**: It expects global central bank gold purchases to reach ~850 tons in 2025, with gold breaking $4,000/oz "sooner than expected." The bank noted the shift from a U.S.-dominated global order to multipolarity and accelerated dollar reserve diversification. Amid rising political and trade uncertainties, central banks' demand for gold diversification will be a key driver of price gains.

III. Outlook & Key Catalysts

- **Next Week's Focus:**

Next week, focus will be on U.S. labor data (non-farm payrolls, unemployment rate) – which directly impact the Fed's September rate cut decision – as well as ISM manufacturing/services surveys. Investors will also track geopolitical shocks, Fed officials' comments, Fed independence concerns, and U.S. tariff talks with other nations.

Release Date	Country/ Region	Event	Importance		Release Date	Country/ Region	Event	Importance
2025/9/2	U.S.	U.S.: ISM: PMI: Prices: Seasonally Adjusted	High		2025/9/3	U.S.	U.S.: Import Value: Seasonally Adjusted	High
2025/9/2	U.S.	U.S.: ISM: PMI: Inventories (Own): Seasonally Adjusted	High		2025/9/3	U.S.	U.S.: Export Value: Seasonally Adjusted	High
2025/9/2	U.S.	U.S.: ISM: PMI: Supplier Deliveries: Seasonally Adjusted	High		2025/9/5	U.S.	U.S.: Average Hourly Earnings (Manufacturing): Seasonally Adjusted	High
2025/9/2	U.S.	U.S.: ISM: PMI: Employment: Seasonally Adjusted	High		2025/9/5	U.S.	U.S.: Nonfarm Payroll Employment Change: Monthly: Seasonally Adjusted	High
2025/9/2	U.S.	U.S.: ISM: PMI: Production: Seasonally Adjusted	High		2025/9/5	U.S.	U.S.: Average Weekly Hours (Manufacturing): Seasonally Adjusted	High
2025/9/2	U.S.	U.S.: ISM: PMI: New Orders: Seasonally Adjusted	High		2025/9/5	U.S.	U.S.: Unemployment Rate: Seasonally Adjusted	High
2025/9/2	U.S.	U.S.: Institute for Supply Management (ISM): PMI: Seasonally Adjusted	High		2025/9/5	U.S.	U.S.: Nonfarm Payroll Employment Change (Manufacturing): Seasonally Adjusted	High
2025/9/3	U.S.	U.S.: Trade Balance: Seasonally Adjusted	High		2025/9/5	U.S.	U.S.: Employment Change: Seasonally Adjusted	High

IV. Quantitative Strategy Review

Quant Team's Input：

1) Technical Structure Analysis of Gold

-Resistance: 3530

-Support: 3464

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: 67%

Equity change: -3.5%

Trading frequency: 70 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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