Future Gold Labs

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Weekly Gold Wrap

2025/10/05

I. Gold Price Recap

In the early hours of Beijing time on Oct 4 (Friday, Oct 3, New York time), international precious metal futures generally closed higher. COMEX gold futures rose 1.14% to $3,912.10/oz, with a cumulative weekly gain of 2.71%. COMEX silver futures climbed 3.45% to $47.97/oz, up 2.82% on the week.

In Tuesday midnight, the U.S. government officially shut down as Republicans failed to persuade Senate Democrats to back a short-term appropriations bill. The shutdown persists with no bipartisan agreement, and it may extend into next week. Issues like disrupted public services, delayed release of key economic data, and tightened financial regulation have become prominent, undermining national credit and federal employees' confidence. The Federal Reserve (Fed) expressed concerns over inflation and stressed caution on interest rate cuts, which may impact market policy expectations and further boost safe-haven demand for precious metals such as gold and silver.

II. Key Drivers Behind Gold's Volatility

1) Mixed U.S. Economic Indicators Trigger Gold Volatility; Shutdown-Induced Data Delays Benefit Gold

U.S. economic data was mixed this week. Additionally, due to the government shutdown, Thursday's initial jobless claims and Friday's nonfarm payrolls data were not released as scheduled. According to a White House memo cited by U.S. political news outlet Politico, each week of the shutdown could cost the U.S. economy approximately $15 billion in GDP; a one-month deadlock may lead to 43,000 more job losses.

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

(1) ISM Services PMI

The U.S. ISM Services PMI came in at 50, below the 51.7 market expectation and down from the previous 52.0, indicating slowing U.S. economic growth momentum. Survey comments noted businesses expect "moderate or slow growth" ahead, while the weak employment sub-index reflected delayed hiring plans.

(2) U.S. Job Openings (Aug):

The August JOLTS report showed job openings rose from 7.21 million to 7.23 million, signaling resilience in the labor market.

(3) ADP Private Sector Employment (Sep):

September ADP data revealed a 32,000 drop in private-sector jobs, far below the expected 50,000 increase.

(4) Challenger Job Cuts (Sep):

U.S. companies announced 54,064 layoffs in September, down from 85,979 in August. Andy Challenger, Senior Vice President of Challenger, Gray & Christmas, stated, "We now face multiple challenges: a stagnant labor market, rising costs, and new technological changes."

(5) Officials' Concerns Over Shutdown's Economic Impact

The U.S. government shutdown remains a focus with no breakthrough. On Wednesday, the Senate again rejected the House-passed short-term appropriations bill, failing to meet the 60-vote threshold; the 55-45 vote result matched Tuesday's. As senators left Washington until Friday, the shutdown will last at least this week and may extend further.

U.S. Treasury Secretary Scott Bessent said on CNBC's Morning Call on Thursday, urging Congress to pass an "unconditional continuing resolution" to fund the government, and warned, "A government shutdown and GDP decline could impact GDP, economic growth, and U.S. workers."

- **Impact on Gold Prices**:

The lower-than-expected ISM Services PMI and weak ADP data reflected slowing growth and a softer labor market, boosting gold's safe-haven demand. However, the better-than-expected rise in August job openings pressured gold. Furthermore, the shutdown-induced delays in initial jobless claims and nonfarm payrolls, along with potential $15 billion weekly GDP losses and 43,000 more job losses in a one-month deadlock, heightened economic uncertainty and drove up gold's safe-haven demand, supporting prices.

2) Monetary Policy & Gold Market Impact

(1) Concerns Over Fed Independence Temporarily Eased

- **Developments in the "Lisa Cook" Incident:** On Wednesday, the U.S. Supreme Court rejected Trump's request to immediately remove Fed Governor Lisa Cook. Cook will stay in office until the full hearing in January 2025, easing market concerns over the Fed's independence. Lisa Cook, the first Black female Fed Governor, has held the post since 2022 with a strong economics academic background.
- **Impact on Gold:** The Court's ruling and Cook's continued tenure eased worries about eroded Fed independence and politicized monetary policy, somewhat curbing gold's safe-haven demand driven by policy uncertainty.

(2) Fed Officials and government officials' stances on Monetary Policy

- **Austan Goolsbee (Chicago Fed President):** Noted risks to the Fed's dual mandate (price stability and maximum employment) have balanced. He mentioned the market has priced in rate cuts, but the Fed must stick to "data dependence."
- **Lorie Logan (Dallas Fed President):** Stated inflation remains above target with an upward trend, but risks to the dual mandate are two-sided; the labor market seems balanced but is growing more slowly.
- **Stephen Miran (Fed Governor):** Maintained a dovish stance, emphasizing economic data's

importance for policy-making and the need for forward-looking Fed policies.

(3) Market Watch Data

- **CME FedWatch Tool:**

The market is nearly certain of an October Fed rate cut. The tool shows a 98.9% probability of an October cut, while the December cut probability rose from 78% to 86.5% in a day. Markets also expect two total cuts this year, with rates possibly falling to 3.50%-3.75% by year-end.

- **Prime Market Terminal Data:**

Traders expect a 25-basis-point cut at the Fed's October 29 meeting, with a 96% probability per the terminal's rate tool.

(4) Impact on Gold Prices

Eased concerns over Fed independence curbed some of gold's safe-haven demand, but strong market expectations for an October rate cut generally supported gold prices. However, short-term volatility may occur due to rate-cut expectation digestion and hawkish remarks from some Fed officials.

3) Yields, USD & Gold Dynamics

(1) Dollar Index Behavior

The U.S. Dollar Index, which tracks the greenback against six major currencies, moved lower first then rebounded this week, yet still posted its first weekly decline in three weeks. It fell for three consecutive days early in the week due to U.S. government shutdown risks and weak employment data, staged a technical rebound to briefly test the 98 level on Thursday, and finally closed at 97.72 in late New York trading on October 3. Uncertainties over the government shutdown and policy path weighed on the index, while the short-term rebound after overselling only mitigated the decline.

(2) US Treasury Yields & Gold Dynamics

From September 29 to October 3 (New York time), the U.S. 10-year Treasury yield fluctuated downward, closing at 4.1192% — a 1.35% drop from the previous week. The main driver was the partial U.S. government shutdown starting October 1, coupled with lingering employment concerns and expectations of Fed rate cuts, which kept yields in a subdued trend. However, the U.S. stock market performed strongly amid rate-cut expectations, narrowing the yield's decline slightly.

- **Impact on Gold**

This week, the U.S. Dollar Index recorded its first weekly decline in three weeks and the 10-year Treasury yield trended downward. Combined with safe-haven sentiment from the government shutdown and Fed rate-cut expectations, these factors reduced gold's holding costs (via a weaker dollar) and diminished its opportunity cost (via lower yields), jointly providing strong support to gold prices. Only the dollar's short-term rebound and the narrowed decline in yields prevented further amplification of gold's gains.

4) Geopolitical Tensions & Safe-Haven Demand

- **U.S. Aids Ukraine in Hitting Russian Energy Infrastructure, Urges NATO to Follow**

The U.S. will provide intelligence support to Ukraine to help it strike Russian energy infrastructure with long-range missiles. Trump has approved the move, and U.S. officials are urging NATO allies to take the same action.

- **Israel-Palestine Conflict**

The death toll in the Gaza Strip from the Israel-Palestine conflict has exceeded 66,000. On October 2, Israel intercepted the "Global Resilience Flotilla" and detained over 400 international volunteers. The UN stated that aid supplies only meet 10% of Gaza's local needs.

- **Russia-Ukraine Conflict**

The two sides completed a prisoner exchange involving 185 Russian soldiers, 185 Ukrainian soldiers, and 20 civilians. Ukraine's strikes on Russian domestic refineries have caused a 38% loss in their production capacity.

The above events have raised geopolitical risks, providing support to gold as a safe-haven asset.

5) Tariff Turmoil Drives Gold Swings

(1) Tariff & Trade Policy Developments

- **Pharmaceutical Tariff Policy Extended**

In global trade, Trump threatened last week to impose a 100% tariff on imported pharmaceuticals starting Wednesday, but the government confirmed the policy's extension on Wednesday evening. This gives pharmaceutical companies more time to negotiate price cuts and expand production in the U.S. Officials also aim to avoid a sharp rise in medical costs and reduce legal litigation risks. The policy mainly targets branded and patented drugs, with exemptions for companies that have built factories in the U.S. Markets generally believe its actual impact is limited.

(2) Impact on Gold Prices

The extension of the U.S. policy to impose a 100% tariff on imported pharmaceuticals, coupled with market expectations of limited actual impact, has reduced safe-haven sentiment driven by trade policy uncertainties, curbing gold's safe-haven demand to some extent.

6) Gold Market Observation

(1) Dominant Forces in the 2025 Gold Market: A Tug-of-War Between Investors and Central Banks

Since 2025, gold prices have seen a significant rally, driven primarily by "active" purchases from exchange-traded funds (ETFs) and central banks. These two forces have jointly shaped price momentum beyond traditional drivers, becoming key influencers in the current market and sparking discussions about "who will dominate the market."

- **Investors: ETFs as Key Drivers, Influence Significantly Enhanced**

-ETF inflows in 2025 have been strong, ranking among the three strongest accumulation years since the launch of such products. In U.S. dollar terms, their assets under management (AUM) are 70% higher than the 2020 level, and their impact on gold prices is far greater than in previous cycles.

-Michael Hsueh, an analyst at Deutsche Bank, noted that ETF demand's driving effect on gold prices this year is "50% stronger" than during the 2021-2024 period when investors were reducing holdings. However, two points need attention: first, Granger causality analysis shows that "gold price changes drive ETF flows, not the other way around"; second, over-reliance on ETF inflows carries risks—if inflows stall or reverse, it may weigh on gold prices.

- **Central Banks: Steady Gold Purchases as a "Cornerstone," Price-Insensitive**

-Central banks' gold purchase demand remains steady, with annual additions of 400-500 tons. Deutsche Bank describes this trend as "basically price-insensitive." Even as real gold prices have stayed high since 2021, official purchase momentum has not weakened, serving as a key "cornerstone" supporting gold prices.

-Unlike the volatility of ETFs, central bank gold purchases are more oriented toward long-term allocation with greater demand stability, providing solid downside support to the 2025 gold market.

- **Traditional Demand and Supply: Relatively Limited Market Impact**

① **Traditional Demand Side: Divergent Performance of Jewelry, Gold Bars, and Coins**

-Jewelry demand maintains historical price elasticity, usually contracting when gold prices rise and expanding when prices fall; a decline in jewelry demand does not necessarily indicate bearish market sentiment.

-Demand for gold bars and coins is generally price-insensitive, with only short-term fluctuations possible in special years due to market sentiment, having little impact on the overall market trend.

② **Supply Side: Diminished Suppressive Effect of Recycled Gold**

Recycled gold should act as a "brake" on gold price volatility—higher prices typically stimulate scrap supply and increase market circulation. However, recycled gold flows in 2025 are below expectations, with an annualized supply of 1,392 tons in the first half, below the regression trend line, significantly weakening its suppressive effect on gold price gains.

- **Key Market Logic: Treasury Yields and Fed Policy as Core Variables**

-From a market driving perspective, Treasury yields (not the U.S. dollar) are the key variable affecting gold. Notably, both the U.S. dollar and gold prices have been found to "cause changes in Treasury yields" in the Granger sense.

-Meanwhile, Fed policy remains crucial to gold's outlook. Historical patterns show that investors usually increase gold allocations when yields fall; thus, the Fed's future interest rate adjustment path will directly affect investors' gold allocation demand.

- **Conclusion: Co-Dominated by Investors and Central Banks, Focus on Three Potential Variables**

-The 2025 gold market is not dominated by a single entity but jointly driven by ETF-represented investors and central banks: the former contributes short-term price momentum, while the latter provides long-term stable support.

-Three variables deserve focus ahead: first, whether ETF inflows will persist; second, whether recycled gold supply will rebound; third, Fed policy and Treasury yield trends. These factors will jointly determine the future direction of gold prices.

III. Outlook & Key Catalysts

- **Next Week's Focus:**

- Next week, key focus:Remarks from multiple Fed officials； Developments in ending the government shutdown；Release of previously delayed data (initial jobless claims and nonfarm payrolls)；Import figures, consumer credit data, and the University of Michigan Consumer Sentiment Index,etc.

Release Date	Country/Region	Event	Importance
2025/10/7	United States	U.S.: Import Value: Seasonally Adjusted	High
2025/10/7	United States	U.S.: Export Value: Seasonally Adjusted	High
2025/10/8	United States	U.S.: Total Consumer Credit: Annual Rate: Seasonally Adjusted	High
2025/10/9	United States	U.S.: 4-Week Moving Average of Initial Jobless	High
2025/10/9	United States	U.S.: Weekly Initial Jobless Claims: Seasonally Adjusted: Preliminary	High
2025/10/10	United States	U.S.: University of Michigan Consumer Sentiment Index: Preliminary	High
To Be Determined	United States	This week's Thursday initial jobless claims data and Friday nonfarm payrolls data were not released as scheduled; it is expected that they may be released next week	High

IV. Quantitative Strategy Review

Quant Team's Input：

1) Technical Structure Analysis of Gold

New York Gold Trading & Risk Tips (Execution Layer)

After pulling back from the overbought zone, the Relative Strength Index (RSI) has also stabilized and is currently hovering just above the neutral level of around 61. This indicates that the market is in a consolidation phase following the recent rally, and it may either embark on a new round of upward movement or enter a period of sideways trading in the subsequent sessions.

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: 55%

Equity change: -3.9%

Trading frequency: 60 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).

Reference:

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