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Weekly Gold Wrap

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I. Gold Price Recap

As of Friday (New York time, Oct 31; early morning Beijing time, Nov 1), COMEX Gold Futures rose 0.06% to close at $4,013.4/oz, with a cumulative gain of 3.76% in October. COMEX Silver Futures fell 0.66% to $48.25/oz, posting a 3.6% increase for the month.

From the weekly intraday perspective, multiple factors collectively restrained gold's upside: the sustained strength of the US dollar, stable 10-year US Treasury yields, and traders' lowered expectations for interest rate cuts within the year formed core resistance to gold prices. After the Federal Reserve Chairman Jerome Powell announced the widely expected 25-basis-point rate cut on Wednesday, he explicitly downplayed the possibility of further easing in December, emphasizing that the policy path would depend entirely on subsequent economic data. This comment triggered a sharp rebound in US Treasury yields and the US dollar, further suppressing gold. Meanwhile, the positive outcomes of the high-level meeting between Chinese and US leaders effectively eased bilateral trade tensions and improved global market risk sentiment, weakening gold's safe-haven appeal. Under these combined pressures, gold showed a volatile and pressured trend this week. However, the ongoing US government shutdown and uncertainties surrounding future economic data continued to provide support for gold.

II. Key Drivers Behind Gold's Volatility

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

The US government shutdown persists, with some data still unreleased as scheduled. The US Congress remains deadlocked over the Republican-backed appropriations bill, marking the fifth week of the shutdown and sparking market concerns about the economy. Amid the shutdown, no major economic data has been released, and traders will closely monitor comments from key members of the Fed's Federal Open Market Committee (FOMC) to seek clues about the future interest rate cut path. This will influence US dollar demand and drive gold's volatility.

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

(1) US Consumer Price Index (CPI)

Against the backdrop of a data drought caused by the government shutdown, the delayed CPI report (originally scheduled for last week) showed that overall US inflation rose 0.3% month-on-month (MoM) in September, below the expected 0.4%, while year-on-year (YoY) inflation stabilized at 3.0%. Core CPI (excluding food and energy) increased 0.2% MoM and 3.0% YoY, both missing expectations. This further reinforced expectations for the Fed's subsequent easing.

(2) ADP Employment Data

Amid the prolonged government shutdown, Automatic Data Processing (ADP) announced it would begin releasing preliminary weekly employment estimates every Tuesday. The first report indicated that US private employers added an average of approximately 14,250 jobs per week over the four weeks ending October 11.

- **Impact on Gold Prices**:

The lower-than-expected September CPI strengthened expectations for Fed easing, benefiting gold. Meanwhile, stable ADP employment data curbed safe-haven demand and pressured gold prices. Combined with economic concerns from the government shutdown and clues about Fed policy, gold traded in a short-term volatile range.

2) Monetary Policy & Gold Market Impact

(1) Fed Cuts Rates by 25 Basis Points; Employment and Inflation Outlook in Focus

- On Wednesday, the Fed approved a 25-basis-point rate cut with a 10-2 vote, lowering the benchmark interest rate to 3.75%-4.00%. Among the dissenters, Fed Governor Stephen Miran advocated for a 50-basis-point cut, while Kansas City Fed President Jeffrey Schmid favored keeping rates unchanged.
- In a surprise comment at the post-meeting press conference, Powell stated that "a further rate cut in December is not a foregone conclusion," triggering a temporary pullback in gold before it gradually recovered during the Asian and European sessions on Thursday. The Fed also announced in its monetary policy statement that the Quantitative Tightening (QT) program will end on December 1.
- Powell emphasized that the Fed is closely monitoring the labor market. Despite the lack of official data, an assessment of state unemployment benefit claims suggests the job market has not deteriorated sharply. He added that available data indicates little change in the employment and inflation outlooks since the September meeting, noting that the government shutdown will weigh on economic activity but the impact should reverse once it ends.
- Some FOMC members believe the current interest rate level is at or near neutral.

(2) Market Watch Data

- **CME FedWatch Tool:**

According to the CME FedWatch Tool, market expectations for a December rate cut fell from 91% before the meeting to 64%.

- **Prime Market Terminal Data:**

Data from Prime Market Terminal showed that the probability of a December Fed rate cut declined from 85% pre-meeting to 76%.

(3) Impact on Gold Prices

While the 25-basis-point rate cut was in line with broad market expectations, Powell's comment that "a December cut is not guaranteed" significantly cooled easing expectations. Coupled with the announcement that the QT program will end on December 1, this temporarily increased the opportunity cost of holding gold, leading to a short-term pullback. However, remarks indicating that interest rates are near neutral and stable employment/inflation outlooks eased concerns about policy tightening. Supported by structural factors such as continued central bank gold purchases, gold subsequently recovered, presenting a "short-term volatility, long-term support intact" trend.

3) Yields, USD & Gold Dynamics

(1) Dollar Index Behavior

The US Dollar Index (DXY), which tracks the greenback against six major currencies, recorded a significant upward trend. Driven by Powell's hawkish-leaning comments after the rate cut and market safe-haven sentiment, the index continued to climb throughout the week, touching its highest level since early August and ultimately closing around 99.80 with a notable gain.

(2) US Treasury Yields & Gold Dynamics

The 10-year US Treasury yield fluctuated higher. The Fed's policy statement and Powell's remarks triggered a repricing of interest rate expectations, driving yields sharply upward to 4.101% at the New York close on Friday, with the overall weekly trend in an upward channel. Following Powell's press conference comments that a December rate cut is "far from certain" and that the future path remains uncertain, the 10-year Treasury yield rose above 4%, increasing the opportunity cost of holding non-interest-bearing gold.

➢ **Impact on Gold**

The significant strength of the US dollar combined with the upward trend in 10-year US Treasury yields created a double blow to gold. Along with Powell's hawkish comments cooling easing expectations, these factors collectively pressured gold prices, leading to a volatile downward trend.

4) Geopolitical Tensions & Safe-Haven Demand

➢ **Russia-Ukraine Conflict**

On Thursday, US President Donald Trump stated that he has ordered the US military to immediately resume nuclear tests. In response, Russia announced that it would follow suit if the US restarts nuclear weapons testing, raising market concerns about a further escalation of tensions. Therefore, investors should exercise caution before betting on further declines in spot gold.

Geopolitical unrest has elevated risks, providing support for gold as a safe-haven asset.

5) Tariff Turmoil Drives Gold Swings

(1) Tariff & Trade Policy Developments

➢ **U.S.-China Tariffs**

-The high-level meeting between Chinese and US heads of state yielded positive results. Hours after their meeting in South Korea, the two sides reached a one-year trade truce: the US agreed to cut tariffs on Chinese goods, while China will resume US soybean purchases and ensure rare earth exports. This upbeat news further weighed on gold prices.

-Responding to queries about the China-US economic and trade consultations in Kuala Lumpur, a spokesperson for China's Ministry of Commerce stated that following the Busan meeting of the two heads of state, the economic and trade teams achieved multiple positive outcomes in Kuala Lumpur: the US will abolish the 10% "fentanyl tariff" on Chinese goods (including those from Hong Kong and Macao), extend the suspension of the 24% reciprocal tariff for one year, and pause the 50% penetration rule for export controls (announced on September 29) and Section 301 investigations into China's maritime and other sectors for one year each; China will adjust its countermeasures accordingly, suspend relevant export control measures announced on October 9 for one year, and both sides will extend certain tariff exclusions. Additionally, the two sides reached consensus on fentanyl anti-narcotics cooperation, expanded agricultural trade and corporate case handling, confirmed the outcomes of the Madrid consultations, with the US making positive investment commitments and China agreeing to properly resolve TikTok-related issues. China looks forward to joint implementation of these results to inject certainty and stability into China-US economic and trade cooperation and the global economy.

(2) Impact on Gold Prices

.The meeting between Chinese and US leaders in South Korea and the positive outcomes of the Kuala Lumpur economic and trade consultations eased China-US trade tensions, cooled market safe-haven sentiment, reduced gold's appeal as a safe-haven asset, and led to a volatile pullback in gold prices.

6) Gold Market Observation

(1) Commerzbank: Investor Interest Drives Q3 2025 Gold Demand to All-Time High

Commerzbank Commodities Analyst Barbara Lambrecht emphasized that this phased decline has only offset October's gains and not altered gold's long-term investment logic. The latest Q3 2025 gold demand data released by the World Gold Council (WGC) further confirms global investors’ strong interest in the yellow metal, pushing overall demand to a historic high.

① Investment Demand as Core Driver, Hitting All-Time Peak

- Investment and Total Demand: WGC's Q3 data shows gold ETF inflows reached 222 tons, with purchases of gold bars and coins exceeding 300 tons. Combined with "over-the-counter (OTC) trading and other" items, total gold demand hit a record high; the WGC expects investor interest in gold to remain elevated.
- The WGC clearly stated that benefiting from the current favorable global investment environment, investor interest in gold will stay at a high level in the future.
- Regarding the potential impact of Fed policy, institutions judge that while Fed Chairman Jerome Powell's comments on a December rate cut after Wednesday's meeting triggered short-term doubts about the policy path, they will not change gold's core investment environment and demand logic in the long run.

② Central Bank Gold Purchases Remain Strong, With Both YoY and QoQ Growth

- Central Bank Gold Purchase Details: Global central banks and other official institutions purchased 220 tons of gold in Q3, up 28% quarter-on-quarter (vs. Q2) and 10% year-on-year (vs. Q3 2024) – two-thirds of these purchases were not publicly disclosed. The WGC forecasts full-year central bank gold purchases will range between 750 and 900 tons, lower than the past three years but still significantly higher than any year before 2022.

③ Jewelry Demand Suppressed by High Gold Prices, With Distinct Regional Differentiation

- Overall Trend: High gold prices continue to restrain global jewelry demand. Although Q3 jewelry demand slightly recovered from Q2, it has declined year-on-year for the sixth consecutive quarter, reflecting end consumers’ price sensitivity.

- Regional Differentiation: China's jewelry demand remained relatively stable amid high prices without a sharp drop, while the Indian market was particularly weak – Q3 jewelry demand plummeted 31% year-on-year.
- Indian Market Details: Jewelry demand stood at 118 tons, the lowest Q3 figure since 2020, making it the main drag on global jewelry demand.

III. Outlook & Key Catalysts

➢ **Next Week's Focus:**

Private supplementary data such as the US ADP Employment Report, ISM and S&P Global PMIs, New York Fed inflation expectations, and the University of Michigan Consumer Sentiment Index are worth attention, while official data including nonfarm payrolls may be delayed due to the US government shutdown.

IV. Quantitative Strategy Review

Quant Team's Input：

1) 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: 100%

Equity change: 1.02%

Trading frequency: 3 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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