Future Gold Labs

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Weekly Gold Wrap

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I. Gold Price Recap

As of Nov 7 (NY time, early Beijing Nov 8), COMEX gold futures gained 0.42% to $4,007.8/oz (0.28% weekly gain) and silver rose 0.57% to $48.225/oz, with a 0.13% weekly increase.

Throughout the weekly intraday trading, the prolonged U.S. government shutdown disrupted the release of economic data—the nonfarm payrolls report was delayed for the second consecutive time, further fueling market worries about the economic outlook. Meanwhile, the Trump administration's tariff policies faced legal challenges, as many justices of the Supreme Court sharply questioned its authority to impose tariffs under the 1977 International Emergency Economic Powers Act. The combined economic and political uncertainties stoked strong safe-haven sentiment, significantly boosting gold's appeal as a haven asset. Silver, on the other hand, received additional upside support from the recovery in global industrial demand and structural supply-demand gaps.

II. Key Drivers Behind Gold's Volatility

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

The U.S. government shutdown stretched into its 38th day, with some economic data still unreleased on schedule. Although Senate Republican Leader John Thune proposed voting on a stopgap funding bill later on Friday, aiming to extend government operations until January next year, the likelihood of reopening remained slim. Kevin Hassett, White House economic advisor, told CNN that the shutdown's impact on the economy exceeded expectations, and he estimated it would slash 1% - 1.5% off the U.S. GDP growth in the current quarter. Markets closely monitored remarks from key members of the Federal Reserve's Federal Open Market Committee (FOMC) for clues about the future interest rate cut path.

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

(1) New York Fed Consumer Survey

The survey showed that U.S. consumers' one-year inflation expectations edged down from 3.4% to 3.2% in October, while both the three-year and five-year inflation expectations remained stable at 3%.

(2) Data from Challenger, Gray & Christmas

The firm's Challenger Report indicated that U.S. employers cut over 150,000 jobs in October, marking the largest monthly layoffs for that month in more than 20 years. This suggested the U.S. job market might be cooling faster than anticipated.

(3) University of Michigan U.S. Consumer Sentiment Index (November)

The index plummeted sharply from 53.6 in October to 50.3 in November. The survey also updated inflation expectations: the one-year figure rose from 4.6% to 4.7%, while the five-year expectation dropped from 3.9% to 3.6%.

(4) Congressional Budget Office (CBO)'s Q4 GDP Forecast

The nonpartisan CBO projected that the record-long shutdown could reduce the U.S. GDP growth by 1% - 2% in the fourth quarter of this year, amid lingering congressional negotiations deadlock and mounting market concerns.

(5) Labor Data from Revelio Labs

The workforce analytics firm reported that the U.S. lost 9,100 jobs in October, including 22,200 government positions.

- **Impact on Gold Prices**:

The prolonged government shutdown, cooling job market, sluggish consumer confidence, coupled with market expectations for Fed rate cuts, collectively strengthened gold's safe-haven attributes and allocation value, underpinning its stable high-level performance. Meanwhile, Fed officials' signals of gradual interest rate cuts further reduced the opportunity cost of holding gold, providing robust support for gold prices.

2) Monetary Policy & Gold Market Impact

(1) Views from Fed Officials

Multiple Fed officials made hawkish comments, which heightened market caution.

- **Philip Jefferson, Vice Chair of the Federal Reserve**: Stated that "as monetary policy approaches the neutral rate level gradually, subsequent Fed rate cuts should proceed in a phased manner." He noted that monetary policy would be adjusted flexibly at each meeting and highlighted the risk of missing economic data due to the government shutdown.
- **Austan Goolsbee, President of the Federal Reserve Bank of Chicago**: Emphasized that the job market remained stable currently, and called for prudence in future rate cuts, citing the lack of inflation data caused by the shutdown.
- **Beth Hammock, President of the Federal Reserve Bank of Cleveland**: Highlighted inflation risks, claiming that the current monetary policy was only barely restrictive.
- **Alberto Musalem, President of the Federal Reserve Bank of St. Louis**: Remarked that the current policy stood between slightly restrictive and neutral levels.

(2) Market Watch Data

- **CME FedWatch Tool:**

According to the CME FedWatch Tool, markets priced in a 67% probability of another Fed rate cut in December, up from 60% a week earlier.

- **Prime Market Terminal Data:**

Market participants put the probability of a Fed rate cut at the December monetary policy meeting at 68%.

(3) Impact on Gold Prices

The hawkish remarks from Fed officials increased the opportunity cost of holding gold, curbing price gains. However, economic concerns stemming from the prolonged government shutdown boosted gold's safe-haven demand. Combined with persistent strong market expectations for a December rate cut, gold prices fluctuated in a volatile range.

3) Yields, USD & Gold Dynamics

(1) Dollar Index Behavior

The DXY, which tracks the greenback against six major currencies, traded with a first-up-then-down pattern. Driven by economic data support, expectations of tighter Fed policy and safe-haven demand, it rose to a three-month high of around 99.87 on Nov4 and continued strengthening to approach the August high of 100.26 on Nov5. However, it pulled back after hitting the key resistance level of 100.3 and fell below 100 as of Nov7. The rally was also fueled by rising U.S. Treasury yields, weaker performance of non-U.S. economies and technical momentum. Nevertheless, without new catalysts, it faced significant challenges in breaking through further. Looking ahead, the dollar's rally may peak if the government reopens smoothly, easing liquidity conditions, and weaker-than-expected economic data emerges.

(2) US Treasury Yields & Gold Dynamics

The 10-year U.S. Treasury yield saw volatile and choppy trading this week. Expectations of increased Treasury issuance in 2026 from recent refinancing announcements, coupled with growing chances of canceling tariffs imposed by Trump under the IEEPA, worsened concerns over U.S. fiscal health. Additionally, the prolonged shutdown made it harder for the Fed to obtain reliable economic data before the December FOMC meeting, lowering the probability of a rate cut that month and pushing yields higher. Early in the week, the 10-year yield edged down to around 4.095% supported by safe-haven buying. It later climbed to 4.15% as risk sentiment improved, but dropped nearly 8 basis points across the board amid weaker secondary labor market data. On Friday, the 10-year yield inched up 1 basis point to 4.09%, reflecting a balance between bullish and bearish forces and market confusion amid mixed signals.

Impact on Gold Prices

- **Impact on Gold**

The dollar's first-rise-then-fall trend and the volatile Treasury yields jointly limited gold's unilateral price movement. However, lingering economic and policy uncertainties, along with sustained safe-haven demand, kept gold trading in a high-level volatile range overall.

4) Geopolitical Tensions & Safe-Haven Demand

- **Russia-Ukraine Conflict**

Recent intense offensive and defensive battles centered on Krasny Luch. Russian troops besieged the city on three sides, while Ukrainian forces put up stubborn resistance with the support of foreign-provided air defense systems and helicopter backup. Meanwhile, Ukraine continued attacking Russian energy facilities, and Russia responded with nuclear deterrence, leaving the conflict in a stalemate marked by both a war of attrition and risks of escalation.

- **U.S. Plan to Crack Down on Mexican Drug Cartels**

Reports on Nov3 indicated that the U.S. had finalized detailed plans to dispatch military personnel and intelligence agents to Mexico for anti-drug operations. The U.S. Iwo Jima Amphibious Ready Group was approaching Mexico, with pre-deployment training already underway. The Mexican president firmly rejected the entry of U.S. troops into Mexico for such operations.

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

➢ **Supreme Court Questions Legality of Trump's Tariffs**

On Wednesday, the U.S. Supreme Court conducted two core procedures regarding the tariffs imposed by President Trump under the 1977 International Emergency Economic Powers Act: interrogating involved lawyers and hearing arguments on the policy's legality. The hearing attracted wide attention, as many justices, including conservatives, explicitly questioned whether the 1977 law granted the president the authority to implement large-scale trade-related measures without congressional approval. This dispute heightened market uncertainty, which in turn supported gold prices during the Asian trading session that day.

➢ **Progress in China-U.S. Trade Relations**

U.S. Moves (Nov4): President Trump signed executive orders, cutting tariffs on China-related fentanyl products from 20% to 10%, and suspending additional reciprocal tariffs until Nov10, 2026, while retaining a 10% baseline reciprocal tariff. U.S. importers needed to assess the impact of the new tariffs and verify their eligibility for Section 301 exemptions.

China's Response (Nov5): The Tariff Policy Commission of the State Council announced that it would suspend retaliatory tariffs on U.S. agricultural products such as soybeans, corn, wheat and chicken starting from Nov10, with the suspension period lasting one year. A 13% tariff rate was retained for soybean imports. Additionally, China suspended non-tariff measures against U.S. enterprises to facilitate the smooth operation of the semiconductor supply chain.

(2) Impact on Gold Prices

This marked a temporary easing of China-U.S. trade frictions, alleviating pressures on enterprises from both sides. The trade war entered a phase of "pause rather than end", with the initiative quietly shifting. It essentially reflected the two countries' attempt to seek a balance, and tariffs could no longer serve as a dominant tool for the U.S. to control the overall situation in the trade rivalry.

6) Gold Market Observation

(1) Commerzbank: Investor Interest Drives Q3 Gold Demand to a Record High

① **Overall Core Performance**

Carsten Fritsch, Commodities Analyst at Commerzbank, noted that data on gold ETFs released by the World Gold Council (WGC) showed sustained inflows in October, with key highlights as follows:

Gold ETF holdings increased by another 55 tons in October, reaching 3,892 tons—a five-year high.

It marked the fifth consecutive month and the ninth month this year of net inflows for gold ETFs, with cumulative net inflows approaching 674 tons since the start of the year.

② **Divergent Characteristics Across Regional Markets**

According to a WGC report released on Thursday, global gold ETFs added 54.9 tons in October. North America and Asia led with robust demand, posting net inflows of 47.2 tons and 44.8 tons respectively, while Europe recorded a net outflow of 37.4 tons.

-North America & Asia: These two regions were the main sources of gold ETF inflows in October. The largest U.S. gold ETF led in inflow volume, and four out of the top six gold ETFs by inflows were Chinese products, with Chinese gold ETFs seeing net inflows of 34 tons—roughly matching Europe's total outflows.

-Europe: It registered its first net outflow in nearly five months, concentrated in the UK and German markets, a trend previously indicated in Bloomberg's ETF data.

③ **Notes on Statistical Discrepancies**

Bloomberg's ETF statistics excluded Chinese gold ETFs, resulting in a reported global net inflow of less than 10 tons in October—far lower than the WGC's figure.

WGC data for the first ten months showed the U.S. dominated global gold ETF net inflows, followed by China with a significant gap, and Europe ranking third. Notably, Germany lagged far behind, even trailing India and Japan.

Data from the People's Bank of China showed that China's gold reserves edged up to 74.09 million ounces by the end of October from 74.06 million ounces at the end of September. The value of the gold reserves also rose from $283.29 billion in September to $297.21 billion.

III. Outlook & Key Catalysts

➢ **Next Week's Focus:**

.As some official data has been delayed due to the U.S. government shutdown, attention should be paid to private alternative data, important speeches by Federal Reserve officials, and the latest developments regarding U.S. tariff policies.

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: 75%

Equity change: 0.2%

Trading frequency: 7 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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