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Weekly Gold Wrap

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I. Gold Price Recap

On Friday, Nov 21 (New York time) / early morning of Nov 22 (Beijing time), COMEX gold futures rose 0.07% to settle at $4,062.8/oz, down 0.77% weekly; COMEX silver futures fell 1.27% to $49.66/oz, sliding 2.02% on the week.

Weekly intraday action saw gold trade in a volatile range of "rallying first, then declining, followed by a slight rebound." Significant divisions within the Federal Reserve triggered a volatile "rollercoaster" in December rate-cut expectations. U.S. economic data showed mixed resilience and weakness: September nonfarm payrolls exceeded forecasts but the unemployment rate rose, Nov Services PMI reflected economic strength, while the Michigan Consumer Sentiment Index hovered near historic lows. These factors amplified uncertainty over Fed policy. The hawkish-leaning FOMC meeting minutes released Wednesday reinforced expectations of the Fed keeping rates unchanged in December, with hawks like Lorie Logan advocating for sustained high rates to curb inflation—pressuring gold prices. Subsequently, dovish comments from officials including New York Fed President John Williams, who cited September's nonfarm data as supporting rate cuts, pushed the probability of a December cut from 31% to 71%, driving a modest gold rebound.

Gold stands at a critical juncture, supported by rate-cut bets and technical levels. Fed divisions and strong economic data cap gains, while U.S. economic softness from the government shutdown and geopolitical risks (e.g., Russia-Ukraine conflict) underpin prices.

II. Key Drivers Behind Gold's Volatility

1) Mixed U.S. Economic Indicators Spark Volatility; Post-Shutdown Data Resumption Supports Gold Amid Uncertainty

(1) Shutdown Resolution & Policy Arrangements

The U.S. government formally ended a record 43-day shutdown on Nov 17, triggered by partisan budget disputes. The interim funding bill keeps the government operational until January 30, 2026, providing a buffer for long-term budget negotiations, though risks of another shutdown persist if talks fail.

(2) Resumption & Adjustment of Economic Data Releases

- **Core Employment Data:** The October nonfarm payrolls report was canceled due to data collection disruptions during the shutdown and will be merged with the Nov report, scheduled for release on December 16. Other employment-related data (e.g., Employment Cost Index, JOLTS Job Openings) have resumed publishing this week with delays.
- **Inflation & Other Key Data:** CPI, PPI, and import/export price data will be released gradually. The October CPI report is canceled, and the Nov CPI is postponed to December 18. Delayed data require time for supplementary collection and verification, with no immediate return to normal release schedules.
- **Impact on Fed Policy:** The Fed has emphasized "data-dependent policy-making," but a "data gap" will emerge ahead of the December 9-10 FOMC meeting—with no Oct/Nov nonfarm reports or Nov CPI available. The Fed will only reference delayed data like PPI and JOLTS, likely leading to more cautious policy decisions and fluctuating rate-cut expectations.

(3) Weekly Data Summary

- **Nonfarm Payrolls:** The U.S. Labor Department reported 119,000 new jobs in September, above the revised 4,000 decline (initial +22,000) in August and beating forecasts of 50,000. However, the unemployment rate rose to 4.4% from 4.3%, signaling a cooling labor market.
- **Average Hourly Earnings:** Year-on-year growth held steady at 3.8%, exceeding the 3.7% forecast.
- **Initial Jobless Claims:** 220,000 for the week ended Nov 15—the lowest since September—indicating a stable labor market despite modest cooling.
- **PMI Data:** Services PMI rose to 55 (vs. expected 54.8), reflecting strength; manufacturing PMI edged down to 51.9 (vs. expected 52), showing mild slowing.
- **Consumer Sentiment:** The Michigan Consumer Sentiment Index rose to 51 (flash 50.3) but remained below October's 53.6, near historic lows.

(4) Impact on Gold:

Post-shutdown liquidity and data resumption supported gold, but policy uncertainty persisted. Mixed September nonfarm data, merged Oct/Nov reports, and the Fed's December "data gap" fueled volatility amid lingering safe-haven demand and rate-cut bet fluctuations.

2) Monetary Policy & Gold Market Impact

(1) Hawkish Tilt in October FOMC Minutes

- **Policy Divisions:** Significant disagreements among officials over a December rate cut.
- **Inflation Concerns:** Persistent inflation above the 2% target and a stalled disinflation process were key reasons for opposing premature cuts.
- **Opposition to December Cuts:** Most participants deemed a December cut inappropriate, with some dissenting even on the October 25-basis-point cut.

(2) Divided Fed Official Comments

- Hawks (Oppose/Cautious on December Cuts):

-**Michael Barr:** Highlighted concerns over 3% inflation, cautious on easing.

-**Beth Hammack:** Warned that rate cuts could prolong high inflation and encourage financial risk-taking, noting "considerably loose" financial conditions.

-**Lorie Logan:** Advocated for maintaining rates "for some time," calling a December cut "difficult."

-**Susan Collins:** Stated current restrictive policy is "appropriate," favoring high rates to consolidate disinflation.

-**Anna Paulson:** Cautious on December policy, citing encouraging labor market data and emphasizing the need to balance inflation and employment risks.

➢ **Doves (Support Near-Term/December Cuts):**

-**John Williams:** Affirmed the Fed could cut rates "in the near term" without endangering inflation targets.

-**Stephen Miran:** Argued September's nonfarm data supported a December 25-basis-point cut, stating he would vote for it if decisive.

(3) Market Watch Data

➢ **CME FedWatch Tool:**

CME FedWatch Tool: Post-minutes, the probability of a December cut fell to ~35%.

➢ **Prime Market Terminal Data:**

According to Prime Market Terminal, later in the week, dovish shifts pushed the December cut probability from ~31% to 71%.

(4) Impact on Gold Prices

Hawkish minutes and cautious official comments initially dragged the December rate-cut probability from ~60% to 30-35%, boosting high-rate expectations. However, Fed divisions and dovish signals triggered sharp swings in cut bets (31% to 71%), lowering gold's opportunity cost while amplifying short-term volatility amid policy uncertainty.

3) Yields, USD & Gold Dynamics

(1) Dollar Index Behavior

This week, the U.S. Dollar Index (DXY) – measuring the greenback against six major currencies – broke through and held the 100 mark, supported by the Fed's hawkish minutes and strong economic data. It saw a volatile "first dip then rally" upward trend, gaining 0.9% cumulatively. Rising from Monday's open of 99.27 to 100.18 at Friday (Nov 21) New York close, it reclaimed the 100 integer mark and hit a new high since early November.

(2) US Treasury Yields & Gold Dynamics

US 10-year Treasury yield rises. In late New York trading on Friday (November 21), the U.S. 10-year benchmark Treasury yield fell 2.12 basis points to 4.0633%, down 8.50 basis points cumulatively for the week.

(3) Impact on Gold

A stronger DXY (up 0.9%) pressured non-yielding gold, while lower 10-year yields reduced holding costs—resulting in short-term volatility amid competing forces.

4) Geopolitical Tensions & Safe-Haven Demand

➢ **Russia-Ukraine Conflict**

Ukrainian President Zelensky expressed willingness to discuss a U.S.-backed 28-point peace plan (involving territorial concessions, military cuts, and non-NATO membership in exchange for 10-year U.S. security guarantees). Zelensky emphasized sovereignty protection, while Russia signaled conditional acceptance; the EU criticized its exclusion. A U.S. delegation's wartime visit to Kyiv to promote talks elevated geopolitical risks, supporting gold.

➢ **Iran Nuclear Tensions:**

Iran Nuclear Crisis Escalation (Nov 20): Iran formally terminated the Cairo Agreement with the IAEA in response to the Iran-related resolution adopted by the agency's Board of Governors, pushed by the US, UK, France and Germany. Iranian Foreign Minister Hossein Amirabdollahian called the resolution "illegal and unfounded," forced through under the "pressure" of the four countries. China and Russia voted against it, while 15 countries did not back the resolution.

If the Russia-Ukraine peace plan is implemented, it will reshape Europe's security architecture but faces strong opposition from Ukraine and the EU. Iran's termination of the nuclear deal exacerbates Middle East instability, potentially leading to further escalation of international sanctions. **Progress in the Russia-Ukraine conflict advancing negotiations weighs on gold. Yet ongoing political and military turmoil still raises geopolitical risks, supporting gold as a safe-haven asset.**

5) Tariff Turmoil Drives Gold Swings

(1) Tariff & Trade Policy Developments

➢ **Semiconductor Tariff Delay:**

The U.S. may postpone 100% tariffs on semiconductors under Section 232, with officials citing concerns over "provoking China." The Commerce Department stated policy "remains unchanged," indicating potential delays but ongoing progress.

(2) Impact on Gold:

Reduced trade tensions from delayed tariffs temporarily weighed on safe-haven demand, while lingering policy uncertainty limited losses—contributing to gold's volatile range.

6) Gold Market Observation

(1) World Gold Council - Unearthed: Decoding Gold Price Trends – What Lies Ahead?

① **Gold Price Performance & Market Consensus**

- **Recent Trend:** Gold once surged past the $4,300/oz high in October, then pulled back below $4,000 and has since broadly stabilized around the $4,000/oz level.
- **Volatility Drivers:** Such volatility was previously warned – dominated by Western investors, the correction is a relatively notable pullback in the current rally but not a deep selloff.
- **Market Views:** Feedback from LBMA Kyoto Conference participants, U.S. industry events, client engagements, and hedge fund managers suggest a consensus that 2025 gold prices may have already hit their yearly peak. However, a year-end "Santa Claus rally" cannot be ruled out, driven by fund managers positioning for 2026 and the need to validate their "bullish gold" stance to CIOs.
- **Seasonal Pattern:** The "Santa Claus rally" is typically seen in U.S. stocks (strength amid low holiday trading volume). A similar phenomenon exists in gold markets but is only one of the factors influencing prices.

② **Key Washington Developments & Potential Impact on Gold**

- **Tariff Legality Controversy:** The Supreme Court has intervened in tariff-related debates, signaling that "tariffs may exceed the executive branch's authority to implement." No formal ruling has been issued (the outcome could be delayed by days, weeks, or even months). The U.S. government has clearly stated it will take responsive measures to keep tariffs in place regardless of the final verdict. This uncertainty continues to boost market risk premiums, supporting gold.
- **Government Restart & Data Resumption:** The U.S. government resumed operations via relevant legislation (valid until January 30, 2026). While not a full restart, it sent positive market signals. The prior shutdown caused a lack of key economic data, severely hindering investor risk assessment and Fed policy judgments – the Fed has repeatedly emphasized its commitment to "formulating policy based on accurate and timely data without preset conclusions." With data resuming, the

December 10 monetary policy meeting may face a decision on "whether to implement further rate cuts," and rate-cut expectations typically significantly benefit gold prices.

③ **Key Missing Data & Market Significance**

- **Data Gap:** The Commodity Futures Trading Commission (CFTC)'s Commitments of Traders (COT) report has been absent for weeks. This data is critical for assessing the scale of bullish positions in the gold market and identifying the key drivers behind the recent price surge and subsequent correction.
- **Market Expectations:** As a key component of gold market analysis, the timely release of CFTC positioning data is vital for determining short-term price trends. The market generally expects the agency to resume data disclosure as soon as possible.

④ **Core Focus Over the Next Six Weeks**

- **Stock Market Dynamics:** U.S. stocks have shown signs of weakness, with growing doubts about the outlook for capital expenditure (CapEx) in the AI sector. Stock market volatility may indirectly impact gold's safe-haven demand.
- **Policy Ruling:** The Supreme Court's final ruling on tariff legality (could be handed down at any time) will directly affect market risk sentiment and USD trends, which in turn will pass through to the gold market.
- **Data & Policy:** Progress in resuming the release of key economic data, and relevant signals on the Fed's December 10 rate-cut decision.

III. Outlook & Key Catalysts

- **Next Week's Focus:**

Tuesday: Nov Consumer Confidence Index; September Retail Sales

Wednesday: September Durable Goods Orders (also delayed)

Note: Some data may be partially delayed – subject to actual release.

Fed officials' speeches, etc.

Geopolitical developments, tariff policy updates, etc.

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: 72%

Equity change: 0.5%

Trading frequency: 16 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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