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Weekly Gold Wrap

2025/12/07

I. Gold Price Recap

On Friday of this week (New York time on December 5, early morning Beijing time on December 6), COMEX Gold Futures fell 0.36% to close at $4,227.7/oz, down 0.64% week-to-date; COMEX Silver Futures rose 2.28% to $58.8/oz, gaining 2.86% over the week. From the weekly intraday perspective, gold traded sideways while silver advanced. Ahead of the key Federal Reserve meeting, gold consolidated in the $4,200-$4,250/oz range; Fed’s core PCE rose 2.8% YoY in September: below expectations, slightly above the 2% target, near the 3% threshold, but a cooling labor market and dovish comments from Fed officials have made interest rate cuts highly likely. Investors generally expect the Fed to cut rates again at next week's policy meeting, boosting gold's outlook.

II. Key Drivers Behind Gold's Volatility

1) Mixed U.S. Economic Indicators Trigger Gold Volatility, but Rate Cut Expectations Remain Bullish for Gold

(1) Major U.S. economic indicators released this week and their impact on gold prices

➢ **November Manufacturing PMI**

Data from the Institute for Supply Management (ISM) on Monday showed that the November Manufacturing PMI fell to 48.2 from 48.7 in October, missing expectations and indicating a slowdown in manufacturing activity.

➢ **November Planned Layoffs**

According to data from global employment consulting firm Challenger, Gray & Christmas, U.S. planned layoffs in November dropped to 71,321, a 53% decrease from October's 153,074 (the highest for the same period since 2003).

➢ **Initial Jobless Claims**

The U.S. Department of Labor reported that initial jobless claims for the week ending November 29 fell to 191,000, the lowest level in over three years.

➢ **ADP National Employment Report**

The ADP National Employment Report was dismal, showing that the private sector shed 32,000 jobs last month, further fueling rate cut expectations.

- **September Core Personal Consumption Expenditures (PCE) Price Index**

The Federal Reserve's core PCE price index rose 2.8% year-over-year in September, lower than market expectations, slightly above the 2% target, and approaching the 3% threshold.

- **December University of Michigan Consumer Sentiment Index**

Rose to 53.3, beating the expected 52 and up from November's final reading of 51. Joanne Hsu, director of the survey, stated, “Consumers report slight improvements in some areas since November, but overall sentiment remains pessimistic.”

(2) Impact on Gold:

The decline in November Manufacturing PMI, ADP private sector job cuts, and mixed labor market data highlight signs of economic slowdown, further lifting Fed rate cut expectations, reducing the opportunity cost of holding gold, and providing support for gold prices.

2) Monetary Policy & Gold Market Impact

(1) Uncertainty Over Fed Nominations and Onset of Blackout Period Fuel Rate Cut Expectations

① **Fed Chair Succession and Rate Cut Expectations:**

- Potential Shift in Fed Leadership: U.S. President Trump stated on Sunday that he “has selected the next Fed Chair and will announce it in due course,” with reports naming Kevin Hassett as a top candidate. Given his previous advocacy for rate cuts, markets expect a more dovish policy path; rumors suggest that White House National Economic Advisor Kevin Hassett may replace Jerome Powell as the next Fed Chair, but President Trump said on Sunday he would not disclose the candidate, having made a decision to be announced “in due time.”
- However, markets widely anticipate that any successor will act on President Donald Trump’s call for substantial rate cuts.

② **Blackout Period Begins, Markets Expect Cuts:**

- Fed officials have remained silent since Wednesday ahead of Thanksgiving, and the Fed’s blackout period is now in effect. The core goals of the Fed’s rate decision are to maintain 2% inflation and full employment—rate hikes strengthen the dollar and weigh on gold, while cuts weaken the dollar and benefit gold; if rates are held steady, markets will focus on the tone of the FOMC statement. The next rate decision will be released at 19:00 local time on December 10, 2025, with broad market consensus expecting a rate of 3.75% (previous: 4%).

(2) Market Watch Data

- **CME FedWatch Tool:**

Data from the CME Group FedWatch Tool shows that the market's pricing for a 25-basis-point rate cut in December remains above 85%.

- **Prime Market Terminal Data:**

According to Prime Market Terminal, market expectations for accommodative policy have climbed above 85%.

(3) Impact on Gold Prices

Expectations of a dovish Fed Chair successor, combined with an over 85% probability of a December rate cut and the blackout period reinforcing loose policy expectations, have pushed the dollar lower and reduced gold’s holding costs, providing strong support for gold prices.

3) Yields, USD & Gold Dynamics

(1) Dollar Index Behavior

The U.S. Dollar Index, which measures the greenback against six major currencies, fell 0.08% to 98.98 at Friday's (Dec 5) New York close, down nearly 0.46% on the week.

(2) US Treasury Yields & Gold Dynamics

US Treasury Yields: 10-year note rose 3.69 bps to 4.1351% (NY close, Dec 5), up 12.18 bps weekly. Driven by stickier-than-expected inflation, Fed's "higher-for-longer" rate stance, global bond market spillovers from BOJ rate hike bets, plus Treasury supply-demand imbalance and US economic resilience—all combined to lift yields.

(3) Impact on Gold

The weekly decline in the U.S. Dollar Index and the rise in U.S. Treasury yields have created a two-way hedge for gold, keeping it trading sideways at high levels.

4) Geopolitical Tensions & Safe-Haven Demand

(1) Russia-Ukraine Conflict

Geopolitically, U.S. envoy Steve Vitkovic held talks with Russian President Vladimir Putin in Moscow to discuss the Ukraine ceasefire plan proposed by the Trump administration. Earlier, Ukrainian negotiator Rustem Umerov stated that significant progress was made in the Florida talks, but U.S. Secretary of State Marco Rubio noted that more efforts are needed for a ceasefire. Ukrainian President Volodymyr Zelenskyy is seeking support from European allies, and geopolitical risks continue to underpin gold prices.

(2) Ceasefire Collapse Triggers Gaza Air Strikes

The ceasefire agreement collapsed, with Israeli forces launching air strikes on Gaza; Saudi Arabia and other countries suspended negotiations on normalizing relations with Israel, and the United Nations adopted relevant peace resolutions.

(3) Impact on Gold

Uncertainties surrounding the Russia-Ukraine ceasefire talks, escalating conflicts following the collapse of the Israel-Palestine ceasefire, and ongoing regional turmoil have boosted market risk aversion, providing sustained support for gold prices.

5) Tariff Turmoil Drives Gold Swings

(1) Tariff & Trade Policy Developments

- **Signs of Eased China-U.S. Trade Relations**

-**China's Tariff Adjustments:** Effective November 10, China suspended the 24% additional tariff on U.S. goods, retaining only a 10% core tariff rate; it also halted additional tariff measures on some products.

-**U.S. Extension of Exemptions:** On November 26, the Office of the United States Trade Representative (USTR) announced extending Section 301 tariff exemptions on 178 categories of Chinese products, including electronic components and medical devices, until November 10, 2026.

- **China's Strong Countermeasure: High Anti-Dumping Duties on U.S., Japan, South Korea**

On November 30, China's Ministry of Commerce (MOFCOM) issued Announcement No. 77, imposing anti-dumping duties on polyphenylene sulfide (PPS) originating from the U.S., Japan, South Korea, and Malaysia starting December 1. Rates are as high as 214.1%-220.9% for U.S. enterprises, 25.2%-69.1% for Japanese enterprises, and 15%-35% for South Korean and Malaysian enterprises. Widely used in high-tech fields such as new energy vehicles and 5G base stations, the tariff will directly impact relevant industrial chains in the U.S., Japan, and South Korea.

- **Other Key Tariff Changes**

-EU GSP Adjustment: On December 1, the EU officially revoked China's Generalized System of Preferences (GSP) tariff treatment, raising import duties on some products and affecting China's export competitiveness to the EU.

-U.S.-South Korea Auto Tariff Agreement: The two sides reached a deal, cutting U.S. tariffs on South Korean automobiles and auto parts from 25% to 15%, retroactive to November 1.

-U.S.-UK Zero-Tariff Agreement on Pharmaceuticals: On December 2, the UK gained permanent zero-tariff access to the U.S. market for pharmaceuticals, active pharmaceutical ingredients (APIs), and medical technology products.

(2) Impact on Gold:

Eased China-U.S. trade relations have weakened short-term risk aversion, but inflation expectations and industrial chain uncertainties triggered by some tariff hikes and trade pattern adjustments still provide medium-term support for gold prices, overall driving gold into a volatile trend.

6) Gold Market Observation

(1) Core Insights from the World Gold Council (WGC) 2026 Gold Outlook

① Outstanding Gold Performance in 2025:

It hit a record high more than 50 times year-to-date, with a return exceeding 60%, making it one of the best-performing assets of the year. Key drivers include rising geopolitical and geoeconomic uncertainties, a weaker U.S. dollar, modest interest rate cuts, coupled with increased purchases by investors and central banks (central bank gold demand, while lower than the previous three years, remains above the historical average).

② Core Background for 2026:

Current gold prices have priced in macroeconomic consensus (global GDP growth stabilizing at 2.7%-2.8%, the Fed expected to cut rates by 75 basis points, core inflation edging down), and are likely to trade sideways within a range. However, factors such as a weak labor market, inflation disputes, and persistent geopolitical frictions will raise uncertainties, increasing the frequency of tail risk events.

③ Four Scenarios for 2026 and Gold Performance:

- **Macroeconomic Consensus:** Stable growth, slight U.S. dollar appreciation, flat yields → gold trades sideways within a ±5% range;
- **Moderate Slowdown (Shallow Downturn):** Mild economic slowdown, rising risk aversion, more-than-expected Fed cuts → gold rises 5%-15%;
- **Vicious Cycle (Deep Recession):** Synchronized global deep slowdown, soaring geopolitical risks, aggressive rate cuts → gold rises 15%-30%;
- **Reinflation Return:** Trump's policies drive growth, rising inflation, Fed rate hikes → gold falls 5%-20%.

④ Impact of Key Variables:

- **Central Bank Gold Purchases:** Emerging markets' gold reserves as a share of foreign exchange reserves are far lower than advanced economies. Escalating geopolitical tensions may accelerate their purchases; conversely, a drop in purchases to pre-pandemic levels could weigh on prices.
- **Gold Recycling:** 2025 recycling volume is sluggish (a large amount of gold in India is used as loan collateral). Sustained sluggishness will support prices, but a sharp slowdown in India's economy triggering collateral gold sell-offs may increase supply pressure.

⑤ Core Conclusion:

In 2026, gold is more likely to be supported by slowing growth, loose policies, and geopolitical risks, with room for growth in investment demand. Despite bearish scenarios, the current unpredictability of the geopolitical economy highlights gold's value in diversification and downside protection, requiring allocation based on scenario planning.

III. Outlook & Key Catalysts

- **Next Week's Focus:**

Focus on the implementation of interest rate cuts and policy guidance at the Federal Reserve's December FOMC meeting, while keeping an eye on U.S. economic data such as the ISM Services PMI, the Russia-Ukraine and Israel-Palestine geopolitical situations, as well as tariff policies, among other factors.

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