Future Gold Labs

X (Twitter): https://x.com/futuregoldx
TG: https://t.me/futuregoldlabs
Author: Koi
Reviewer: Jake Liu

Weekly Gold Wrap

2025/12/14

I. Gold Price Recap

On Friday this week (New York time, December 12; Beijing time, early morning of December 13), COMEX gold futures closed up 0.39% at $4,329.8/oz, with a 2.42% gain for the week; COMEX silver futures closed down 3.88% at $62.085/oz, posting a 5.59% weekly increase.

The Federal Reserve cut interest rates by 25 basis points as expected, and Fed Chair Jerome Powell signaled that a weak labor market and tariff factors could trigger further easing. Fed officials warned that inflation remains elevated, government shutdowns have distorted data, and scarce Consumer Price Index (CPI) figures have complicated policy signals.

Additionally, the stagnation of Russia-Ukraine peace talks and uncertainties over tariff policies continue to underpin gold's medium-term trend. Investors are now closely monitoring future interest rate moves, especially the policy direction of the Fed Chair successor after Powell steps down in May next year.

II. Key Drivers Behind Gold's Volatility

1) Mixed U.S. Economic Indicators Trigger Gold Volatility; Fed's Expected Rate Cut Boosts Gold Prices

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

➢ **Initial Jobless Claims**

Data from the U.S. Department of Labor showed initial jobless claims rose to 236,000 in the week ended December 6, surging from the previous week's revised 192,000. In contrast, continuing jobless claims fell to 1.838 million in the week ended November 29 from 1.937 million, marking the largest weekly drop in four years, indicating stabilization in long-term unemployment.

➢ **U.S. JOLTS Job Openings (October)**

A December 9 report from the U.S. Department of Labor revealed 7.67 million U.S. job openings in October 2025 (slightly above the same period last year and September). However, employer hiring declined both month-on-month and year-on-year, quits dropped significantly, and layoffs hit the highest level since January 2023; analysts noted this reflects a cooling labor market.

➢ **U.S. Consumer Credit Growth (October)**

U.S. consumer credit growth in October fell short of economists' expectations. Consumer credit increased by $9.178 billion month-on-month, versus the estimated $10.48 billion; September's figure was revised up to a $11.006 billion increase.

- **U.S. Producer Price Index (PPI) (November)**

U.S. headline PPI rose 0.9% year-on-year in November (vs. expected 1%, previous 1.2%), while core PPI climbed 2% year-on-year (the lowest in nearly five years), signaling continued inflation cooling. Both indices were flat month-on-month (vs. previous -0.4%), with prices stabilizing after declines. Falling inflation without deflation risks benefits the U.S. economy and supports expectations of a Fed rate cut.

(2) Impact on Gold:

The surge in initial jobless claims, cooling labor market reflected in JOLTS data, weaker-than-expected consumer credit growth, combined with falling PPI inflation and the Fed's rate cut, have strongly supported gold prices by boosting safe-haven demand and suppressing real interest rates.

2) Monetary Policy & Gold Market Impact

(1) Fed's Rate Cut Decision Meets Expectations; Summary of Powell's Core Remarks and Divisive Comments from Fed Officials

① **Fed Announces 25 Basis Point Rate Cut as Expected**

- In the middle of this week, the Fed voted 9:3 to cut interest rates by 25 basis points, lowering the target range to 3.50%-3.75% (the lowest in three years). Fed Governor Milan advocated a 50 basis point cut, while Goolsbee and Schmid preferred to keep rates unchanged. Fed Chair Jerome Powell stated that the labor market is weaker, high inflation is a one-off effect of tariffs, no rate hikes are planned in the short term, and the Fed will stick to a “data-dependent” approach. His dovish stance has driven markets to price in two rate cuts next year, with institutions expecting larger-than-expected medium-to-long-term rate cuts.

② **Fed Officials Make Intensive Comments**

Many Federal Reserve officials spoke frequently this week. Against a backdrop of scarce economic data, especially the absence of the Consumer Price Index (CPI) that tracks the pace of price increases, two of the three dissenting members expressed concerns about overly high inflation.

- **Jeffrey Schmid(President of the Kansas City Fed):** Opposed the rate cut on the grounds of “overheating” inflation, arguing that monetary policy should remain moderately restrictive.
- **Austan Goolsbee (President of the Chicago Fed):** Voted to keep rates unchanged, stating it is best to wait for more data (especially inflation and labor market data). Nevertheless, he noted he is “not hawkish on rates next year” and expects a 50 basis point cut if the economy evolves as anticipated.
- **Anna Paulson (President of the Philadelphia Fed):** Expressed continued concern over a weak labor market. She said inflation may fall next year as the impact of tariffs that pushed up price pressures this year fades.
- **Beth Hammack (President of the Cleveland Fed):** Focused on high inflation, stating a preference for tighter monetary policy. She believes the current policy rate is “close to neutral” but favors a more restrictive stance to further curb inflation.

(2) Market Watch Data

- **CME FedWatch Tool:**

According to the CME Group FedWatch Tool, the probability of the Fed keeping rates unchanged next month is nearly 78%, compared with 70% before the rate cut announcement.

(3) Impact on Gold Prices

The Fed's rate cut to a three-year low, Powell's dovish remarks, and market expectations of easing have continuously reduced the cost of holding gold and strengthened its safe-haven and value-appreciation attributes, providing core support for rising gold prices. Despite officials' divisions on the policy path, medium-to-long-term rate cut expectations remain unchanged, further consolidating gold's strong trend.

3) Yields, USD & Gold Dynamics

(1) Dollar Index Behavior

The U.S. dollar remained under pressure this week, extending its broad decline since late November. As of New York late trading on Friday, December 12, the DXY (tracking the greenback against six major currencies) fell 0.63% to close at 98.353, marking three consecutive weeks of declines—the longest losing streak in nearly four months. The Fed's expected 25-basis-point rate cut and dovish signals, coupled with internal divisions over the policy path, eroded the dollar's interest rate advantage and pushed it below key levels; a slight rebound on Friday failed to reverse the weakness.

(2) US Treasury Yields & Gold Dynamics

In late New York trading on Friday (December 12), the 10-year U.S. Treasury yield rose 5 basis points this week against the trend to close at 4.1841%, with a resilient V-shaped rebound. Despite the Fed's rate cut, long-end yields recovered (supported by long-term inflation stickiness concerns, U.S. fiscal deficit-driven bond issuance pressure, and geopolitical safe-haven demand), diverging sharply from falling short-end yields. Notably, the 2-year yield stood at 3.52% and 10-year at 4.19%, creating a 67-basis-point spread (10-year minus 2-year)—the highest since January 2022. Per partial research by the Fed, IMF and other institutions, two scenarios may signal an economic recession: one is an inverted yield curve (long-term bond yields below short-term ones), a key leading indicator of U.S. recessions over the past 50 years that points to a potential recession within 6 months to 2 years; the other is the divergence between them (expanding positive yield spread), which means "short-term easing policies support the market but long-term economic fundamentals remain weak" and also triggers recession expectations—this merits attention..

(3) Impact on Gold

The US Dollar Index fell for three straight weeks, with a weaker dollar lowering gold holding costs. Combined with diverging Treasury yields and the expanding 2-10-year spread (fueling recession-risk safe-haven demand), these factors strongly boosted gold prices.

4) Geopolitical Tensions & Safe-Haven Demand

(1) Russia-Ukraine Conflict

U.S.-led Russia-Ukraine peace talks in Europe have made slow progress, with geopolitical tensions remaining high. Ukrainian President Vladimir Zelensky expressed serious concerns about the U.S. proposal to designate Donbas, a disputed region, as a "free economic zone"; on Thursday, a spokesperson for U.S. President Trump revealed that Trump is extremely dissatisfied with both Russia and Ukraine and is unwilling to resume negotiations. Earlier, Zelensky stated that the U.S. is pressuring Ukraine to cede territory to Russia as part of an agreement to end the nearly four-year war.

Additionally, EU governments have reached an agreement to indefinitely freeze Russian central bank assets in Europe.

(2) Thailand-Cambodia Border Conflict: Uncertainties Remain After Temporary Ceasefire

The Thailand-Cambodia border conflict escalated on December 7. Trump claimed to have brokered a ceasefire, which was denied by Thailand. Although the two sides agreed to withdraw 3 kilometers on the 13th, Cambodia accused Thai forces of continuing airstrikes, and the conflict has not been fully resolved.

(3) Impact on Gold

Slow progress in Russia-Ukraine peace talks in Europe and the continued escalation of the Thailand-Cambodia border conflict have led to rising geopolitical risks. As a traditional safe-haven asset, gold has seen a surge in demand, driving up gold prices.

5) Tariff Turmoil Drives Gold Swings

(1) Tariff & Trade Policy Developments

➢ **Mexico Imposes High Tariffs on China**

-On December 10, Mexico's Congress passed a tariff bill with 281 votes in favor and 24 against, set to take effect on January 1, 2026. The bill imposes additional tariffs of 10%-50% on 1,463 categories of Chinese goods (worth about $52 billion) across 17 industries, with the highest rate of 50% on automobiles and parts. Mexico stated the move aims to protect domestic industries and ease employment pressure; external observers attribute it to U.S. pressure. China has called on Mexico to correct its wrong approach, hinting at potential retaliatory measures.

➢ **EU Introduces Fixed Tariffs on Cross-Border Parcels**

At the December 12 EU Finance Ministers' Meeting, a resolution was adopted: starting July 1, 2026, fixed tariffs of €3 per category (based on six-digit tariff codes, with separate charges for different goods) will be levied on cross-border e-commerce parcels valued below €150. This temporary measure, targeting Asian e-commerce platforms (91% of parcels from China), will remain in place until the completion of customs union reforms in 2028.

(2) Impact on Gold:

Escalating global trade friction risks have boosted market safe-haven sentiment, increasing demand for gold as a safe-haven asset and lifting gold prices.

6) Gold Market Observation

(1) **Panoramic Analysis of China's Gold Market in November 2025 (In-depth Interpretation by Dimension)—WGC**

In November 2025, China's gold market exhibited a differentiated pattern of "rising prices, weak consumption, strong investment, and increased central bank gold purchases". VAT reform emerged as the core variable permeating the market, and combined with global monetary policy expectations and geopolitical tensions, the market structure further diverged.

➢ **Global and Domestic Gold Prices Continue to Rise; RMB Appreciation Slightly Restrains Gains**

① **Global Gold Price Drivers:** Supported by rising investor expectations of a December Fed rate cut, ongoing global geopolitical conflicts, and a weaker U.S. dollar, international gold prices extended their upward trend. The LBMA Gold Price PM (USD-denominated) rose for six consecutive months, with a 4.5% gain in November and a 61% surge since 2025, hitting a new historical high range.

② **Domestic Gold Price Performance:** The Shanghai Gold Exchange (SGE) Gold Price PM (CNY-denominated) rose in tandem for five consecutive months, up 3% in November and 54% year-to-date. Despite tracking global trends, gains were curbed by two factors: RMB appreciation against the USD reduced the flexibility of CNY-denominated gold prices; weak domestic gold consumption provided less traction than the international market.

- **Consumption Hit Hard by VAT Reform; Wholesale Demand Hits 16-Year Low for the Same Period**

① **Wholesale Demand Data:** SGE gold withdrawals, a core indicator of domestic wholesale demand, stood at 84 tons in November, plunging 32% month-on-month and 15% year-on-year—the lowest November level since 2009, breaking the seasonal pattern of “gradual recovery after October”.
② **Core Drag:** VAT Reform: It directly raised costs across the gold jewelry industry chain, suppressing end-consumer willingness and leading retailers to cut restocking. Ultimately, gold jewelry enterprises faced dual pressures of “rising costs + falling sales”. Small and medium brands were forced to contract, while leading brands suspended expansion to focus on inventory digestion.
③ **Industry Chain Reactions:** Gold jewelry enterprises generally faced dual pressures of rising costs and falling sales. Small and medium brands, strained by cash flow and weak bargaining power, closed stores or halted restocking; leading brands, despite stronger risk resilience, suspended expansion plans to focus on inventory clearance.

- **Investment Demand Rises Against the Trend; Incremental Growth Across Diversified Channels**

① **Physical Investment:** Gold Bars and Coins as Alternatives: Affected by higher taxes on gold jewelry consumption, buyers with investment motives shifted to gold bars and coins (unaffected by VAT reform), driving healthy growth in physical gold investment sales through SGE member channels—a key offset to weak jewelry demand.
② **Financial Investment:** Gold ETFs Continue to Attract Capital: China's gold ETFs maintained strong inflows, with net inflows of RMB 16 billion (about $2.2 billion, equivalent to 17 tons of gold) in November—the third consecutive month of inflows, far exceeding the 2024 monthly average of RMB 260 million. As of end-November, total Assets Under Management (AUM) of domestic gold ETFs reached RMB 23.1 billion (about $2.9 billion) with holdings climbing to 244 tons, both hitting new month-end records. Key drivers included geopolitical tensions (fluctuating China-Japan relations), safe-haven demand from A-share corrections, profit effects from rising gold prices, and boosted market confidence from sustained central bank gold purchases.
③ **Futures Market:** Trading Volume Pulls Back but Remains High: Average daily trading volume of gold futures on the Shanghai Futures Exchange (SHFE) fell 29% month-on-month to 461 tons in November, mainly due to lower gold price volatility reducing short-term speculative trading. However, compared with historical data, this volume remained far above the 2024 average of 302 tons, and the 2025 average daily volume reached 463 tons—significantly higher than the 2020-2024 five-year average of 216 tons—reflecting sustained high activity in the futures market.

- **Central Bank Gold Purchases Continue to Increase; Gold Imports Fall Due to Multiple Factors**

① **Central Bank Reserve Increases:** 13 consecutive months of additions: The People's Bank of China (PBoC) added 0.9 tons of gold reserves in November, marking 13 straight months of purchases. Total official gold reserves reached 2,305 tons by end-November. Cumulative purchases since 2025 hit 26 tons, pushing gold's share of China's foreign exchange reserves up sharply from 5.5% in December 2024 to 8.3% in November 2025. The motivation stemmed from gold's safe-haven properties and strategic needs to diversify foreign exchange reserve structures.

② **Gold Imports:** October Data Plunges: Customs data showed China's net gold imports stood at 36 tons in October 2025, down 57 tons month-on-month and 43 tons year-on-year. The decline was driven by: 1) an 8-day combined National Day and Mid-Autumn Festival holiday reducing working days and hindering import operations; 2) inverted Shanghai-London gold price spreads for half the month, eliminating arbitrage space and dampening importer willingness; 3) overall weakness in the gold jewelry industry, with insufficient downstream demand transmitting to the import link, keeping import volumes below historical levels for the same period.

- **Market Outlook: Short-Term Consumption Pressure, Long-Term Industry Optimization, Sustained Investment Demand Support**

① **Consumption:** Short-Term Pressure, Long-Term Consolidation and Upgrading: The impact of VAT reform will continue to suppress gold jewelry consumption in the short term, with retail sales expected to remain weak in the coming months. In the long run, however, the reform will accelerate industry consolidation, eliminating small and medium stores with weak financial strength and product competitiveness, and driving the industry toward greater lean efficiency and health. Surviving enterprises will focus more on the “jewelry attributes” (design, craftsmanship) rather than pure gold material value, promoting the industry's transition from “weight-based pricing” to “value-based pricing”.

② **Investment:** Sustained Core Drivers, Clear Trends: Future gold investment demand will remain supported by three core factors: expectations of global monetary policy easing (Fed rate cuts), geopolitical uncertainty, and safe-haven demand from domestic stock market volatility. Two trends will further strengthen: 1) physical gold bar sales will continue to concentrate in regulated, reputable SGE member channels; 2) potential gold jewelry buyers with investment motives will shift further to professional investment products (gold ETFs, bars, coins) to avoid high taxes on jewelry consumption.

③ **Overall Market:** Differentiated Pattern to Persist: In the short term, the “weak consumption, strong investment” divergence will continue. In the medium to long term, as industry consolidation completes, consumption adapts to tax reform, and gold prices maintain a long-term upward trend, consumption is expected to gradually recover, forming synergistic growth with investment.

III. Outlook & Key Catalysts

- **Next Week's Focus:**

- December 16: October nonfarm payrolls, ADP employment change, retail sales, business inventories, S&P Global Manufacturing and Services PMI flash readings

- December 18: Initial jobless claims, inflation rate, Philadelphia Fed Manufacturing Index, Treasury International Capital (TIC) data

- December 19: Existing home sales, University of Michigan Consumer Sentiment Index final reading

Remarks by Fed officials, tariff policy developments, geopolitical changes, etc.

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