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Weekly Gold Wrap

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I. Gold Price Recap

On Friday, December 19 (New York time; early morning of December 21 Beijing time), COMEX gold futures closed 0.1% higher at $4,368.7/oz, gaining 0.9% cumulatively for the week. COMEX silver futures rose 3.34% to $67.395/oz, with a weekly cumulative increase of 8.55%.

Gold rallied against the trend despite a stronger dollar and rising global bond yields, touching a weekly high on Thursday. The U.S. December consumer confidence index fell short of expectations (respondents anticipated rising unemployment and a fifth consecutive monthly decline in durable goods purchases), providing immediate support to gold prices. Weak U.S. inflation data further reinforced market expectations of sustained Fed easing in 2026—an environment of low interest rates inherently favors non-yielding assets like gold. Additionally, escalating U.S.-Venezuela geopolitical tensions boosted safe-haven capital inflows. These combined tailwinds helped gold hold near record highs. Notably, New York Fed President John Williams shifted his stance from dovish to neutral-hawkish, triggering a brief pullback in gold prices, but bulls quickly regained momentum, driving prices to rebound and recover lost ground.

II. Key Drivers Behind Gold's Volatility

1) Mixed U.S. Economic Indicators Trigger Gold Volatility

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

➢ **November U.S. Overall CPI**

The U.S. Bureau of Labor Statistics (BLS) reported Thursday that the overall November CPI fell to 2.7% year-on-year, below the market consensus of 3.1%. Core CPI (excluding volatile food and energy prices) rose 2.6% year-on-year, also missing analysts' expectations of 3.0%. However, economists warned that the 43-day federal government shutdown may have distorted the accuracy of BLS-compiled data.

➢ **U.S. Initial Jobless Claims**

For the week ending December 13, initial jobless claims dropped to 224,000, slightly below the expected 225,000 (previous figure revised to 237,000). Continuing claims increased to 1.897 million, below the projected 1.94 million but above the prior 1.83 million. The four-week moving average edged up from

217,000 to 217,500.

➢ **U.S. December Consumer Confidence Index**

Preliminary data from the University of Michigan released on the 19th showed the December consumer confidence index rose to 52.9, up from November's 51.0 but well below December 2023's 74.0. The reading missed the market expectation of 53.5.

(2) Impact on Gold:

.Below-expectation November CPI (overall and core) and December consumer confidence (both vs. expectations and year-ago levels) reinforced Fed easing bets and spurred safe-haven demand, supporting gold. A slight-than-expected drop in initial jobless claims reflected labor market resilience but exerted limited downward pressure on gold.

2) Monetary Policy & Gold Market Impact

(1) Fed Leadership Changes & Divided Views on 2026 Rate Cuts

① **Fed Leadership Dynamics**

➢ Markets closely watch Fed leadership shifts. Donald Trump's repeated calls for rate cuts have raised questions about Fed independence. On Wednesday, he stated he would soon announce a new Fed chair (succeeding Jerome Powell) who firmly supports aggressive rate cuts. Last week, he hinted at preferences for Kevin Hassett or Larry Kudlow, while Christopher Waller — who will interview for the position—has signaled no rush to ease aggressively, expecting rates to gradually fall 50-100 basis points to a neutral level.

② **Fed Officials Make Intensive Comments**

➢ **John Williams (New York Fed President):** Acknowledged sustained inflation declines (projected to hit 2.5% in 2026), advocated for gradual rate cuts without haste, and noted current policy is near neutral. He also highlighted risks of a cooling labor market and emphasized data-dependent decisions.

➢ **Austan Goolsbee (Chicago Fed President):** Shifted stance from opposing rate cuts in December to supporting aggressive easing in 2026. Called November CPI data "positive" and stated that if trends continue, it would open the door to more cuts next year, stressing Fed decisions are insulated from political interference.

➢ **Christopher Waller (Fed Governor):** Supports further rate cuts but maintains a cautious "no rush" stance. Believes current rates are still 50-100 basis points above neutral and favors gradual reductions. In response to Trump's nomination hints, he emphasized decisions will be data-driven, not politically influenced.

➢ **Michelle Bowman (Fed Governor):** Backs aggressive rate cuts, advocating for a 50-basis-point cut in December (the Fed ultimately cut by 25bps). Argues underlying inflation is near the 2% target, warning that overly tight policy could trigger job losses and supporting further easing in early 2026 if trends persist.

➢ **Susan Collins (Boston Fed President):** Supported the 25-basis-point December cut but called it a "difficult decision." Noted she favored holding rates in November but shifted due to changed risk balances, while remaining concerned about persistent inflation.

➢ **Raphael Bostic (Atlanta Fed President):** Opposes rate cuts, warning further easing could reignite inflation and erode Fed credibility. Advocates keeping rates steady until the end of 2026, citing solid economic growth and potential lingering inflationary pressures.

(2) Market Watch Data

➢ **CME FedWatch Tool:**

.CME FedWatch Tool: After three consecutive 25-basis-point cuts by the Fed, financial markets currently price in only a 26.6% probability of another cut at the January meeting.

➢ **Capital Edge Interest Rate Probabilities:**

The expected probability of a rate cut at the Fed's January 28 meeting remains unchanged at 24%. However, markets have priced in 60 basis points of total easing in 2026, with the first cut expected in June. This outlook will continue to pressure the U.S. dollar and provide potential support for gold.

(3) Impact on Gold Prices

Market pricing of 60 basis points of Fed easing in 2026 (per Capital Edge data) and the long-term downward trend in interest rates will continue to suppress the dollar and lower gold holding costs, serving as core support for gold prices. Short-term divisions among Fed officials and low odds of a January cut may trigger mild volatility, but gold's safe-haven properties will sustain its resilience.

3) Yields, USD & Gold Dynamics

(1) Dollar Index Behavior

On Friday, December 19 (New York afternoon), the DXY (measuring the dollar against six major currencies) rose 0.18% to close at 98.599, marking a third consecutive weekly gain (albeit modest). After briefly dipping on Thursday due to below-expectation U.S. CPI data, the index closed near the 98.60 level. Market focus remains on central bank monetary policy decisions, which have provided overall support to the dollar.

(2) US Treasury Yields & Gold Dynamics

On Friday, December 19 (New York afternoon), the 10-year U.S. Treasury yield rose 2.74 basis points to 4.1490%, with a weekly cumulative decline of 3.50%. The weekly low was touched on Thursday, followed by a mild rebound due to profit-taking and year-end position adjustments. The move was primarily driven by November's softer-than-expected CPI data, which reinforced 2026 Fed rate-cut expectations. Additional factors included defensive positioning ahead of early-week data releases, Thursday's safe-haven inflows into Treasury markets, and liquidity adjustments (profit-taking) ahead of the Christmas holiday.

(3) Impact on Gold

The weekly decline in 10-year Treasury yields, combined with strengthened Fed easing expectations for 2026, provides core support to gold. While the DXY posted three consecutive gains, the modest increase exerted limited downward pressure. Overall, gold maintains resilience anchored by low-interest-rate expectations and its safe-haven appeal.

4) Geopolitical Tensions & Safe-Haven Demand

(1) Russia-Ukraine Conflict

-**Divided views within the EU:** Intense debates erupted at the EU Summit over €210 billion in frozen Russian assets. The European Commission proposed using these assets to raise €90 billion in loans for Ukraine, but Hungary and other countries firmly opposed the plan, warning it would be equivalent to a "declaration of war."

-**Escalation of EU sanctions against Russia:** The EU imposed new sanctions on 41 ships in Russia's "shadow fleet"; the UK added 24 entities and individuals linked to Russian oil companies to its sanctions list; the U.S. is preparing to roll out a new sanctions package next week.

-**Battlefield dynamics:** Russia launched criminal prosecutions against 41 Ukrainian military and government officials on suspicion of war crimes and endangering national security; Ukraine's top military commander was issued an arrest warrant; drone warfare on the frontlines set a single-day interception record.

(2) Escalating U.S.-Venezuela Tensions

-On December 16, the Trump administration announced a full maritime blockade of Venezuela, intercepting all sanctioned oil tankers. It officially designated the Maduro administration as a "Foreign Terrorist Organization (FTO)"; seized 6 Venezuelan oil tankers (including the largest one); and deployed naval forces in the Caribbean Sea to form a military deterrent.

-The Venezuelan government has ordered its navy to escort oil tankers departing from its ports. Trump's earlier order to "blockade" Venezuela's oil industry could escalate the risk of conflict with the U.S.

(3) Impact on Gold

Escalating Russia-Ukraine conflicts (EU disputes over Russian assets, intensified sanctions, and heightened battlefield confrontations) and deteriorating U.S.-Venezuela tensions (U.S. full maritime blockade, designation of the Maduro administration as an FTO) jointly boosted global safe-haven sentiment, driving robust safe-haven buying in gold. This further consolidated gold's resilience and provided upward support.

5) Tariff Turmoil Drives Gold Swings

(1) Tariff & Trade Policy Developments

➢ **U.S. Tariffs on Switzerland**

On December 17, the Office of the U.S. Trade Representative (USTR) formally confirmed tariff provisions in the U.S.-Switzerland trade agreement: reducing tariffs on Swiss goods from 39% to 15%, retroactively effective to November 14; levying tariffs on goods from Switzerland and Liechtenstein at the higher of the Most-Favored-Nation (MFN) rate or 15%.Swiss companies committed to investing $200 billion in the U.S. by the end of 2028, covering sectors such as pharmaceuticals and machinery.

➢ **Escalating U.S.-EU Trade Frictions**

-Previously, the EU fined Elon Musk's X platform $140 million and continued investigations into U.S. companies including Google and Apple.

-On December 16, the USTR issued a tough statement: warning the EU that if it continues to impose "discriminatory lawsuits, taxes, and fines" on U.S. tech firms, the U.S. will use "all available tools" to retaliate; naming 9 European companies (including Accenture, Siemens, DHL, and Publicis Groupe) as potential retaliation targets. Specific countermeasures may include imposing additional fees on European companies, restricting European services from entering the U.S. market, or launching investigations under Section 301 of the Trade Act.

(2) Impact on Gold:

The reduction in U.S.-Switzerland trade tariffs and Swiss companies' commitment to large-scale U.S. investments brought partial trade detente, exerting limited downward pressure on gold. However, escalating U.S.-EU trade frictions (U.S. warning of retaliation against EU "discriminatory measures" targeting U.S. firms) raised global trade uncertainty. Combined with gold's safe-haven properties, this provided key support for gold prices.

6) Gold Market Observation

(1) "Gold's Breakout Year and 2026 Outlook" — WGC Podcast

I. Core Review of the 2025 Gold Market (Unexpected Strength + Structural Changes)

① **Record Price Gains and Repeated All-Time Highs:**

- Gold recorded a cumulative annual gain of 60%, with spot gold prices climbing to $4,200/oz in December, far exceeding early-year market expectations.
- Gold broke its all-time high more than 50 times throughout the year, maintaining a strong and sustained upward momentum. It emerged as one of the standout assets in the 2025 global financial markets.

② **Key Shift in Investor Structure: Resonance Between Eastern and Western Capital:**

- From 2024 to early 2025, the gold market was dominated by Eastern investors, with Chinese retail buyers as the core force. Driven by policies related to the "Liberation Day Tariffs," robust retail gold buying demand in China supported gold prices in the first half of the year.
- After April 2025, Western investors made a strong return to the market, with rising investment interest and capital inflows, forming a pattern where "Eastern + Western" demand jointly drove gold prices.
- From the perspective of ETF capital flows, the U.S. was the largest market for gold ETF inflows globally, while Chinese gold ETFs also recorded record inflows—directly reflecting unanimous bullish sentiment among Eastern and Western investors.

③ **New Volatility Characteristics: Steady Stabilization After Correction:**

- Unlike the one-way upward trend in the previous two years, gold prices experienced the first "substantial correction" in nearly two years in the second half of 2025, influenced by the trading characteristics of Western investors (who tend to adjust positions flexibly based on market changes, with both buying and selling intentions).
- However, the correction did not alter gold's long-term upward trend. Subsequently, gold prices gradually stabilized, hovering around $4,200 per ounce by early December, laying the foundation for a strong year-end close.

II. 2026 Gold Market Outlook (Three Scenarios + Core Logic Predictions)

① **Three Core Scenarios Proposed by the World Gold Council (WGC), Covering Different Market Possibilities:**

- **Scenario 1: Moderately Bullish** — Core conditions include the Fed initiating rate cuts, a moderate U.S. economic slowdown, a slightly weaker U.S. dollar index, and neutral market risk appetite. Gold's appeal as a safe-haven and anti-inflation asset will steadily increase.
- **Scenario 2: Bullish** — Requires a combination of strong U.S. economic recovery and the Fed resuming rate hikes. In this scenario, gold prices may face phased pressure, but the long-term support logic remains intact.
- **Scenario 3: Bearish** — Triggered only by "substantial market resistance," requiring multiple adverse conditions (e.g., full global economic recovery, a sharp drop in safe-haven demand, and a significant strengthening of the U.S. dollar index), which could exert significant downward pressure on the gold market.

② **Core Prediction: Tilt Toward the "Moderately Bullish to Bullish"**

- **Range:** The 2026 gold market is more likely to fall within the "moderately bullish to bullish" range, supported by the following core logic:

- **Monetary Policy:** Markets widely expect the Fed to implement rate cuts in 2026. Lower interest rates will reduce gold's holding costs (as gold is a non-yielding asset) and enhance its relative attractiveness.
- **Economic Fundamentals:** The U.S. economy is likely to experience a moderate slowdown, and global economic recovery will remain uncertain. Safe-haven demand will continue to support gold prices.
- **U.S. Dollar Trend:** With the U.S. economic slowdown and the start of a rate-cut cycle, the U.S. dollar index is expected to weaken. Gold and the U.S. dollar typically have an inverse correlation, so a weaker dollar will indirectly benefit gold prices.
- **Fed Leadership Changes:** The Fed will undergo a chairperson transition in 2026, with the new chair nominated by the current administration. From both economic and political perspectives, the probability of the new chair resuming rate hikes is extremely low; they are more likely to maintain accommodative or neutral monetary policy, providing a favorable environment for gold prices.

③ **Cautious Attitude Toward the "Bullish Scenario":**

The "strong U.S. economic recovery + rate hikes" scenario is less likely: On one hand, the global economic recovery process remains uncertain, making it difficult for the U.S. economy to "take off strongly" alone. On the other hand, 2026 falls within the U.S. administration's term; politically, rate hikes could adversely affect economic growth and people's livelihoods, so policymakers are more inclined to maintain economic stability, limiting the probability of rate hikes.

III. Key Risks and Uncertainties for 2026 (Core Sources of Disturbance)

① **Tariff Policy Ruling: May Trigger Q1 Market Volatility:**

- Core Event: The U.S. Supreme Court will issue a formal ruling on "presidential tariff authority" in Q1 2026 (most likely in January), which will directly impact the direction of U.S. trade policy.
- Impact on the Gold Market: While gold itself is not directly constrained by tariff policies, the ruling may trigger supply chain volatility in commodity markets (e.g., price fluctuations in metals, agricultural products, and other sectors heavily affected by tariffs), which will then spread to overall financial market sentiment and indirectly influence gold prices.

② **Potential Subsequent Impact:**

- If the Supreme Court's ruling differs from the current administration's expectations, the Trump administration may introduce corresponding countermeasures or adjust trade policies. This process could trigger concerns about escalating trade frictions, exacerbating gold market volatility in Q1.
- **Persistent Long-Term Policy Uncertainty:** Supports Gold via Safe-Haven Demand:The current U.S. administration still has three years left in its term, and there is no basis for "quick resolution" of various economic and geopolitical challenges (e.g., adjustments to the global trade pattern, regional conflict risks). Long-term uncertainty will persist.This ongoing uncertainty will provide stable support for gold's safe-haven demand, serving as an important "safety net" for gold prices in 2026.

III. Outlook & Key Catalysts

- **Next Week's Focus:**

- Mon (12/22): Markit Manufacturing PMI Final, Durable Goods Orders, Factory Orders
- Tue (12/23): Q3 GDP Final, Initial Jobless Claims, Wholesale Inventories
- Fri (12/26): Conference Board Consumer Confidence Index, Chicago PMI

Tariff policies, geopolitics, Fed officials' speeches, etc.

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