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Weekly Gold Wrap

2025/12/28

I. Gold Price Recap

On Friday, December 27 (New York time; early morning on December 28 Beijing time), COMEX gold futures rose 1.31% to $4,562/oz, up 3.98% for the week. COMEX silver futures surged 11.15% to $79.68/oz, climbing 18.06% over the week.

Recent market liquidity has thinned, with volatility rebounding, prompting investors to take profits at elevated levels. However, gold still posted weekly gains. This year, gold has recorded a historic rally of over 70% (as of December 27), marking its strongest annual performance since 1979. The rally is primarily supported by geopolitical risks, economic uncertainty, capital inflows, a weaker U.S. dollar, and Fed rate cuts (75 basis points cumulative in 2025, with two more expected in 2026).

While stronger-than-expected U.S. GDP data may temporarily boost the dollar and pressure gold, lingering geopolitical uncertainties such as the U.S.-Venezuela conflict sustain gold's safe-haven demand, limiting downside potential. Looking ahead, despite potential short-term consolidation before year-end due to profit-taking and lack of catalysts, gold's overall uptrend remains firm under long-term supports like low interest rates and de-dollarization, with the rally expected to extend into 2026.

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

➢ **Q3 GDP and Inflation:**

The Bureau of Economic Analysis released delayed Q3 GDP data, showing a 4.3% annualized growth rate—surpassing the 3.3% market consensus and prior 3.8%. Core PCE inflation remained stable, with the GDP price index rising 3.7% and core PCE (personal consumption expenditures) up 2.9% (PCE prices +2.8%).

➢ **Initial Jobless Claims:**

The U.S. Department of Labor reported (Wednesday, December 24, 2025) that initial jobless claims fell to 214,000 for the week ending December 20, 2025, from 224,000 the prior week—beating the 223,000 market estimate. Meanwhile, continuing claims rose to 1.923 million from 1.885 million (week ending

December 13). The four-week average of initial claims edged down to 216,750 from 217,500.

- **October Durable Goods Orders & December Conference Board Consumer Confidence Index:** October durable goods orders declined 2.2% (reversing a 0.7% gain), excluding defense (-1.5%) and excluding transportation (+0.2%). Industrial output fell 0.1% month-over-month. Meanwhile, the December Conference Board Consumer Confidence Index dropped to 89.1 from an upwardly revised 92.9 in November, pressuring the dollar.

(2) Impact on Gold:

This week's U.S. data showed mixed signals: robust Q3 GDP and falling jobless claims highlighted economic resilience, while declining durable goods orders and weaker consumer confidence exposed growth risks. Combined with dollar weakness, gold experienced short-term volatility amid fading rate-cut expectations, but its long-term support remained intact, keeping it in a high-range consolidation.

2) Monetary Policy & Gold Market Impact

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

① **Fed Leadership Developments**

- U.S. President Donald Trump stated on Tuesday that, if the economy performs well, he prefers a Fed chair candidate who is “very inclined to lower interest rates,” and candidates with conflicting views will be disqualified from the top Fed position. These remarks may heighten market concerns about Fed independence.

② **Fed Officials & White House Advisors’ Views:**

While the market currently expects two rate cuts in 2026, policymakers remain divided after 75 basis points of cumulative cuts in 2025:

- **Fed Chair Jerome Powell:** Indicated at the December policy meeting that the Fed “stands ready to wait and see how the economy evolves.”
- **White House Advisor Kevin Hassett:** Argues that despite Q3 GDP growth far exceeding expectations, the Fed's current pace of rate cuts is still too slow.
- **Fed Governor Stephen Miran:** Says recent economic data should “push people toward a dovish stance,” warning that failing to ease policy could increase recession risks.
- **Cleveland Fed President Beth Hammack:** Believes no rate cuts are needed in the coming months due to persistent inflation risks, suggesting rates may remain in the 3.50%-3.75% range until spring 2026.

(2) Market Watch Data

- **CME FedWatch Tool:**

.CME FedWatch Tool: Markets price a 13% chance of a rate cut in January, with over 70% probability of at least 50 basis points of cumulative cuts by 2026. This contrasts with the Fed's official forecast—its latest dot plot shows the federal funds rate will near 3.4% by end-2026, leaving limited room for further cuts.

(3) Impact on Gold Prices

Uncertainty over the Fed's policy path, driven by leadership changes, diverging 2026 rate-cut views, and the gap between market and official expectations, is offset by sustained market bets on future easing, which continue to support gold's appeal and underpin its high-level performance.

3) Yields, USD & Gold Dynamics

(1) Dollar Index Behavior

On Friday, December 26 (New York close), the U.S. Dollar Index (DXY) settled at 98.022, down 0.58% for the week. The index trended weakly volatile, driven by diverging U.S. economic data (strong GDP vs. weak consumer confidence), geopolitical tensions, and low holiday liquidity. The dollar's weakness persisted amid short-term capital competition.

(2) US Treasury Yields & Gold Dynamics

On Friday, December 26 (New York close), the 10-year U.S. Treasury yield fell 0.38 basis points to 4.1297%, down 1.74 basis points for the week, showing a volatile downtrend in a narrow range. Early in the week, yields rose moderately on the back of the 4.3% Q3 GDP final print and falling initial jobless claims (214,000). They then declined amid expectations of Fed rate cuts in 2026 (over 70% probability of 50 bps cumulative cuts) and the "mini QE" program (monthly purchases of $40 billion short-term Treasury bonds). On Friday, with funds returning after the holiday, volatility narrowed and yields fell slightly, dominated by the competition between economic data and easing expectations.

(3) Impact on Gold

Falling U.S. Treasury yields and rate-cut expectations provided core support, while dollar pressure eased. Gold remained in a high-range consolidation, bolstered by safe-haven demand and loose liquidity.

4) Geopolitical Tensions & Safe-Haven Demand

(1) Russia-Ukraine Conflict

-**Military Escalation:** December 22–23, Russian forces launched over 650 drones and 30+ missiles at Ukraine, causing blackouts in multiple regions.

-**Peace Talks:** December 23, the third round of talks in Istanbul reached a consensus only on prisoner exchanges; Zelenskyy proposed a 20-point peace plan including a "free economic zone in occupied territories."

-**Western Aid:** 24 EU countries jointly borrowed €90 billion to provide loan aid to Ukraine in 2026–2027 (to be repaid only if Russia compensates).

(2) Escalating U.S.-Venezuela Tensions

Venezuela's parliament passed a special law criminalizing actions that hinder its navigation and trade, such as seizing oil tankers, including "other international crimes," targeting recent U.S. crackdowns on Venezuelan oil transport.

Previously, U.S. President Trump imposed a maritime blockade on sanctioned Venezuelan oil tankers, fueling sustained geopolitical tensions. This month, the U.S. has seized two sanctioned oil tankers, one last weekend; Trump further announced that the U.S. is "practically tracking" a sanctioned oil tanker departing Venezuela, intensifying the situation.

(3) Impact on Gold

Escalating military action and limited progress in peace talks in the Russia-Ukraine conflict, coupled with heightened U.S.-Venezuela tensions, significantly raised global geopolitical uncertainty, further boosting safe-haven demand for gold and providing strong support for its high-level performance.

5) Tariff Turmoil Drives Gold Swings

(1) Tariff & Trade Policy Developments

- **U.S.-Swiss Tariffs**

Switzerland agreed to increase investment in the U.S. and open agricultural quotas in exchange for the

U.S. reducing tariffs to 15% (from 39%), but 63% of Swiss citizens opposed the deal.

- **U.S.-China Tariff Dynamics**

December 22, the U.S. announced 301 tariffs on 18 categories of Chinese semiconductor products (including integrated circuits, semiconductor devices), with an initial 0% rate that will gradually increase over 18 months starting June 23, 2027, in three phases to the target rate (or 0% as a transition until June 2027). The U.S. claimed China's "unfair practices" in the chip industry, citing government subsidies dominating global mature-process chip supply. China's Ministry of Commerce responded with "firm opposition," stating it will take necessary measures to protect its interests.

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

EU Retaliation: The WTO authorized the EU to impose retaliatory tariffs of up to $13.64 million annually on U.S. goods in response to U.S. countervailing measures on Spanish green olives.

(2) Impact on Gold:

.Long-term gradual tariff hikes on Chinese semiconductors, escalating U.S.-EU trade retaliation, and controversial U.S.-Swiss tariff negotiations amplified global economic risks, further strengthening gold's safe-haven properties and positive for gold prices.

6) Gold Market Observation

(1) Core Drivers of Precious Metals Rally--The Paper

① Dollar Weakness and Monetary Easing

- Dollar Decline: The dollar index fell ~10% year-to-date, enhancing gold's pricing advantage.
- Fed Policy: 75 bps cumulative cuts in 2025 (to 3.50–3.75%), with market expectations of another 50–100 bps cuts in 2026.
- Accelerating Decoupling from the Dollar: U.S. fiscal crises eroded dollar credit, while Trump's tariff policies exacerbated global de-dollarization trends.

② Structural Shortages in the Silver Market

- Inventory Crunch: Global deliverable silver inventories hit record lows, with Indian Diwali consumption, industrial demand from PV/AI/new energy vehicles, and surging futures delivery volumes pushing up spot premiums.
- Supply Rigidity: Mine production relies on by-products like copper, with limited new capacity; U.S.-China inventory constraints prevent rapid releases.
- Surge in Investment Demand: Rising ETF holdings and individual investors hoarding physical silver further diverted industrial supplies.

③ Geopolitics and Safe-Haven Sentiment

- Russia-Ukraine conflict and Middle East tensions (U.S. airstrikes in Nigeria, Saudi military operations in Yemen) boosted safe-haven demand.
- Escalating U.S.-Venezuela tensions (tanker seizures and retaliatory laws) and U.S.-EU trade frictions (WTO-authorized EU retaliatory tariffs) heightened market uncertainty.

④ Other Supporting Factors

- Central Bank Gold Purchases: Global central banks are projected to buy 750–900 tons in 2025, with emerging economies continuing to increase holdings.
- Loose Liquidity: Fed technical balance sheet expansion and rate-cut expectations reduced gold's holding costs, attracting institutional capital inflows.

⑤ Institutional Forecasts for Precious Metals in 2026

Institution	Gold Forecast	Silver Forecast	Core Basis
Nanhua Futures	More likely to rise than fall; high 4700 USD, support 4100–4200 USD	Supply-demand imbalance; may outperform gold	Fed politicization, dollar credit decline, silver spot crisis; rigid PV/new energy vehicle demand
Guotai Junan Futures	10%–15% gain; target 5000 USD, center 4400–4500 USD	High-quality overweight variety; strong H1 driver	Continued rate-cut cycle, improved macro liquidity, normalized spot crisis
Citic Securities	New highs; 10%–15% gain; test 5000 USD	(No forecast)	Fed rate cuts, geopolitical risks, long-term de-dollarization and central bank purchases
UBS (Joni Teves)	Cautious short-term, bullish medium-term; target over 4500 USD (earlier forecast)	“Enter uncharted territory”; greater elasticity	Short-term liquidity shortage, profit-taking risks; long-term industrial demand and supply gap
Citic Futures	Increased volatility; non-one-way trend	Squeeze trade unlikely to ease short-term; may benefit from recovery	Tight silver inventories, high LME lease rates; mild 2026 global recovery favorable for pro-cyclical assets

⑥ **Short-Term Pullback Risks**

- Regulatory Policy Adjustments: The Shanghai Futures Exchange (SFE) will raise gold and silver futures price limits to 15% and margin requirements to 16%–17% starting December 30, 2025, to curb excessive speculation.
- Market Sentiment and Liquidity Risks:

-After hitting all-time highs, gold faces rising short-term profit-taking pressure, with RSI near overbought territory.

-Low holiday liquidity amplified price volatility; the small-scale, illiquid silver market carries higher pullback risks.

➢ Fundamental Divergence and Policy Uncertainty:

-Gold prices deviated from fundamental fitting, with heightened volatility; focus on trend changes rather than point predictions.

-If Fed rate-cut pace in 2026 falls short of expectations, gold may correct.

-Uncertainty over the implementation of U.S. tariffs on silver could further worsen supply shortages.

III. Outlook & Key Catalysts

➢ **Next Week's Focus:**

Tuesday, December 30: Fed December FOMC meeting minutes (focus on rate cut rationale and inflation statements)

Thursday, January 2: U.S. initial jobless claims, November trade balance, December personal income and spending

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

Reference:

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