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Weekly Gold Wrap

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I. Gold Price Recap

On Friday, January 2 (New York time; early morning of January 3 Beijing time), COMEX Gold Futures edged down 0.04% to settle at $4,339.50/oz, with a weekly decline of 4.67%. COMEX Silver Futures rose 2.04% to $72.045/oz, dropping 6.74% for the week.

CME raised margin requirements for gold and other metal futures (aimed at safeguarding market stability by requiring traders to post additional collateral), exacerbating short-term correction pressure on gold amid thin year-end trading. Coupled with resilient U.S. economic data, gold saw heightened volatility. However, market expectations for the Federal Reserve's monetary easing (interest rate cuts) next year continue to rise, which will reduce the opportunity cost of holding non-yielding assets like gold and provide core support for precious metal prices. Additionally, escalating global geopolitical tensions — including the U.S. military's early-morning airstrike on Caracas on January 3 to arrest President Maduro on "narcoterrorism" charges, Washington's announcement to "manage" Venezuela's oil industry (condemned by many countries as a violation of sovereignty), Russia's adjusted stance on Ukraine peace talks following a drone attack on the Kremlin, and U.S. President Trump's hardened rhetoric against Iran — have further boosted demand for safe-haven assets, underscoring gold's value-preservation attribute. Overall, the macro and geopolitical backdrop remains strongly supportive of gold.

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

➢ **Pending Home Sales (November):**

The National Association of Realtors reported a 3.3% month-on-month increase in November pending home sales, with October's figure revised up to 2.4% growth—surpassing the 1.0% market expectation and hitting a 22-month high (since February 2023).

➢ **Initial Jobless Claims:**

For the week ending December 27, seasonally adjusted initial jobless claims fell by 16,000 to 199,000, below the 220,000 forecast and extending a four-week downward trend since early December.

- **Manufacturing PMI (December 2025, S&P Global):**

The final reading stood at 51.8 (remaining in expansion territory) but down from November's 52.2, marking the slowest growth in five months. New orders contracted for the first time in a year, while input and output price increases slowed to an 11-month low.

(2) Impact on Gold:

Strong pending home sales and falling jobless claims reflect economic resilience, suppressing gold in the short term. However, slowing manufacturing growth and contracting new orders offer safe-haven support, collectively driving gold's volatile trading.

2) Monetary Policy & Gold Market Impact

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

① Fed Leadership Developments

- U.S. President Trump stated he expects the next Fed Chair to maintain low interest rates and "never disagree" with him, sparking concerns about the Fed's independence. Jerome Powell's term ends in May 2026, and the successor will be a key market variable influencing discussions on interest rates, inflation, economic growth, and policy direction.

② Fed Officials' Views:

- Official Views: Few Fed speeches were delivered this week. Summarizing previous comments, some officials advocate pausing rate cuts for a period after three reductions this year, while others argue further cuts may be appropriate if inflation continues to fall. Consensus exists that economic resilience and sticky inflation mean conditions for a March rate cut are not yet met (more data is needed to confirm disinflation).

(2) Market Watch Data

- **CME FedWatch Tool:**

CME FedWatch Tool: Markets price in a 16.1% probability of a Fed rate cut in January.

Margin Hike: CME announced higher margin requirements for gold, silver, and other metal futures last Friday, requiring traders to add collateral to mitigate default risks during contract delivery.

(3) Impact on Gold Prices

Policy uncertainty from Fed leadership changes, divergent views on rate cut pace, and low January cut odds have short-term suppressed gold's upside momentum. While the CME margin hike triggered speculative selling, long-term risks to Fed independence and inflationary pressures amid economic resilience still provide safe-haven support, driving gold's volatile upward trend.

3) Yields, USD & Gold Dynamics

(1) Dollar Index Behavior

On Friday (January 2), the DXY rose 0.1% to close at 98.424, gaining ~0.47% weekly. Resilient U.S. economic data (manufacturing expansion + strong employment) reduced the probability of a March rate cut (to 35%), while slowing Eurozone inflation fueled ECB cut expectations (weakening the euro and supporting the dollar). Thin year-end liquidity amplified volatility, but cross-year capital reallocation drove the dollar's rebound.

For 2026, the dollar will be shaped by three key factors: Fed rate cut pace, Bank of Japan exchange rate intervention, and global diversified asset allocation. Despite cyclical pressure, the dollar's status as the core reserve currency and liquidity advantages remain intact—this phase should be viewed as a cyclical turning point. Investors need to guard against exchange rate risks and prioritize diversified asset allocation.

(2) US Treasury Yields & Gold Dynamics

The 10-year U.S. Treasury yield rose 2.57 basis points to 4.1926% on Friday, climbing 6.30 basis points weekly and ending a two-week losing streak. Drivers included: reduced rate cut urgency from better-than-expected U.S. data, rising inflation expectations from geopolitical conflicts (pushing energy prices higher), cross-year capital reallocation, and supply pressures.

(3) Impact on Gold

A stronger DXY and higher 10-year yields have short-term weighed on gold by increasing opportunity costs and reinforcing dollar-denominated suppression. However, inflation expectations from economic data and underlying geopolitical risks still provide safe-haven and anti-inflation support, keeping gold in a high-level volatile range.

4) Geopolitical Tensions & Safe-Haven Demand

(1) Russia-Ukraine Conflict

Russia accused Ukraine of a drone attack on the Kremlin (north of Moscow), prompting Moscow to reconsider its peace talks stance—denied by Ukraine, whose foreign minister stated Russia was seeking a "false pretext" for further attacks. On January 1, a Ukrainian strike on Kherson killed 24 and injured 50, triggering Russian retaliatory airstrikes. The Zaporizhzhia Nuclear Power Plant lost grid power and is relying on backup lines. Ukraine reshuffled its military leadership and promoted peace talks, but territorial disputes persist.

(2) Escalating U.S.-Venezuela Tensions

The U.S. military launched an early-morning airstrike on Caracas on January 3 to arrest President Maduro on "narcoterrorism" charges. Washington announced plans to "manage" Venezuela's oil industry, drawing condemnation from many countries for violating sovereignty. Venezuela's government declared a national state of emergency, while several Latin American nations closed borders or protested.

(3) Middle East Turmoil

Middle East Turmoil:Saudi Arabia conducted airstrikes in Yemen, and Iran declared a "state of total war" with the U.S., Europe, and Israel—escalating regional instability concerns. Trump warned of further strikes if Iran restarts its nuclear program.

(4) Impact on Gold

Escalating geopolitical risks (protracted Russia-Ukraine conflict, U.S.-Venezuela tensions, Middle East unrest) have significantly boosted safe-haven sentiment, strongly supporting gold prices. Potential energy supply disruptions and global economic uncertainty from these conflicts further strengthen gold's safe-haven and value-preservation attributes, keeping prices elevated.

5) Tariff Turmoil Drives Gold Swings

(1) Tariff & Trade Policy Developments

- **U.S. Furniture Tariff Hike Delayed by One Year:**

The Trump administration postponed the planned furniture tariff increase from January 1, 2026, to

January 1, 2027. Current tariffs of 25% on upholstered furniture, kitchen cabinets, and bathroom vanities will remain in place, with the proposed hikes to 30% (upholstered furniture) and 50% (cabinets) suspended. This move aims to create room for further negotiations with trading partners and ease inflationary pressures.

➢ **China-U.S. Tariff Dynamics:**

China implemented beef import safeguard measures, imposing an additional 55% tariff on imported beef exceeding the specified quota (164,000 tons annually for the U.S.). The policy primarily impacts beef exporters like the U.S. and Brazil, serving as a phased measure to protect China's domestic beef industry.

➢ **U.S.-EU Trade Frictions:**

The U.S. Department of Commerce lowered proposed tariff rates for 13 pasta exporters: Garofalo to 13.89%, La Molisana to 2.26%, and a unified rate of 9.09% for the remaining 11 (down from a previous high of 92%). The final ruling is expected on March 12, with the current phase open for public comment.

➢ **Mexico's Tariffs on China Officially Implemented:**

Starting January 1, Mexico imposed tariffs ranging from 5% to 50% on over 1,000 commodities from China and non-trade agreement countries. Key products include electric vehicles, auto parts, cosmetics, plastics, steel, textiles, toys, furniture, and home appliances. Mexico aims to redirect trade, reduce reliance on China, and protect its domestic industries.

(2) Impact on Gold:

.Adjustments to global trade tariff policies (U.S. furniture tariff delay, China's additional beef tariffs, U.S.-EU pasta tariff cuts, Mexico's tariffs on China) have heightened trade uncertainty. Coupled with potential economic risks and the de-dollarization trend, this continues to support gold's safe-haven demand. However, partial easing of tariff tensions may temporarily limit gold's upside, keeping prices in a high-level volatile range.

6) Gold Market Observation

(1) Key Takeaways: Gold Surge, Central Bank Purchases, and International Monetary System -China Forex

① **Breakthrough Changes in Gold's Market and Reserve Status:**

Gold prices hit an all-time high in 2025, with annual gains the strongest since 1979, reflecting global anxiety. Central banks’ massive gold purchases have lifted its reserve status: in H2 2025, gold's share in global central bank reserves (excluding the Federal Reserve) surpassed both euro-denominated assets and U.S. Treasuries for the first time in nearly 30 years, signaling a potential overhaul of the international monetary and financial system.

② **Gold's Core Attributes and Role in the International Monetary System:**

➢ .Gold integrates commodity, monetary, and financial attributes. Despite "demonetization" after the Jamaica Conference, its store-of-value function remains prominent, and it continues to act as a partial international reserve currency. As a credit-risk-free, supra-sovereign asset, gold is a core safe-haven tool—its reserve volume influences perceptions of sovereign currency value, with Europe and the U.S. maintaining top global gold reserves. Gold derivatives hedge inflation and exchange rate risks, serving as the "last line of defense" in uncertain times.

③ **Drivers and Scale of Central Bank Gold Buying Spree:**

- **Core Driver:** Following the 2022 Ukraine crisis, Western nations froze $300 billion of Russia's foreign exchange reserves. The "weaponization" of the U.S. dollar and euro sparked global concerns about dollar safety, prompting central banks to accelerate gold purchases to hedge risks and reduce dollar reliance.
- **Scale:** Global central banks bought 1,080 tons of gold in 2022 (a year-on-year increase of 140%), maintaining high levels from 2022 to 2024 (1,089.38 tons in 2024). Net purchases reached 634 tons in the first three quarters of 2025, led by emerging economies (Kazakhstan, Brazil, Turkey, etc.).
- **Additional Catalysts:** Geopolitical tensions (Ukraine crisis, escalating Israel-Palestine conflict) and security policy adjustments under the Trump administration have heightened market sensitivity, boosting gold demand.

④ Rifts and Dilemmas in the International Monetary and Financial System:

- **Root of Rifts:** Long-standing systemic flaws, including developing nations' over-reliance on foreign exchange reserves for self-rescue during crises (with IMF bailouts facing limitations). Recent sanctions and the weaponization of the dollar and "interdependence" have deepened these rifts.
- **U.S. Response and New Dilemmas:** To safeguard dollar hegemony, the U.S. enacted a cryptocurrency regulatory bill in 2025, requiring dollar-backed assets to build a "digital dollar zone." This has exacerbated "dollarization" pressures on vulnerable nations, trapping them deeper in the "dollar trap."
- **Limitations of Gold Reserves:** Central bank gold purchases are a short-term risk response, acting as a shock absorber but failing to mitigate systemic risks.

⑤ Building a Global Financial Safety Net and China's Role:

- **Long-Term Solution:** Collective cooperation is needed to strengthen the global financial safety net and prevent systemic risks, rather than relying solely on individual nations' gold reserves. Proposed reforms to the international monetary system include a world currency (ideal but impractical), unipolarity (dollar system, already fractured), multipolarity (e.g., "Dollar-Euro-Yuan (DEY)" framework), and enhancing SDRs with a Global Reserve Fund (GRF). However, progress is slow due to political constraints.
- **China's Actions:** Proactively participating in global (IMF, G20) and regional (Asian monetary and financial cooperation, Belt and Road currency swaps) financial safety net construction; steadily advancing RMB internationalization to improve its ability to serve the global economy.

⑥ Core Conclusion:

- Central bank gold purchases are a short-term response to global risks, aiming to avoid the "dollar trap." Escalating rifts in the international monetary system call for replacing individual actions with collective cooperation—strengthening the financial safety net and advancing systemic reforms to achieve stability, fairness, and systemic risk prevention.

III. Outlook & Key Catalysts

- **Next Week's Focus:**

January 6 (Tuesday): U.S. December ISM Services PMI, speech by Neel Kashkari (rate cut comments)
January 7 (Wednesday): U.S. December ADP Employment, November JOLTS Job Openings
January 8 (Thursday): U.S. Initial Jobless Claims
January 9 (Friday): U.S. December Nonfarm Payrolls Report, University of Michigan Consumer Sentiment Index (Preliminary)

Federal Reserve: Intensive speeches by officials, divergent interpretations of the December FOMC meeting minutes
Geopolitics: Developments in the Venezuela, Middle East, and Russia-Ukraine conflicts

V. Quantitative Strategy Review

DeCTP-12 Strategy Quarterly Brief

- **Core Performance:**

Quarterly Performance:

-Win Rate: 46.5%
-Profit-to-Loss Ratio: 3:1
-Number of Trades: 20
-Annualized Return: 26%
-Maximum Drawdown: 8.9%

- **Weekly Performance Metrics:**

-Weekly Win Rate: 80%
-Equity Change: -0.2%
-Trading Frequency: 14 trades

*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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