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Weekly Gold Wrap

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I. Gold Price Recap

On Friday this week (February 20, New York time; early February 21, Beijing time), COMEX gold futures rose more than 2% to settle at $5,122.80/oz, posting a weekly gain of 1.52%. COMEX silver futures surged over 8% to $84.970/oz, with a weekly increase of 8.34%. The U.S. Supreme Court ruled Trump's tariffs unlawful, while the probability of U.S. military strikes against Iran rose. COMEX gold prices overall saw a V-shaped reversal for the week.

Trading was thin on Monday due to the U.S. Presidents' Day holiday, with gold edging lower. On Tuesday, weak U.S. equities boosted the dollar, pressuring gold prices. On Wednesday, escalating tensions in the Middle East, combined with the Fed's January FOMC minutes signaling policy flexibility in both directions, triggered a gold rebound. U.S. Q4 GDP slowed sharply, but sticky core PCE inflation exceeded expectations, temporarily capping further gold gains. On Friday, the Supreme Court ruling against Trump's tariffs, Trump's announcement of new global temporary tariffs (raising tariff uncertainty), and rising odds of U.S. military action against Iran further fueled gold's rally.

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

➢ **U.S. Q4 2025 GDP**

U.S. economic growth slowed in Q4 2025. The initial core PCE price index for Q4 2025 fell to 1.4% YoY from 4.4%. GDP YoY growth dropped from 4.4% to 1.4%, mainly impacted by the 43-day U.S. government shutdown.

➢ **February U.S. Michigan Consumer Sentiment Index**

The index fell to 56.6 from 57.3. U.S. households reported that "rising prices continue to erode personal financial conditions." On inflation expectations: 1-year expectations eased to 3.4% from 4.0%, while 5-year expectations held steady at 3.3%.

➢ **December U.S. Core PCE**

Core PCE rose 0.4% MoM, above the 0.3% forecast and up from 0.2% prior. YoY, it climbed to 3.0% from 2.8%. The latest core PCE data reinforced expectations that the Fed may keep rates on hold in the coming months.

- **U.S. Initial Jobless Claims**

For the week ending February 14, initial claims fell to 206,000, well below the 225,000 estimate and down from 229,000 prior.

(2) Impact on Gold:

Sharply slowing U.S. economic growth, persistently high core PCE inflation, and rising U.S.-Iran geopolitical risks jointly supported safe-haven and inflation-hedge buying for gold, pushing prices to hold above $5,000/oz and rebound.

2) Monetary Policy & Gold Market Impact

(1) January FOMC Minutes and Fed Officials' Views

① January FOMC Minutes

The January FOMC minutes showed the Fed is in no rush to cut rates, with a cautious, hawkish-leaning policy stance. While officials diverged on the policy path, most agreed that keeping rates higher for longer was appropriate while assessing data; the possibility of further rate hikes if inflation remains elevated was also retained. Only a few mentioned potential rate cuts later in the year if inflation falls as expected.

Strong recent U.S. labor market data, paired with hawkish official rhetoric, led investors to scale back near-term Fed rate-cut expectations. Diminished rate-cut bets continued to underpin the dollar and U.S. Treasury yields, pressuring non-yielding gold and limiting its upside. However, markets still broadly expect the Fed to resume rate cuts in the second half of 2026.

② Fed Officials' Views

- **Michelle Bowman (Fed Governor):** Inflation has eased but upside risks remain prominent. Premature rate cuts are unwarranted until there is sufficient evidence of sustained progress toward the 2% inflation target; policy should retain two-way adjustment flexibility (hawkish).
- **Michael Barr (Fed Vice Chair for Supervision):** Favors maintaining current rates for a period. More evidence of sustained declines in goods inflation is needed, with close attention to potential impacts of tariff policy changes on inflation and the economy (neutral-hawkish).
- **Philip Jefferson (Fed Vice Chair):** The U.S. economy and labor market remain robust, allowing the Fed to patiently monitor data and act cautiously. Current policy remains restrictive; no urgent adjustment is needed (neutral).
- **Mary Daly (San Francisco Fed President):** A restrictive policy stance must be maintained to ensure sustained inflation declines, while external shocks such as trade policy and geopolitical tensions should be comprehensively assessed (neutral-hawkish).
- **Christopher Waller (Fed Governor):** Supports patience and no rush to cut rates. While monitoring inflation progress, lagged restraining effects of high rates on the economy and employment must be watched (neutral).
- **Lisa Cook (Fed Governor):** Sees room for rate cuts this year, but the pace must be more cautious given sticky current inflation; decisions will be highly data-dependent (dovish).

(2) Market Watch Data

- **Prime Market Terminal Data**：

Money market pricing still anticipates two Fed rate cuts in 2026.

(3) Impact on Gold Prices

The Fed's hawkish January FOMC tone and diminished near-term rate-cut expectations temporarily pressured gold's upside. However, market pricing for second-half rate cuts provided medium-term support, leaving gold in a range-bound pattern.

3) Yields, USD & Gold Dynamics

(1) Dollar Index Behavior

At the New York close on Friday (February 20), the DXY, measuring the dollar against six major currencies, fell 0.13% to settle at 97.796. For the week, the DXY rose cumulatively—its best weekly performance in nearly three months—driven by the Fed's cautious January FOMC stance and persistent U.S.-Iran tensions. It climbed steadily Monday through Thursday, then erased gains sharply after the Supreme Court ruled Trump's tariffs unlawful.

(2) **US Treasury Yields & Gold Dynamics**

At the New York close on Friday (February 20), the benchmark 10-year U.S. Treasury yield rose 1.53 bps to 4.0826%. For the week (four trading days due to the Presidents' Day holiday), it gained 3.43 bps.

(3) Impact on Gold

The weekly rise in the DXY and modest uptick in 10-year Treasury yields exerted downward pressure on gold. However, market volatility from the tariff ruling and ongoing U.S.-Iran geopolitical risks boosted safe-haven demand, providing partial support.

4) Geopolitical Tensions & Safe-Haven Demand

(1) Russia-Ukraine Conflict

On Wednesday, the third round of U.S.-mediated Russia-Ukraine talks concluded in Geneva with no major breakthroughs. Substantial disagreements over the status of Ukrainian eastern territories remained unresolved.

(2) Middle East Situation:

The Wall Street Journal reported the U.S. is considering sanctions on Iranian individuals or pursuing regime change. President Trump warned Thursday of seeking a "clear outcome" on a new nuclear deal within 10-15 days: "Either a deal is reached, or Iran will face severe consequences." The U.S. continues to deploy additional troops in the Middle East.

Separately, Iran and Russia held joint naval drills in the Gulf of Oman on Thursday. Iran's UN envoy stated Tehran would "respond decisively" to any U.S. "military aggression" and called on the UN Security Council to condemn Trump's recent remarks.

(3) Impact on Gold

Stalemated Russia-Ukraine talks, escalating U.S.-Iran confrontation with a negotiation deadline, and Russia-Iran joint military exercises significantly lifted global risk aversion, providing direct and strong support for gold prices.

5) Tariff Turmoil Drives Gold Swings

(1) Tariff & Trade Policy Developments

➢ **U.S. Supreme Court Ruling: Old Tariffs "Ultra Vires," Immediately Revoked**

On February 20, the U.S. Supreme Court ruled 6–3 that the Trump administration's sweeping global tariffs imposed under the International Emergency Economic Powers Act (IEEPA) lacked explicit congressional authorization and were unlawful. The ruling invalidates:A 10% global baseline reciprocal tariff;An additional 10% fentanyl-specific tariff on China.

As a result, the U.S. average most-favored-nation (MFN) tariff rate and average tariffs on Chinese goods are expected to decline temporarily. Approximately $175 billion in duties were collected under the invalidated policy; hundreds of U.S. firms have already filed lawsuits seeking refunds, with further legal challenges likely to unfold.

- **Trump's Emergency Response: New Global Temporary Tariffs (15%, 150 Days)**

Immediately after the ruling, the Trump administration signed an executive order under Section 122 of the Trade Act of 1974, imposing a 10% temporary tariff on all global imports effective February 24 for 150 days. On February 21, Trump raised the rate to 15%, stating the measure is legally authorized.

Section 122 grants the president emergency tariff authority: up to 15% for a maximum of 150 days, requiring congressional approval for extensions and mandating global application (no country-specific targeting). Key exemptions apply to:

-Energy, pharmaceuticals, critical agricultural goods, autos, aerospace, and precious metal currencies

-Critical minerals and select agricultural products (beef, tomatoes, oranges, etc.)

-Goods already covered by other tariffs (no double-counting)

- Potential Impact Analysis

The tariff shift creates differentiated trade effects:

-EU, Japan, South Korea, ASEAN, and select Americas: Consumer and general industrial goods (previously unburdened by multiple tariffs) now face the new 15% global tariff, raising trade pressures.

-China, Brazil, India, Mexico: With old tariffs partially revoked, overall tariff levels are set to fall temporarily. Energy, autos, pharmaceuticals, steel, and aluminum benefit from exemptions or non-duplication, easing total tax burdens.

- **EU Tariff Developments**

The EU had planned a 10% tariff on 8 countries (Denmark, Norway, Sweden, France, Germany, UK, etc.), rising to 25% on June 1. The policy has been suspended following progress in Greenland-related negotiations.

(2) Impact on Gold:

The abrupt U-turn in U.S. tariff policy disrupts global trade pricing equilibrium and heightens uncertainty. Refund lawsuits from invalidated tariffs, the new temporary tariff, and potential retaliation by major economies amplify trade-friction concerns, boosting global risk aversion and providing trend support for gold. Further tariff adjustments or countermeasures could lift safe-haven demand for gold even higher.

6) Gold Market Observation

（1）China Market | January 2026 Gold Market Summary (World Gold Council, WGC)

① Gold Price Performance: Strong Start to 2026, Pullback After Surge

- **Strong opening:** In January, London gold (USD) rose 14% (strongest January since 1980); Shanghai benchmark gold (CNY) surged 19% (best annual start on record).
- **Volatility:** Hit 11 all-time highs in January. Late-month pullback on hawkish Fed Chair expectations, profit-taking, and commodity selling led to consolidation.
- **Early February:** Briefly dipped below $4,500/oz before rebounding firmly above $5,000/oz, with strong underlying support.

② Physical Gold Demand: Seasonal Support, High Prices Curb Incremental Demand

- **Overall:** SGE gold withdrawals totalled 126 tonnes in January (YoY flat, MoM +11%), indicating robust physical demand.
- **Support factors:** Rising prices boosted gold bar sales; pre-Spring Festival jewelry restocking and dip-buying during late-month price pullbacks were strong.
- **Constraints:** Rapid price gains and volatility prompted investor/consumer caution. Daily withdrawals fell 10% YoY, capping physical demand growth.

③ **Gold ETFs: Massive Inflows, AUM & Holdings Hit Records**

- **Flows:** Net inflows of ~¥44 billion in January, marking 5 consecutive months of positive flows and the second-highest monthly inflow on record.
- **Size & holdings:** Total AUM rose to ¥333 billion; holdings increased 38 tonnes to 286 tonnes, both all-time highs.
- **Drivers:** Strong gold prices, domestic monetary-easing expectations, rising geopolitical risks, and increased institutional allocation demand underscored gold's investment appeal.
- **Early February:** Brief outflows during price pullbacks were followed by resilient dip-buying.

④ **Gold Futures: Higher Volatility Boosts Activity, Volume Surges**

- **Trading:** SHFE gold futures averaged 456 tonnes daily in January (MoM +17%, 72% above 5-year average).
- **Logic:** Sharp price gains and rising volatility attracted speculative capital, creating a positive feedback loop between price swings and trading activity.
- **Role:** Futures became a key venue for price positioning and risk management, with rising market attention.

⑤ **Central Bank Gold Purchases: 15 Consecutive Months of Buying, Strategic Allocation**

- **Purchases:** PBoC added 1.2 tonnes in January, extending its 15-month buying streak with a stable long-term trend.
- **Reserves:** As of end-January 2026, official gold reserves reached 2,308 tonnes, accounting for 9.6% of FX reserves, improving reserve structure.
- **Significance:** Sustained central bank buying highlights gold's long-term value as a systemic-risk hedge and strategic reserve asset.

⑥ **Gold Imports: 2025 Saw Sharp Decline, Weak Demand Dominant**

- **December 2025:** Net imports totalled 29 tonnes (MoM -18 tonnes, YoY -55 tonnes), remaining weak.
- **Full-year 2025:** Net imports fell 41% YoY to 675 tonnes, marking a significant contraction.
- **Weakness drivers:** Soft jewelry consumption, frequent domestic gold price discounts vs. overseas, and compressed importer margins reduced import appetite.

⑦ **Spring Festival Market Outlook: Seasonal Recovery, High Prices Remain a Constraint**

- **Upside:** Pre-Spring Festival gifting and self-consumption will lift jewelry and gold bar demand, providing near-term support.
- **Downside:** Record-high prices continue to curb mass consumption, limiting jewelry sales growth.
- **Shifts:** High price volatility has spurred physical buying and gold recycling; trade-in programs have grown active, boosting overall market liquidity.

III. Outlook & Key Catalysts

- **Next Week's Focus:**

Feb 24 (Mon): Chicago Fed National Activity Index

Feb25(Tue): U.S. February Conference Board Consumer Confidence Index; Richmond Fed Manufacturing Index

Feb 26 (Wed): U.S. January New Home Sales

Feb 27 (Thu): U.S. Initial Jobless Claims; Q4 GDP Revised Estimate; January Durable Goods Orders

Feb 28 (Fri): U.S. January Core PCE Price Index; February Chicago PMI

Key Focus Areas:

Tariff developments, Fed officials'speeches, progress on the Warsh nomination, geopolitical risks, etc.

*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).

Reference:

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