Future Gold Labs

X (Twitter): https://x.com/futuregoldx

TG: https://t.me/futuregoldlabs

Author：**Koi**

Reviewer：**Jake Liu**

Weekly Gold Wrap

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I. Gold Price Recap

On Friday (New York time, March 27; Beijing time, early morning of March 28), COMEX gold futures rose 2.58% to 4,489.70 US dollars per ounce, down 3.2% weekly. It extended last week's correction but narrowed the decline, featuring a "first decline then rebound, volatile game" pattern. COMEX silver futures rose 2.40% daily to 69.77 US dollars per ounce, falling 2.75% weekly—sharply narrowing from last week's 16.28% plunge—signaling initial volatile bottoming for precious metals. Intensive hawkish Fed remarks, rising U.S. inflation expectations, and synchronized strength in the U.S. dollar and Treasury yields pressured precious metals, but geopolitical risk aversion from the escalating U.S.-Iran conflict and bottom-fishing buying at phased lows eased downward pressure and offset partial bearishness.

The gold market this week saw an obvious "first decline then rebound" trend, with the U.S.-Iran conflict escalation and Fed hawkish remarks alternately dominating price fluctuations as core drivers:

Unilateral decline early week: On Monday and Tuesday, lingering hawkish signals from last week's Fed FOMC meeting deepened market pricing for "higher rates for longer," strengthening the U.S. dollar index and pushing gold and silver lower. Additionally, Trump's threat to destroy Iran's power plants if it closed the Strait of Hormuz triggered soaring oil prices and inflation concerns, pressing gold to around 4,100 US dollars per ounce—the lowest since late November;

Subsequently, Trump's announcement to postpone military strikes drove gold to rebound sharply to around 4,400 US dollars per ounce, supported by optimism over de-escalation. However, in the latter half of the week, Iran's denial of negotiations, rejection of U.S. proposals, and U.S. refusal to rule out ground operations worsened sentiment, eroding partial gains. Meanwhile, Fed officials Barkin and Jefferson warned of inflation upside risks from the Middle East conflict; coupled with rising Treasury yields, gold fell nearly 3% on Thursday.

Near the weekend, it rebounded correctively supported by short covering, showing an overall sharp volatile trend. Gold investors are waiting for clear signals of the U.S.-Iran war. Escalating uncertainty in the Middle East has led gold buyers to adopt a wait-and-see attitude, keeping gold in a state of continuous volatility. Next week, investors will focus on the progress of the U.S.-Iran conflict, remarks from Federal Reserve officials, and U.S. non-farm payroll data, while paying attention to the impact of relevant holiday closing arrangements on market liquidity.

II. Key Drivers Behind Gold's Volatility

1) U.S. Economic Indicators Drive Sharp Correction in Gold

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

➢ **U.S. S&P Global PMI Flash Reading**

The composite PMI fell to 51.4 (11-month low), slowing economic expansion for two months. Manufacturing PMI rebounded to 52.4 (5-month high in new orders), but services PMI dropped to 51.1 (11-month low). Input/output prices rose sharply, and private employment fell for the first time in over a year.

➢ **U.S. Initial Jobless Claims**

Claims stood at 210,000 (in line with expectations, slightly up from prior. Continuing claims fell to 1.82 million (nearly two-year low), reflecting strong labor market resilience.

➢ **University of Michigan Consumer Sentiment**

The final index held at 55.5 (2026 low), indicating weak sentiment. One-year inflation expectations stabilized at 3.4%, ending a 6-month decline.

(2) Impact on Gold:

U.S. economic data strengthened Fed expectations for "higher rates for longer," pressuring gold. Weak PMI provided minor safe-haven support, but it was offset by labor resilience, stabilized inflation expectations, and re-inflation concerns from crude inventory builds.

2) Monetary Policy & Gold Market Impact

(1) Fed Developments & Official Views

Fed Actions

➢ **Federal Reserve Dynamics:**

The March FOMC meeting was hawkish, emphasizing uneven inflation decline, the need for more data to support rate cuts, and "higher rates for longer." Powell stated he will serve as interim chairman/governor after May 15 until Warsh's Senate confirmation, with policy continuity expected. His recent hawkish remarks warned of inflation rebound risks, not ruling out further hikes and consolidating high-rate pricing.

➢ **Summary of Federal Reserve Officials' Views**

- **Governor Michelle Bowman :** Warns of inflation rebound risks; does not rule out further hikes; highlights long-term energy price impacts.**(Hawkish)**

- **Governor Stephen Miran :** No need for hikes; expects 4 cuts in 2026; geopolitics should not guide monetary policy.**(Dovish)**

- **Chicago Fed President Austan Goolsbee:** Expects minor cuts in 12-18 months, but first cut likely later than expected; cautious policy adjustments.**(Neutral-dovish)**

- **Vice Chairman Philip Jefferson:** Reiterates uneven inflation decline; maintains high rates longer.**(Hawkish)**

- **San Francisco Fed President Mary Daly :** Limited cuts this year; high rates supported by labor resilience and inflation stickiness.**(Hawkish)**

- **Richmond Fed President Thomas Barkin :** Cautious on cuts; needs broad inflation cooling; warns of energy-driven re-inflation.**(Hawkish)**

- **Governor Lisa Cook :** Focuses on financial stability; no direct rate comments.**(Neutral)**

(2) Market Watch Data

➢ **Prime Market Terminal Data:**

CME FedWatch Tool: Fed's current rate is 3.50%-3.75%; 92.8% chance of no change, 7.2% chance of

25bp hike in April; 90.7% chance of no change, 9.1% chance of cumulative 25bp hike in June; 74% chance of no change, 26.3% chance of hike, 8.4% chance of cut by end-2026. Traders expect a possible 20bp hike by year-end, reversing the rate cut expectation a week ago.

(3) Impact on Gold Prices

Fed hawkishness and fading cut expectations pushed up real rates and the U.S. dollar, pressuring gold. Short-term gold will remain constrained by high rates, keeping it volatile and weak.

3) Yields, USD & Gold Dynamics

(1) Dollar Index Behavior

As of Friday (March 27) New York close, the U.S. Dollar Index (DXY) rose 0.26% to 100.151, gaining weekly and oscillating strongly at highs. It was supported by Fed officials' collective hawkish remarks, escalating Middle East geopolitical conflicts and re-inflation concerns from soaring oil prices, driven by deepened "higher rates for longer" expectations, Middle East safe-haven flows and weaker non-U.S. currencies.

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

At Friday (March 27) New York close, U.S. Treasury yields across all maturities surged sharply, with market expectations for inflation rebound and delayed rate cuts heating up. The 10-year U.S. Treasury yield rose 1.61 basis points to 4.4278%, approaching the key 4.5% level. Weekly yields climbed in a stepwise manner, driven by above-expected core PCE, oil-driven inflation concerns and intensive Fed hawkish remarks, triggering concentrated Treasury selling and synchronized gains in short-term and long-term yields, significantly increasing the opportunity cost of holding non-interest-bearing gold.

(3) Impact on Gold

.A stronger DXY and sharply higher U.S. Treasury yields directly raised gold's holding cost, weighing on gold prices significantly. Under the dual pressure, gold traded in a volatile range. Despite some safe-haven support from the Middle East geopolitical conflicts, high interest rate expectations dominated the pricing logic, fully offsetting gold's safe-haven attribute with rising holding costs; gold rebounded slightly on Friday due to weaker-than-expected U.S. durable goods orders and initial jobless claims, but remained in a volatile adjustment state for the week overall.

4) Geopolitical Tensions & Safe-Haven Demand

(1) Middle East: U.S.- Iran Military Conflict

➢ ① **U.S.-Iran Conflict & Volatile Energy Prices**

The U.S.-Iran conflict escalated with collapsed negotiations and severed diplomatic ties—core demands (U.S. Iran nuclear abandonment; Iran U.S.-Israel ceasefire) are irreconcilable. Iran attacked Israeli/U.S. targets; the U.S. deployed troops and delayed energy facility strikes. Strait of Hormuz shipping nearly halted (20% global crude), pushing up Brent crude and global inflation expectations.

➢ ② **Rising Asia-Pacific Geopolitical Risks**

DPRK-ROK relations hit a low (DPRK listed ROK as hostile; ROK responded strongly). Sino-Japanese frictions emerged (Japanese Self-Defense Force personnel broke into China's Osaka Consulate), straining regional security.

➢ ③ **Russia-Ukraine Conflict:**

The conflict persists. The EU launched its 14th round of sanctions on Russia; the U.S. House passed a $60 billion Ukraine aid bill (pending Senate vote), sustaining battlefield tensions.

➢ ④ **Escalating Russia-U.S. Game in the Americas:**

A Russian warship visited Cuba (second in a month) and sent energy tankers, triggering strong U.S. reactions (tracking, troop adjustments, additional sanctions) but lingering geopolitical tensions.

(2) Impact on Gold

Multiple geopolitical conflicts boost global safe-haven demand, supporting gold. However, oil-driven inflation and Fed hawkishness form a hedge, keeping gold in a volatile game pattern.

5) Tariff Turmoil Drives Gold Swings

(1) Tariff & Trade Policy Developments

- **U.S. Imposes High Tariffs on Chinese Steel Fences & Launches Global "Section 301 Investigation"**

U.S. Imposes High Tariffs on Chinese Steel Fences & Launches Global "Section 301 Investigation": The Trump administration imposed a 233% maximum tariff on Chinese steel fences and launched a "Section 301 Investigation" targeting 16 economies. The U.S. Supreme Court restricted its rapid tariff authority, potentially constraining future adjustments.

- **South Korea Imposes/Reviews Anti-Dumping Duties on Chinese Products**

On March 26, South Korea imposed 15.96%-19.85% anti-dumping duties on Chinese industrial robots and launched a mid-term review on Chinese polyester. This month, it finalized up to 30% tariffs on Chinese carbon steel and raised PET film duties to protect local industries.

(2) Impact on Gold

Increased tariffs by the U.S. and South Korea on China and their related trade measures have intensified global trade uncertainty, boosted market risk aversion, and provided support for gold prices.

6) Gold Market Observation

1) Why gold in 2026? Is gold still a strategic asset for Japanese investors?——WGC

Core Conclusion: Despite recent volatility, gold remains a strategic asset for Japanese investors in 2026, improving portfolio performance amid macro challenges.

① 2026 Japan Macro Background (Core Premise)

- **Sticky inflation:** PM Fumiko Koda's expansionary fiscal policy eases short-term pressures, but output gaps and labor shortages (falling fertility, shrinking working-age population) drive wage hikes and long-term inflation risks.
- **Interest rate/policy:** The BoJ is likely to continue monetary normalization (hikes) to counter yen weakness and inflation, hedging government expansionary fiscal policy.
- **Market/geopolitical risks:** Stock-bond correlation rises with inflation; global geopolitical risks (including Japan-related) persist, with clustered, sustained outbreaks.

② Core Strategic Value of Gold for Japanese Investors

- **Stable returns:** Gold delivers positive long-term returns (20/10/5 years); yen-denominated gold outperforms most major assets in CAGR, supported by anti-cyclical (wealth preservation) and pro-cyclical (jewelry, tech) demand.
- **Low correlation with risky assets:** Near-zero correlation with Japanese stocks during downturns (safe-haven); higher correlation during rallies, optimizing portfolio risk-return.
- **Geopolitical hedge:** No counterparty risk, high global liquidity, and currency/government independence; historical "geopolitical premium" eases market shocks.
- **Dual inflation-deflation hedge:** 23% average annual nominal return (16% real) for yen-denominated gold when inflation exceeds 2%; capital preservation in deflation via safe-haven demand.

③ **Portfolio Empirical Support**

Simulations of Japanese corporate pension portfolios show 5% gold allocation (from other assets) significantly improves annualized returns, reduces volatility/max drawdown, and optimizes risk-adjusted returns over 5/15/20 years; 2.5%-10% allocation also enhances performance.

④ **Key Supplement**

Recent gold volatility stems from repeated geopolitical risks, inflation expectations, and central bank policy adjustments. Historical data shows gold volatility has mean reversion, with current high volatility likely to ease, not harming long-term value.

III. Outlook & Key Catalysts

➢ **Next Week's Focus:**

March 31 (Monday): U.S. March Chicago PMI;

April 1 (Tuesday): NY Fed President Williams' speech, U.S. March ISM Manufacturing PMI;

April 2 (Wednesday): U.S. API/EIA Crude Inventories, Chicago Fed President Goolsbee's speech, FOMC voter Logan's speech;

April 3 (Thursday): U.S. Weekly Initial Jobless Claims, U.S. March ADP Employment Data;

April 4 (Friday): U.S. March Non-Farm Payrolls, Unemployment Rate, Average Hourly Earnings, U.S. March ISM Non-Manufacturing PMI;

Continuous Focus: U.S.-Iran conflict escalation and Strait of Hormuz navigation, U.S. Section 301 Investigation and China tariff progress, Middle East geopolitical risk spread, and Fed officials' remarks;

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