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Weekly Gold Wrap

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I. Gold Price Recap

.On Friday, April 17 (New York time, early April 18 Beijing time), COMEX gold futures closed at $4,849.4/oz, rising 0.85% on the day and ~2.12% weekly. The week exhibited a "bottoming out and rebounding, high-level volatile" pattern with intense long-short competition. COMEX silver futures rose 2.82% to $80.93/oz, up ~6% weekly. Precious metals overall maintained high-level oscillation with underlying support intact.

Gold trended oscillatory higher this week, driven by U.S.-Iran negotiations, Strait of Hormuz tensions, and U.S. economic data. It dipped initially on negotiation setbacks before rebounding, consolidated mid-week, and climbed Friday on Strait reopening news—trading highly contested at elevated levels:

Early Week: Gold gapped down to weekly lows as U.S.-Iran talks stalled and Trump announced port blockades, sparking risk aversion. It rebounded in the afternoon as sentiment improved. Negotiation signals emerged Monday night, with the Vice President citing substantive progress.

Tuesday: Trump stated war was near its end and Iran sought a deal urgently. U.S. March PPI rose below forecasts, pressuring the dollar and boosting gold by >2%.

Mid-Week: White House denied ceasefire extension reports, triggering caution; gold gave up some gains. Thursday, Trump announced 10-day Israel-Lebanon truce, but Israel refused withdrawal and Iran set conditions. Gold consolidated around $4,800/oz.

Friday: Iranian Foreign Minister Abbas Araghchi announced full Strait of Hormuz reopening to commercial vessels during the truce. This spurred risk-on flows and further gold gains.

Markets remain focused on U.S.-Iran talks and Strait developments. While de-escalatory overall, progress remains erratic, sustaining precious metals' long-short tug-of-war.

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

➢ **US. March Capacity Utilization**

March capacity utilization stood at 75.7%, below the 76.3% forecast and 76.1% prior. The slight decline signals weaker industrial activity and softer demand.

➢ **US. Producer Price Index (PPI)**

March final-demand PPI rose 0.5% MoM / 4.0% YoY (largest since Feb 2023), but missed estimates across the board, easing inflation fears. Core PPI: 0.2% MoM / 3.6% YoY, slowing—indicating contained inflation pressures and room for Fed policy flexibility.

- **US. March Retail Sales**

March retail sales rose 0.4% MoM / 7% YoY (6th straight monthly gain), accelerating from February. Core sales: 0.41% MoM / 7.05% YoY, led by apparel. Above-average tax refunds offset higher fuel costs, showing consumer resilience.

- **US. March Industrial Production**

Industrial output fell 0.5% MoM, weaker than 0.2% expected and 0.7% prior. Motor vehicles, parts, and utilities led declines, signaling weak near-term industrial momentum and uneven recovery.

- **Initial Jobless Claims**

Seasonally adjusted claims for the week ending April 11 fell to 207k, below 215k forecast and 218k prior. Labor market shows low hiring/low layoff dynamics.

- **US April Philadelphia Fed Manufacturing PMI**

The index surged to 26.7, far exceeding 10.0 consensus and 9.1 prior—signaling strong manufacturing expansion in the East, partially offsetting national weakness.

(2) Impact on Gold:

This week's U.S. economic data exerted a neutral-to-supportive effect on gold: moderate inflation and soft industrial data eased Fed rate-hike expectations and weakened dollar resilience to underpin gold, while strong manufacturing PMI and robust employment and consumption data temporarily suppressed safe-haven demand but did not disrupt gold's high-level consolidation, and with these offsetting forces, gold maintained strong resilience.

2) Monetary Policy & Gold Market Impact

(1) Fed Developments & Official Views

Fed Actions

- **Federal Reserve Dynamics:**

Latest Beige Book: The U.S. economy grew modestly, with stable employment and consumption, a tight labor market, and divergent consumption patterns. Middle East conflicts and rising oil prices amplified inflationary pressures; higher corporate costs were passed downstream. The housing sector remained subdued, and business investment appetite slowed. Firms across most districts expressed cautious demand outlooks, while tight credit conditions further constrained investment and expansion—pointing to weak overall recovery momentum.

Kevin Warsh Nomination: Confirmation hearing scheduled for April 21. Financial disclosures completed; faces Republican resistance (linked to an unresolved Fed criminal probe). Markets focus on his stance regarding Fed independence, rate-cut path, and policy response to Middle East-driven inflation.

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

John Williams (NY Fed): Ongoing Middle East tensions keep oil prices elevated, posing upside inflation risk; headline inflation likely to rise. Current policy stance is appropriate. Will monitor inflation/employment data closely; no hasty rate adjustments until sustained, credible inflation decline is confirmed. (Neutral)

Mary C. Daly (SF Fed): Policy is "mildly restrictive"; neutral rate ~3%. Likely to hold rates steady. Would support hikes if inflation accelerates; could discuss cuts if the Iran conflict ends swiftly. (Dovish)

Patrick Harker (Philly Fed): Labor market cooling moderately. Prolonged high rates risk unnecessary harm to growth/jobs. Should cut at the appropriate time to avoid over-tightening, balancing growth and stability. (Dovish)

Christopher Waller (Board): Mideast tensions lift inflation near-term; if conflict eases and oil retreats, cuts possible late 2026. Longer energy disruptions raise inflation broadening risk. Cautious on cuts now; favors easing year-end to support jobs. (Hawkish → Neutral/Dovish)

Austan Goolsbee (Chicago Fed): Longer Mideast strife → more persistent oil-supported inflation; rate cuts may delay to 2027. Could revisit hikes if inflation rebounds sharply. (Hawkish)

Stephen I. Miran (Board): Recent inflation progress slower than hoped, but oil gains are transitory supply shocks that won't derail the disinflation trend. Sees three 2026 cuts (not four); no reason to delay easing excessively. (Dovish)

(2) Market Watch Data

➢ **Prime Market Terminal Data:**

CME FedWatch: Current Fed target range 3.50% – 3.75%. Probability of on-hold in April/June > 98%; on-hold through year-end ~88 – 90%. Rate-cut expectations rebounded slightly but remain depressed; hike odds near zero. Market pricing still implies limited 2026 easing, though slightly less hawkish than prior extremes.

(3) Impact on Gold Prices

Iran's reopening of the strait and falling oil prices led to a partial recovery in rate-cut expectations and strengthened prospects for lower real interest rates, benefiting gold's financial attributes and driving up gold prices. As the Middle East situation has not fully subsided, a geopolitical risk premium remains. Coupled with the divide between hawks and doves within the Federal Reserve, gold has maintained high-level volatility in a pattern where it is easier to rise than to fall.

3) Yields, USD & Gold Dynamics

(1) Dollar Index Behavior

As of the New York close on Friday (April 17), the U.S. Dollar Index (DXY), which measures the greenback against six major currencies, fell 0.12% to close at 98.098, remaining weak for the week and stuck in a 21-month low range. Core drivers: first, Iran's announcement to reopen the Strait of Hormuz significantly eased geopolitical tensions in the Middle East, causing the safe-haven premium supporting the U.S. dollar to continue fading; second, the sharp drop in oil prices eased upward inflation pressure, reviving market expectations for Federal Reserve rate cuts. Combined with dovish remarks from some Fed officials, this further weighed on the U.S. dollar. Overall steady non-U.S. currencies also dragged down the index.

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

As of the New York close on Friday (April 17), U.S. Treasury yields across all maturities fell across the board. The yield on the benchmark 10-year U.S. Treasury note dropped 6.32 basis points to close at 4.248%, down approximately 6.90 basis points for the week. Driven mainly by easing geopolitical tensions, cooling inflation concerns and rising Federal Reserve rate-cut expectations, the bond market strengthened and yields declined.

(3) Impact on Gold

A weaker U.S. Dollar Index, falling U.S. Treasury yields and rising Federal Reserve rate-cut expectations together provided strong support for gold prices. Although safe-haven sentiment in the Middle East eased, a weak U.S. dollar and rate-cut expectations dominated the market, highlighting gold's value as a financial allocation asset. Gold prices are expected to remain strong in the short term, with future attention to Federal Reserve policy signals and potential disruptions from repeated geopolitical tensions.

4) Geopolitical Tensions & Safe-Haven Demand

(1) Geopolitical Tensions

① Middle East: U.S.-Iran Rivalry and Israel-Lebanon Ceasefire

The U.S.-Iran conflict entered a new phase this week, shifting from military confrontation to a mix of negotiations and confrontations with pressure for talks, while Israel and Lebanon saw a fragile temporary ceasefire.

- **U.S.-Iran Negotiation Deadlock and Relevant Demands**

Mediated by Pakistan, talks in Islamabad on April 11 – 12 collapsed, and a new round of mediation on April 16 yielded no substantive breakthrough. The U.S. tabled a new proposal, which Iran is reviewing but has not responded to. Trump stated a preliminary agreement could be reached within one to two days, while Iran denied making core concessions such as exporting enriched uranium. Disputes remain focused on three issues: U.S. unfreezing of Iranian assets, Iranian nuclear restrictions, and strait navigation.

- **U.S.-Iran Maritime Blockade and Countermeasures**

On April 13, the U.S. launched a full maritime blockade against Iran covering the Persian Gulf and the Gulf of Oman. Iran temporarily opened the strait on April 17 but closed it again on April 18 as the U.S. refused to lift the blockade, stating it would control the strait until the end of the conflict. The U.S. announced the blockade would continue until a deal is reached and expanded efforts to intercept Iran-linked vessels globally.

- **10-Day Israel-Lebanon Ceasefire and Situation**

The ceasefire is fragile and exists in name only: Israel refused to withdraw troops. On April 18, the Israeli military said it struck "cross-border armed groups" in southern Lebanon, killing Hezbollah members in airstrikes, and stressed self-defense actions were not restricted by the ceasefire. Hezbollah condemned Israel's breach of the agreement and vowed reciprocal responses. A UNIFIL convoy was attacked and a French soldier killed the day after the ceasefire took effect, reigniting tensions.

② Progress of the Russia-Ukraine Conflict

The Russia-Ukraine conflict escalated into full-scale fierce fighting this week.The 32-hour Easter temporary truce between Russia and Ukraine never fully took hold, with sporadic clashes continuing. Full-scale fighting resumed on April 13 and the truce agreement expired. On April 16, the Russian military struck Ukrainian military-industrial and energy facilities with high-precision weapons, while Ukrainian forces launched counterattacks in multiple directions and recaptured some strongholds, further escalating the confrontation. Spring combat operations between Russia and Ukraine are intensifying, with the two sides engaged in full-scale confrontations along the 1,200-kilometer front line. The frontline is stalemated and the conflict remains at a high level.

(2) Impact on Gold

.Multiple geopolitical conflicts provided underlying support for gold prices. The situation in the Strait of Hormuz dominated oil prices and thus influenced Federal Reserve rate-cut expectations. Coupled with the hedging effect of high interest rates, gold prices have been shaped by geopolitics, inflation and policies, showing a volatile pattern of intense long-short competition.

5) Tariff Turmoil Drives Gold Swings

(1) Tariff & Trade Policy Developments

- **United States: Reinstate High Tariffs on China in Early July**

On April 14, the U.S. Treasury Secretary announced the reinstatement of high tariffs (25% - 50%) on China in early July, relaunching a Section 301 investigation to provide legal basis for tariff hikes, and did not rule out abolishing duty exemptions for small parcels. The move mainly targets relevant Chinese export products to adjust trade balance through tariffs. China has explicitly stated it will take reciprocal countermeasures to safeguard its legitimate rights and interests, raising risks of bilateral trade frictions.

➢ **European Union: Double Steel Import Tariffs and Halve Quotas**

On April 13, the EU reached a provisional agreement on new steel import rules, cutting annual duty-free import quotas by 47% to 18.3 million tons, doubling over-quota tariffs to 50%, and introducing origin rules to prevent tariff circumvention. The measures will take effect on July 1 pending further approval.

➢ **China: Multiple Tariff Concessions Implemented**

Canton Fair: During the 15th Five-Year Plan period, imported exhibits sold during the fair will be exempt from relevant taxes and fees within specified limits, with optimized calculation methods for duty-free quotas.

(2) Impact on Gold Prices

Global trade frictions and stagflation risks on the one hand push up inflation and support gold's safe-haven and anti-inflation demand, and on the other may force the Federal Reserve to maintain high interest rates and cap gold prices, leaving gold in a volatile pattern where safe-haven support coexists with high-interest-rate suppression.

6) Gold Market Observation

You asked, we answered: Has gold's performance structurally changed?— World Gold Council

Key Highlights

1. Has Gold's Performance Undergone Structural Changes?

(1) Gold volatility rose notably in 2026, but similar fluctuations have occurred during risk episodes and usually normalized within months.

(2) Bid-ask spreads have widened noticeably since 2024, yet except for abnormal large swings during off-hours trading, the gold market has maintained ample liquidity thanks to record trading volumes and two-way market activity

(3) Despite a marked rise in the stock-bond correlation, gold remains a valuable strategic asset and portfolio diversifier even in high-volatility environments.

2. Will Gold Volatility Continue to Rise?

Current Volatility: Gold volatility climbed in 2026, breaking above the upper historical quartile and entering the top 5th percentile of the data series since 1971.

Core Drivers:

(1) Diminished Federal Reserve rate-cut expectations and rising bond yields, triggered by events including Kevin Warsh's nomination as Fed Chair candidate in late January and intensifying inflation concerns from Middle East conflicts in late February.

(2) A stronger U.S. dollar reversing a three-month downward trend.

(3) Investors liquidating long positions in gold futures, options and ETFs after gold prices surged from $5,000/oz to $5,500/oz within three days.

(4) Stop-loss orders amplifying price swings when gold fell below key thresholds.Supplementary Note: Gold was not the only asset with rising volatility in 2026; stock and bond volatility also increased sharply in March. Similar patterns occurred historically, such as during the global financial crisis and the

COVID-19 pandemic. Gold is often used as a liquidity source under market stress and typically delivers solid returns after crises subside.

3. Will Gold's High Volatility Subside

Analysis shows gold volatility exhibits mean reversion: historical annualized gold volatility has mostly stayed at 10% – 18%. The volatility half-life, the time required for the impact of a volatility shock to halve, is approximately 1.6 months, similar to equities. This means although gold volatility may surge to multi-year highs, it will eventually return to long-term norms based on historical patterns.

4. Has Selling Affected Gold Market Liquidity?

(1) **Trading Volume Performance:** Gold trading volumes surged sharply during recent market sell-offs, highlighting its deep liquidity during stress periods. During the gold price correction in late January, average daily trading volume at major venues reached $965 billion (5,805 tons per day), a record high. Trading volumes in March also rose significantly year-on-year and month-on-month, consistent with performance in March 2020 during the COVID-19 pandemic.

(2) **Bid-Ask Spreads:** Recent spread widening has mostly been phased and short-term, occurring mainly during illiquid sessions such as Sunday night to Monday early morning and Thursday night to Friday, before normalizing rapidly.

(3) **Liquidity Assessment:** After adjusting for volatility, gold spreads remain within historical ranges and have retreated from previous peaks, indicating spread widening is phased rather than structural and will normalize as volatility declines.

5. Is Gold Still a Strategic Portfolio Asset?

Yes. Inflation shocks usually turn the stock-bond correlation positive, and the recent oil price surge triggered by the Iran conflict may exacerbate inflation-related volatility. Meanwhile, gold maintains low negative correlation with risky assets and remains a safe-haven instrument. Including gold in a diversified portfolio reduces overall portfolio risk through its correlation characteristics with bonds and stocks. Although gold may pull back in the early stages of risk events as it is used for liquidity, it rebounds and outperforms other asset classes amid persistent uncertainty, contributing minimally to portfolio risk and significantly lowering overall portfolio volatility.

6. Final Conclusion

Gold's performance has not undergone structural changes: high volatility in 2026 is temporary and will gradually return to normal. Market liquidity is ample, and spread widening is a phased phenomenon. Even in the current environment, gold remains a core strategic asset for reducing portfolio risk and achieving diversification.

III. Outlook & Key Catalysts

➢ **Next Week's Focus:**

- Mon, Apr 21: U.S. Existing Home Sales (Mar); Fed nomination hearing for Kevin Warsh
- Tue, Apr 22: U.S. Durable Goods Orders (Mar); U.S. PMI Prelim (Apr)
- Wed, Apr 23: U.S. Wholesale Sales (Mar)
- Thu, Apr 24: U.S. Initial Jobless Claims; U.S. Q1 GDP Prelim
- Fri, Apr 25: U.S. Core PCE Price Index (Mar); UoM Consumer Inflation Expectations (Apr)

Ongoing monitoring:

U.S.-Iran negotiations as the Apr 22 ceasefire expires, Strait of Hormuz controls, U.S. Section 301 probe hearing preparations, spillover risks in the Middle East, Fed policy path and rate-cut expectations, Fed officials' speeches, and escalation of global trade frictions.

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