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Weekly Gold Wrap

2026/05/24

I. Gold Price Recap

Closing on New York time May 22 (Beijing time early morning May 23), COMEX gold futures fell 0.70% to settle at $4,510.5/oz, posting a weekly loss of 1.13%. COMEX silver futures dropped 1.06% to $75.915 /oz, with a weekly decline of 2.10%.

Gold prices weakened overall this week. Hawkish policy expectations and fluctuating geopolitical situations drove the metal downward.

Monday: Gold traded sideways as markets tracked US-Iran negotiation updates. The US suspended potential military strikes on Iran after receiving proposals from Gulf countries.

Tuesday: Heightened geopolitical tensions lifted oil prices and inflation worries, driving the 10-year US Treasury yield higher. Gold plunged nearly 2% to a three-week trough, and institutions further lowered full-year rate cut expectations.

Wednesday: The Fed unveiled hawkish meeting minutes. Officials cautioned against upside inflation risks and hinted at possible policy tightening, pushing up market odds of interest rate hikes.

Thursday: Optimism over a prospective US-Iran accord failed to shore up gold, which hovered near weekly lows. Market expectations for the new Fed Chair also pressured bullion prices.

Friday: Iran ruled out a finalized deal amid unresolved disputes over nuclear programs and strait navigation. The US also stated negotiations remain incomplete. The newly inaugurated hawkish Fed Chair strengthened the US dollar, pulling gold down

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**

➢ **University of Michigan Consumer Sentiment and Inflation Expectations**

US consumer sentiment deteriorated sharply, sliding from an initial May reading of 48.2 to 44.8, hitting a record low and missing market forecasts. Surging living costs triggered financial pressure for over half of domestic households. Inflation expectations climbed accordingly: one-year outlook rose from 4.7% to 4.8%, and five-year expectations advanced from 3.5% to 3.9%.

➢ **May US Purchasing Managers' Index**

Manufacturing PMI stood at 55.3, surpassing the projected 53.8 and reflecting improved industrial prosperity. Services PMI came in at 50.9, slightly below the 51.1 forecast yet staying in expansion territory with moderated growth momentum.

➢ **Weekly Initial Jobless Claims**

Initial jobless claims registered 209,000, marginally better than the 210,000 estimate, pointing to stable labor market conditions.

(2) Impact on Gold:

Slumping consumer confidence, rising inflation expectations and resilient economic data solidified expectations of prolonged high interest rates. The stronger US dollar and Treasury yields exerted immediate downward pressure on gold. Meanwhile, recession anxiety and stagflation risks offered long-term safe-haven and inflation-hedging support for the metal.

2) Monetary Policy & Gold Market Impact

(1) Fed Developments & Official Views

➢ **Release of FOMC Meeting Minutes**

The April FOMC minutes carried a hawkish tilt. Officials acknowledged prominent inflation upside risks fueled by geopolitical unrest and rising energy costs. Policymakers leaned toward removing dovish wording from official statements. Most members endorsed further tightening if inflation persists above the 2% target, lifting market odds of rate hikes.

➢ **Inauguration of New Fed Chair Kevin Walsh**

Kevin Walsh officially took office and pledged to implement reform-oriented monetary policies while learning from past policy practices. The US administration refrained from pressing for rate cuts and affirmed the Fed's decision-making independence. Fed Governor Waller ruled out immediate benchmark rate adjustments and favored eliminating dovish policy language. He stated rate hikes would be triggered once inflation expectations deviate from targets, dismissing near-term rate cut possibilities.

Official Views:

-**Raphael Bostic, Atlanta Fed President**: US credit rating downgrades bring economic uncertainties that will unfold over 3 to 6 months. Tariff impacts exceed expectations. Only one rate cut is expected this year, with policy remaining cautious. (Moderately Hawkish)

-John Williams, New York Fed President: The US economy nears full employment. Trade disturbances distort quarterly economic performance amid broad uncertainties. Current monetary policy settings remain appropriate, with no rate cuts considered before September. (Moderately Hawkish)

-Philip Jefferson, Fed Vice Chair: Heightened economic uncertainties and lingering inflation risks warrant a wait-and-see approach pending clearer economic data. (Neutral)

(2) Market Watch Data

➢ **Prime Market Terminal Data:**

Per CME FedWatch Tool, the federal funds rate remains anchored at 3.50%-3.75%. Markets price a 97.3% probability of steady rates at the June policy meeting, with merely 2.7% odds of a 25-basis-point cut. Rate cut expectations recede sharply, while rate hike bets edge up, cementing prolonged high rate sentiment.

(3) Impact on Gold Prices

Hawkish Fed rhetoric and delayed rate cuts with potential tightening cap gold prices. Geopolitical inflation threats and policy uncertainties meanwhile underpin safe-haven demand for bullion.

3) Yields, USD & Gold Dynamics

(1) Dollar Index Behavior

The US Dollar Index trended upward and held firm at elevated levels this week, reversing prior weakness. Hawkish Fed minutes, solid economic fundamentals and persistent inflation fears dampened rate cut hopes and underpinned prolonged high rate views. Improved yield differentials also boosted dollar buying, with minor pullbacks failing to disrupt the prevailing upward trend.

(2) US Treasury Yields & Gold Dynamics

US Treasury yields diverged across maturities. Long-dated yields retreated while short-dated yields strengthened. The 10-year benchmark yield dropped 1.18 basis points intraday to 4.5578%, down 3.55 basis points for the whole week after surging earlier. Hawkish Fed signals erased dovish outlooks. Robust employment, housing and manufacturing data ruled out recession risks and supported short-term yields. Surging oil prices and fiscal issuance pressures pushed long yields higher mid-week, before profit-taking triggered a late-week decline.

(3) Impact on Gold

A stronger US dollar and rising short-term Treasury yields pressured gold prices. The pullback in long-dated yields partially eased downside momentum, leaving gold in a generally weak trajectory.

4) Geopolitical Tensions & Safe-Haven Demand

(1) Geopolitical Tensions

1) U.S.-Iran geopolitical conflicts in the Middle East

- **Negotiation Framework**

Pakistan mediated indirect US-Iran talks, with senior military officials facilitating bilateral consultations. A 60-day memorandum of understanding is set for release on May 24, subject to extension upon mutual consent.

- **Persistent Core Disputes**

-Nuclear Enrichment: The US demands Iran abandon nuclear development and surrender high-purity uranium stockpiles, while Iran refuses to compromise on legitimate nuclear rights.

-Strait Navigation: The US insists on free uncharged passage through the Strait of Hormuz, putting aside Iran's previous toll collection proposal.

-Sanction Relief: The US only approves partial sanction exemptions and rejects immediate asset unfreezing, creating wide gaps in bilateral demands.

The draft agreement also requires de-escalation of conflicts between Israel and Hezbollah.

- **Bilateral Statements**

The US confirmed partial negotiating progress yet no breakthrough on core issues, vowing to block Iran's nuclear armament. Iran acknowledged narrowed divergences but maintained firm stance on core interests, ruling out imminent comprehensive consensus.

- **Market Impact**

Ongoing negotiation disputes and geopolitical uncertainties keep oil prices fluctuating at high levels.

2) Progress of the Russia-Ukraine Conflict

Frontline confrontations intensified with shifting combat momentum. Ukrainian forces launched multi-front counteroffensives, reclaiming 590 square kilometers of territory this year, while Russian counterattacks yielded no substantial gains. Ukraine stepped up long-range strikes against Russian domestic energy and logistics facilities.

The US suspended Russia-Ukraine peace talks on May 22 citing stagnant progress. Both sides show no willingness to cease fire, ensuring prolonged military confrontation.

(2) Impact on Gold

Lingering US-Iran and Russia-Ukraine tensions bring mixed safe-haven and inflation pressures, counterbalanced by hawkish Fed expectations. Gold fluctuates without clear directional trend, supported by geopolitical risks amid market focus on negotiation breakthroughs.

5) Tariff Turmoil Drives Gold Swings

① Tariff & Trade Policy Developments

- **Sino-US Tariff Tightening**

On May 19, the US Treasury announced it would not extend expiring industrial and critical mineral tariff truces valid until November. Partial tariffs on Chinese manufactured goods will be reinstated under Section 301 with rates capped below 20%. Targeted adjustments rather than full-scale levies will sustain trade barriers and disrupt global supply chains and inflation outlooks.

- **US-EU Tariff Easing**

A temporary industrial trade deal took effect on May 20. Tariffs on most European manufactured goods and automobiles are capped at 15%, down sharply from the prior 25%. High tariffs remain imposed on steel and aluminum, with gradual reduction pledged to ease bilateral trade frictions.

② Impact on Gold Prices

Stricter Sino-US tariffs lift inflation and safe-haven sentiment to support gold, while eased US-EU trade tensions mitigate risk aversion. Conflicting factors drive gold into range-bound consolidation amid intensified long-short divergence.

6) Gold Market Observation

Core Highlights of 2026 RWA Industry Report by CoinGecko

- **Overall Scale of Real-World Asset Tokens**

The tokenized real asset market expands rapidly, with total market capitalization more than tripling since 2025 to $19.32 billion by Q1 2026, representing a 256.7% surge within fifteen months. RWA tokens account for 6.4% of stablecoin market value, up from 2.7% in early 2025, outpacing stablecoin growth. Treasury-backed tokens dominate market expansion. Market structure diversifies gradually with rising shares of commodity, stock and ETF tokens, reducing sector concentration risks.

- **Tokenized Commodity Market Focused on Gold**

The market value of tokenized commodities jumped from $1.43 billion to $5.55 billion, surging 289.1%. Capital concentrates heavily on gold tokens. PAX Gold and Tether Gold act as primary growth drivers and dominate the commodity token sector. Gold tokens maintain stable market standing. Silver and other minor precious metal tokens see mild value gains yet face shrinking market share.

In-depth Analysis of Tokenized Gold Spot Trading

- **Record-Breaking Trading Volume**

Tokenized gold spot trading hit $90.7 billion in Q1 2026, surpassing the full-year 2025 turnover of $84.64 billion and setting a quarterly historic high with heightened capital participation.

- **Key Growth Drivers**

Historic rallies in international gold prices boost hedging and investment demand for tokenized gold. Optimized trading infrastructure and lowered entry barriers on centralized platforms further fuel transaction activity.

- **Price-linked Trading Fluctuation**

Trading volume moves in tandem with spot gold prices. Monthly turnover peaked at $21.38 billion amid historic gold highs in October 2025, before retreating to $14.07 billion as market sentiment cooled.

- **Duopolistic Market Structure**

PAXG and XAUT capture the majority of trading volume, with respective monthly shares ranging 34.2%-82.5% and 14.8%-64.6%. Average monthly turnover reaches $5.72 billion and $5.32 billion respectively, far exceeding other precious metal tokens.

- **Mature Trading System**

Tokenized gold transactions are mainly executed on centralized exchanges with sufficient liquidity. It stands as the most recognized and well-developed segment within the RWA ecosystem.

III. Outlook & Key Catalysts

- **Next Week's Focus:**

May 26 (Tuesday): US May Consumer Confidence Index

May 27 (Wednesday): US May Richmond Fed Manufacturing Index

May 28 (Thursday): Revised Q1 GDP, April Core PCE Price Index, Personal Income & Spending, Durable Goods Orders and New Home Sales

Key monitoring factors include geopolitical developments, oil price swings, Fed policy shifts, US dollar and Treasury yield movements, tariff adjustments and economic data volatility.

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