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

This Friday (June 5, New York time; June 6, Beijing time), COMEX gold futures fell 3.26% to $4,354.60/oz, down 4.74% week-on-week. COMEX silver futures dropped 8.05% to $68.025/oz, with a weekly loss of 10.41%. Strong U.S. May nonfarm payroll data lifted Fed rate hike bets and pushed Treasury yields higher, pressuring gold and silver. Easing hopes for U.S.-Iran ceasefire also cooled safe-haven sentiment, weighing on precious metals.

Gold traded sideways in a tight range for most of the week before a sharp plunge on Friday. Volatile Middle East geopolitics and robust U.S. economic data were the core drivers. Going forward, U.S. inflation figures and U.S.-Iran conflict developments will continue to steer gold prices.

-Monday: Geopolitical tensions rose and gold weakened. The U.S. claimed to lift the Strait of Hormuz blockade, which Iran denied. U.S. strikes on Iranian military sites escalated risks, sending gold down over 1% and setting a bearish tone for the week.

-Tuesday: Negotiations stalled, and gold failed to rebound. Israel launched attacks on Lebanon, leading Iran to suspend talks with the U.S. Despite U.S. calls for de-escalation, surging U.S. April JOLTS job openings boosted the dollar, keeping gold in a weak consolidation.

-Wednesday: Economic data and geopolitics jointly pressured gold to break key support. Solid U.S. May private employment data reflected labor market resilience and underpinned the dollar. Meanwhile, U.S. retaliatory strikes on Iran reignited regional tensions. Gold breached important support levels amid dual headwinds.

-Thursday: Ceasefire progress lifted gold slightly. A Lebanon-Israel ceasefire deal and advancing U.S.-Iran truce talks improved market sentiment. Gold edged up and recouped part of its weekly losses.

-Friday: Ceasefire collapse and blockbuster payroll data dragged gold to a near-term low. Hezbollah rejected the ceasefire, and clashes resumed between Lebanon and Israel. U.S. May nonfarm payrolls printed 172,000, far above the 85,000 consensus, while April's figure was revised up. The strong jobs report boosted Fed hawkish expectations and the dollar. Gold tumbled to the lowest since late March, ending the week sharply lower.

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. May Nonfarm Payrolls**

U.S. payrolls added 172,000 jobs in May, well above expectations. April's reading was revised up from 115,000 to 179,000, demonstrating solid labor market resilience and supporting the Fed's inflation-focused stance. The unemployment rate held steady at 4.3%, laying ground for potential rate hikes.

➢ **U.S. April JOLTS Job Openings**

Job openings jumped from 6.887 million in March to 7.61 million in April. Robust hiring demand signaled active economic activity and provided strong support for the U.S. dollar.

➢ **U.S. May Private Employment**

May private employment beat forecasts and maintained steady expansion. The data further confirmed a healthy labor market and shifted market views toward a tighter Fed policy.

(2) Impact on Gold:

Broad strength across U.S. labor data lifted rate hike expectations and the dollar, putting persistent downward pressure on gold.

2) Monetary Policy & Gold Market Impact

(1) Fed Developments & Official Views

.Multiple Fed officials delivered hawkish comments this week, pushing up rate hike expectations, the dollar and Treasury yields. Gold remained under sustained pressure.

➢ **Official Views:**

-Beth Hammack, Cleveland Fed: Current rates are appropriate, but hikes may follow soon if economic conditions persist to curb high inflation.

-John Williams, New York Fed: Policy is well-calibrated for now. Inflation will stay elevated near term but ease by year-end, taking a neutral-to-dovish stance.

-Jeffrey R. Schmid, Kansas City Fed: Energy-driven inflation is not temporary. The Fed needs to act firmly to stabilize prices, with further hikes still on the table.

-Alberto Musalem, St. Louis Fed: Capacity expansion cannot resolve inflation. Rate hikes remain an option, and a rebound in prices requires long-term vigilance.

-Kevin Warsh, Fed Chair: Curbing inflation is the top priority ahead of the policy meeting. Rate decisions will be fully data-dependent, with a neutral stance.

(2) Market Watch Data

➢ **Prime Market Terminal Data:**

Per CME FedWatch, the federal funds rate stands at 3.50% – 3.75%. Markets price a 96.6% chance of steady rates in June, 3.4% for a 25bp cut and 0% for a hike. Driven by strong jobs data and hawkish rhetoric, the odds of a December rate hike have risen to 67%. A June rate hold is widely expected.

(3) Impact on Gold Prices

Hawkish Fed signals and upbeat payroll data lifted rate hike expectations, the dollar and yields, directly weighing on gold. The "higher rates for longer" view has raised the opportunity cost of holding bullion, leaving gold weak and range-bound in the short run.

3) Yields, USD & Gold Dynamics

(1) Dollar Index Behavior

As of June 5 New York close, the DXY traded at elevated levels with decent resilience. Renewed U.S.-Iran tensions and rising oil prices stoked inflation concerns. Strong payroll data reinforced the view of prolonged high rates and potential year-end hikes, keeping Treasury yields and the dollar supported. The index hit a seven-week high of 100.09 on Thursday and eased to 99.30 on Friday. The dollar's short-term uptrend remains intact with limited downside.

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

The 10-year U.S. Treasury yield rose 5.74bp to 4.5303% on the day, up 9.49bp for the week, trading between 4.4217% and 4.5522%. Yields across tenors rebounded notably, led by short-dated bonds.

Escalating Middle East tensions and higher oil prices fueled inflation worries. Better-than-expected payrolls and hawkish Fed comments lifted the odds of a December hike, pushing yields higher. The 10-year yield, which moves inversely to gold, stayed above 4.47% and continued to cap gold prices.

(3) Impact on Gold

Elevated dollar and Treasury yields, combined with heightened rate hike bets, left gold lacking upward momentum. Meanwhile, lingering Middle East risks provided underlying support. Overall, rate hike expectations dominated the market; gold will likely stay weak at current levels with limited upside.

4) Geopolitical Tensions & Safe-Haven Demand

(1) Geopolitical Tensions

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

U.S.-proposed ceasefire was rejected by Lebanon's Hezbollah, with Iran openly backing the group. Both U.S.-Iran talks and Lebanon-Israel de-escalation stalled. Iranian Foreign Minister Abbas Araghchi stated U.S.-Iran talks will not resume until Lebanon's conflict ends and Israel withdraws from occupied territories.

➢ **Stalled 60-day Ceasefire Memorandum & Rising Tensions**

The previously reported 60-day ceasefire deal has not been signed or confirmed by either side. On June 1, Iran suspended indirect talks with the U.S. over Israel's strikes on Lebanon and threatened to fully block the Strait of Hormuz. Despite upbeat remarks from Donald Trump on June 3 regarding negotiation progress, Iran insisted talks would not restart without resolution to the Lebanon crisis.

➢ **Escalating Military Conflicts, Disrupted Shipping & Rebounding Oil Prices**

On June 5-6, U.S. forces shot down Iranian drones and struck Iranian coastal radar sites. Iran retaliated with missile attacks on U.S. facilities in Kuwait and Bahrain, triggering direct military confrontation. Reduced shipping in the Strait of Hormuz lifted crude's supply risk premium. WTI crude rebounded, reviving inflation concerns.

➢ **Deteriorating Lebanon-Israel Situation**

Israel expanded airstrikes across southern Lebanon from June 1. A UN peacekeeper was killed in an attack on June 4. Hezbollah rejected all ceasefire proposals, with Iran offering full support. The Lebanon-Israel and U.S.-Iran conflicts became intertwined and worsened simultaneously.

2) Progress of the Russia-Ukraine Conflict

Frontlines remained deadlocked, with both sides targeting rear infrastructure. An attack on the Zaporizhzhia Nuclear Power Plant broke short-term stability and raised nuclear safety risks, boosting safe-haven demand.

The two sides exchanged prisoner of war and held meeting talks as signs of detente, yet deep divides over territorial and security issues remain. Comprehensive ceasefire is still out of reach.

The U.S. has shifted strategic focus to the Middle East and cut aid to Ukraine, while the EU is split over new Russia sanctions. Ukraine faces shortages of ammunition and funds, and the prolonged battlefield standoff will continue.

(2) Impact on Gold

Fluctuating Middle East tensions provided bottom support for gold and offset part of monetary policy headwinds. However, geopolitical moves only triggered short-term sentiment swings. Combined with rising rate hike expectations, gold saw limited upside and traded weakly.

5) Tariff Turmoil Drives Gold Swings

① Tariff & Trade Policy Developments

- **China-U.S. Tariffs: Pending Framework & New Tariff Threats**

The two countries reached a framework for reciprocal tariff cuts on $30 billion goods each, which is still under negotiation and not yet implemented. On June 2, the U.S. proposed an additional 12.5% tariff on goods from China (including Hong Kong) over forced labor concerns, with a public hearing scheduled on July 7.

- **New U.S. Global Tariff Plan**

The USTR released Section 301 findings on June 2, imposing two-tier additional tariffs on 60 economies: 10% for 15 economies including the EU, Canada and the UK; 12.5% for 45 economies such as China, Japan and South Korea. Aircraft parts, food, rare earths and USMCA-related goods are exempted.

- **U.S.-EU Tariffs: Deal Progress Amid New Risks**

The European Parliament's International Trade Committee approved the U.S.-EU trade deal capping industrial goods tariffs at 15%. The threatened 50% tariff on EU goods was suspended, pending a full parliamentary vote in mid-June. The EU is also included in the U.S. 10% additional tariff list, meaning frictions ease temporarily but linger in the long run.

- **Other Tariff Adjustments**

The U.S. plan to impose up to 25% tariffs on Mexican goods in July remains unchanged. Indonesia cut import tariffs on home textiles this week. China Council for the Promotion of International Trade opposed the new U.S. tariffs, stating they violate international rules.

② Impact on Gold Prices

Eased U.S.-EU trade tensions slightly reduced safe-haven demand. Nevertheless, U.S. global tariff hikes, new levies on China and frequent policy shifts kept market uncertainty high and limited gold's downside. Together with Middle East risks, gold maintained a volatile trend.

6) Gold Market Observation

1. Gold Market Commentary: Hiking up a volcano — World Gold Council (WGC)

- **May Gold Performance**

Gold fell 1% in May to $4,546/oz, with most currency-denominated gold lower. India and Turkey saw gains due to local currency depreciation and policy changes.

- **Price Drivers**

Improved risk sentiment, falling volatility and combined ETF outflows of $2.3 billion (17.3 tonnes) in Asia and the U.S. weighed on gold. A weaker dollar and European ETF inflows of $0.3 billion (1.2 tonnes) offered mild support. Unreported OTC flows also led to negative residual returns.

- **Futures Positions**

Managed money raised COMEX gold holdings by $1.4 billion (8 tonnes) in May, with overall positioning neutral.

➢ **Core View: Fed Rate Hikes and Gold**

Market expectations point to potential Fed rate hikes later this year amid resurgent inflation. Historically, gold rose in over half of past hiking cycles; market interpretation matters more than rate levels.

Bullish factors for gold amid potential hikes:

-Hikes reflect persistent inflation, fiscal stress and policy error risks, lifting safe-haven demand.

-The dollar's long-term downtrend is a market consensus, supporting gold.

-Physical demand from China, India and central bank purchases are insensitive to rate moves, providing solid support.

-Higher rates may pressure equities and boost gold's safe-haven appeal.

History shows gold rallied in previous hiking cycles amid economic weakness, policy misjudgments and banking crises.

➢ **Near-Term Risks**

Physical gold demand softened globally, and ETF flows were muted in May. Technically, gold is in a downtrend near its 200-day moving average and vulnerable to declines. The top risk comes from oil: a sharp oil rally driven by geopolitics will lift yields and the dollar to pressure gold. Gold will face further downside if hikes strengthen Fed credibility, the dollar and real yields.

➢ **Conclusion**

Oil prices and geopolitics may keep gold weak near term. In the long run, rate hikes are likely to be viewed as signs of economic fragility, bringing upside potential to gold.

2. 2026 Global Gold Demand: Investment Demand Overtakes Jewelry Demand for First Time

Citing Metals Focus, Commerzbank forecasts global gold demand will drop 2% to 4,177 tonnes in 2026. High gold prices cut jewelry demand by 11%. Rising energy costs prompted some central banks to sell gold for currency stabilization, dragging central bank purchases down by 15%.

A historic structural shift is underway. **While jewelry demand shrinks, safe-haven and allocation demand surge. Physical investment (bars and coins) is projected to jump 15% to a 13-year high, surpassing jewelry demand for the first time on record. This marks gold's shift from consumption-driven to investment and safe-haven-driven asset. Institutions expect gold to resume its rally in H2 2026 on the back of this structural change.**

III. Outlook & Key Catalysts

➢ **Next Week's Focus:**

June 9 (Mon): U.S. May CPI, New York Fed Manufacturing Index

June 10 (Tue): U.S. May PPI

June 11 (Wed): FOMC Rate Decision & Press Conference, U.S. May Industrial Production

June 12 (Thu): U.S. Weekly Initial Jobless Claims, EIA Crude Oil Inventories

June 13 (Fri): U.S. May Retail Sales, University of Michigan Preliminary Consumer Sentiment

Key Focus: June FOMC policy guidance, inflation data's impact on rate expectations, U.S.-Iran geopolitics and oil volatility, dollar and Treasury yield trends, global tariff policy changes and other risk factors.

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