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Weekly Gold Wrap

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I. Gold Price Recap

On Friday's New York session (early Beijing time Jun 13), COMEX gold futures rose 2.93% to $4,234.70/oz, down 2.99% for the week. COMEX silver futures surged 6.43% to $68.115/oz, edging up 0.15% week-on-week.

Gold swung violently this week amid geopolitical clashes and hot inflation prints: prices plunged to a 2026 low early in the week before staging a sharp rebound on news of potential US-Iran peace talks.

Monday: Gold traded sideways in a tight range with balanced bull-bear momentum.

Tuesday: US-Iran tensions flared; Iran launched drone strikes on US military bases in Kuwait, followed by US retaliatory strikes on Iranian assets. Fears of elevated oil prices and inflation triggered a gold selloff, with prices tumbling nearly 6% across Tuesday and Wednesday.

Wednesday: US May CPI hit a three-year high of 4.2% YoY, while US-Iran strikes on each other's regional outposts escalated further, pressuring gold sharply lower intraday. Later, Trump first threatened heavy strikes against Iran then abruptly halted military action to signal willingness to negotiate, sparking a 3.5% rebound into the close.

Thursday: Spot gold (Au9999) hit its 2026 yearly low during Asian hours.

Friday: Mixed cross-asset and geopolitical headlines prevailed. Reports emerged of a planned US-Iran memorandum to reopen the Strait of Hormuz, yet Iran clarified it would not cede administrative control of the waterway. Gold consolidated near $4,200/oz with muted range-bound moves.

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

- **June University of Michigan Consumer Sentiment (Preliminary)**

Sentiment climbed to 48.9 from May's 44.8, beating the 46 consensus reading; current conditions subindex stood at 48.4, future expectations at 49.3. One-year inflation expectations dipped to 4.6% from 4.8% prior; 5-year long-run inflation expectations held steady at 3.4%. Near-term household inflation anxiety eased, though overall consumer confidence remained historically subdued.

- **May PPI (Producer Price Index)**

PPI rose 6.5% YoY and 1.1% MoM, both above market forecasts. Surging energy costs drove the uptick, locking in persistent upstream cost pressure that filters through to consumer inflation.

- **May CPI (Consumer Price Index)**

Headline CPI printed 4.2% YoY (up from 3.8% in April), a fresh high since April 2023; MoM headline CPI hit 0.6%, exceeding the 0.4% forecast. Core CPI matched expectations at 2.8% YoY, while core MoM CPI cooled to 0.2% vs 0.3% expected, halving from April's 0.4% gain. Energy inflation lifted the headline print, while core goods and services price momentum softened notably.

- **Initial Jobless Claims (Week ending Jun 6, released Jun 11)**

Claims came in at 229k vs 220k expected and 225k prior, edging up to a February high but staying within historically low territory. The labor market retained solid resilience with only faint signs of marginal softening.

(2) Impact on Gold:

Hot May headline CPI and PPI initially lifted Fed hike bets and US Treasury yields, weighing heavily on gold. Cooling core CPI and lower Michigan short-term inflation expectations then eased hawkish policy pressure, alongside shifting safe-haven flows, enabling gold's strong Friday bounce that narrowed weekly losses.

Modestly higher jobless claims failed to reverse hawkish rate pricing entirely, resulting in a “tumble-then-rally” profile for gold and silver over the week.

2) Monetary Policy & Gold Market Impact

(1) Fed Developments & Official Views

- **FOMC Blackout Period**

This week fell within the pre-meeting blackout window, restricting public policy remarks from Fed governors and regional presidents; only ex-officials voiced opinions. Markets overwhelmingly expect steady rates at the June FOMC meeting. However, elevated May inflation and robust labor resilience lifted odds of one additional rate hike later this year, with investors awaiting updated dot plots and Chair Walsh's post-meeting press conference next week for guidance.

- **Former Fed Official Views**

Thomas Hoenig criticized overly accommodative monetary policy stoking inflation, urging gradual hikes to restore neutral policy and warning against overreliance on dot plot projections.

(2) Market Watch Data

- **Prime Market Terminal Data:**

The benchmark policy rate band remains 3.50% – 3.75%. Markets price a 98.5% chance of unchanged rates in June, just 1.5% odds of a 25bp cut, and zero probability of a hike this month. Following strong CPI/PPI and solid jobs data, year-end hike probabilities rose sharply: as of Jun 12 close, odds of at least one 25bp hike by December reached 59.2%, with full-year cut probabilities collapsing to merely 0.6%.

(3) Impact on Gold Prices

Elevated terminal rate expectations capped gold's upside early in the week. Moderating core inflation expectations and easing Middle East tensions trimmed inflation fears, fueling Friday's corrective rally.

3) Yields, USD & Gold Dynamics

(1) Dollar Index Behavior

DXY rallied then retreated to post a minor 0.35% weekly loss, closing at 99.747 (down 0.11% on Friday New York close). Hot inflation and resilient labor data bolstered hike bets and lifted the dollar mid-week.

Thursday's news of prospective US-Iran de-escalation and Strait of Hormuz reopening triggered safe-haven capital outflows from USD, pulling the index lower. Hawkish rate pricing remained partially intact, limiting deeper downside for the greenback.

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

The 10Y yield added 1.58bp to settle at 4.479%, trading between 4.46% – 4.507%. Hot inflation boosted hawkish pricing and yields early; optimism around US-Iran talks pulled yields slightly lower afterward. No remarks from sitting Fed officials during blackout period, only hawkish commentary from ex-policymakers. Persistently elevated yields raise opportunity costs for non-yielding bullion, sustaining structural pressure on gold prices.

(3) Impact on Gold

Range-bound USD and anchored high yields, reinforced by solid labor data, restricted gold's rebound momentum earlier in the week. Lingering Middle East geopolitical risks offered firm downside support. High-for-longer rates remained the dominant bearish driver, keeping gold biased to weak sideways trade with limited upside scope.

4) Geopolitical Tensions & Safe-Haven Demand

(1) Geopolitical Tensions

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

- **Early-Week Escalation:** Tensions escalated from posturing to direct military strikes. Tuesday saw Iran drone attacks on Kuwaiti US bases met with US retaliatory strikes on Iranian domestic military sites. Wednesday brought wider reciprocal strikes on each side's regional outposts. While safe-haven demand spiked, outsized Fed hike pressure from above-forecast inflation overwhelmed bullion's haven bid, driving gold to a fresh 2026 trough.
- **Weekend De-escalation Shift:** Sentiment reversed sharply on news of a planned memorandum to be signed at the G7 Geneva summit to reopen the Strait of Hormuz and de-escalate hostilities. Critical rifts persist: Iran firmly retains full sovereignty over the strait and rejects transferring administrative control, with internal reviews pending for all memorandum clauses, introducing execution uncertainty and fading safe-haven demand.
- **Persistent Stalemate Risks:** The US-Iran standoff will remain protracted with lingering uncertainty, creating ongoing volatility for oil prices and global inflation, which in turn shapes central bank rate paths and gold pricing.

Upside Scenario: Memorandum fully implemented, strait operational, oil/inflation cool, Fed tightening slows, gold gains recovery traction.

Downside Scenario: Negotiations collapse, military conflict resumes, energy inflation rebounds, sustained high rates cap gold performance.

Prolonged friction carries deep, lasting negative macro spillover effects.

2) **Progress of the Russia-Ukraine Conflict**

Battle lines remained deadlocked. Russian forces advanced incrementally across Donbas positions; reciprocal strikes targeted energy and military infrastructure. Hints of exploratory peace talks emerged with no tangible breakthroughs.

(2) Impact on Gold

Swinging US-Iran tensions drove extreme intraday volatility for gold: steep declines amid conflict + hawkish rates early week, followed by stabilization as tensions eased. Slow-burning Russia-Ukraine friction provided only mild floor support, with elevated Fed hike expectations still capping meaningful gold rallies.

5) Tariff Turmoil Drives Gold Swings

① Tariff & Trade Policy Developments

➢ **Sino-US Tariffs**

The previously negotiated framework for reciprocal USD 30bn tariff rollbacks remains stuck in granular negotiations with no implementation this week. On Jun 12, USTR published details of its global tiered extra tariff plan, imposing an additional 12.5% levy on China; public comments close Jul 6, with a hearing scheduled Jul 7. The US DOJ pushed forward appeals to overturn prior court rulings granting tariff refunds to Chinese importers. The China Council for the Promotion of International Trade (CCPIT) publicly condemned the unfair new tariffs.

➢ **US Global Tiered Tariff Regime**

A two-tier tariff structure covering 60 economies was formalized: 10% extra tariffs for 15 allies (EU, UK, Mexico etc.), and 12.5% for 45 other trade partners (China, Japan, South Korea, India etc.). Exemptions apply to rare earths, grains, aircraft parts, and USMCA-covered goods. Steel, aluminum and copper tariff adjustments effective Jun 8 cut farm machinery duties from 25% to 15% and lowered domestic metal raw material content thresholds to 85% until early 2028. Domestic recycled aluminum firms filed tariff exemption applications this week. Trump stated Jun 10 he would not renew the USMCA, pushing trilateral renegotiations to next week.

➢ **US-EU Trade Talks**

The EU industrial tariff cap (15%) deal awaits final plenary approval from the European Parliament mid-June. While the EU qualifies for the milder 10% extra US tariff, broad new levies still weigh on trade stability; near-term friction eased marginally with persistent long-run policy uncertainty. Sino-EU economic talks proceeded smoothly Jun 9, yet two subsequent high-level dialogues were abruptly postponed, slowing bilateral negotiation momentum.

② Impact on Gold Prices

Broad-based global tariff hikes stoked fears of slower trade growth and recession risks, triggering episodic safe-haven buying for gold. Conversely, higher import tariffs fan imported inflation, reinforcing Fed hawkishness and high rates that suppress gold upside potential.

6) Gold Market Observation

1. China gold market update - Official buying accelerated in May — World Gold Council (WGC)

➢ **Macro Price Backdrop**

Domestic and international gold prices fell in May, pressured by geopolitical risks, inflation worries lifting USD and Treasury yields. LBMA PM gold dropped 1.4% MoM; Shanghai Gold Benchmark PM (SHAUPM) lost 2.7%, exacerbated by RMB appreciation amplifying local price weakness.

➢ **Investment Segment: ETF Outflows, Futures Liquidity Flat**

-Gold ETFs: Ended an eight-month inflow streak with net outflows of RMB 8.2bn in May. Combined with lower spot prices, AUM shrank 5% to RMB 289bn; holdings fell 8.3 tonnes to 293 tonnes. Strong domestic equities diverted investment capital, while choppy gold prices spurred investor redemptions and reduced safe-haven allocations.

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- **SHFE Gold Futures:** Trading activity stayed steady, averaging 301 tonnes daily vs 307 tonnes in April. Range-bound gold prices and equity market capital absorption muted speculative activity, leaving futures volumes flat overall.
- **3. Physical Wholesale Demand: Sharp Drop, Jewellery Sector Weakness**

SGE physical gold withdrawals slumped to 64 tonnes in May, down 38% MoM and 36% YoY—the weakest May reading since 2010. Rebounding equities dented gold safe-haven demand, while chronic weakness in retail jewellery persisted amid weak purchasing power and tax burdens. Jewelers remained highly cautious on restocking even as prices stabilized late May, resulting in sluggish physical market turnover.

- **4. Official Central Bank Purchases: Sharp Acceleration**

In stark contrast to sluggish private-sector demand, the PBoC ramped up gold buying, extending a 19-month unbroken reserve expansion streak with a 10-tonne addition in May—the largest monthly purchase since December 2024. Total official reserves reached 2,332 tonnes by end-May, accounting for 8.9% of China's FX reserves; year-to-date purchases total 25 tonnes, with a cumulative 67 tonnes added over the past 19 months. Amid global geopolitical turbulence, the PBoC's consistent reserve diversification via gold acts as a buffer against exchange rate and asset volatility, bolstering overall foreign reserve resilience.

- **5. Gold Imports (April Latest Customs Data)**

China's net gold imports hit 157 tonnes in April, up 10% MoM and 40% YoY, marking the strongest monthly inflow since March 2024. Positive onshore-offshore gold price spreads were the key driver for higher import volumes.

- **6. Early-June Performance & Local Demand Outlook**

-Near-term trend: Gold extended losses into early June, with sustained ETF outflows and weaker Au9999 spot turnover pointing to soft overall domestic buying appetite.

-Forward outlook: Jewelers face seasonal restocking needs, and lower spot prices may modestly lift replenishment activity. However, a steepening price decline would likely prompt inventory-holdoff behavior from retailers. On the investment front, persistent gold price weakness will cap bullion buying interest, with no sharp near-term recovery expected for China's gold investment and consumption demand.

III. Outlook & Key Catalysts

- **Next Week's Focus:**

Jun 15 Mon: NY Fed June Empire Manufacturing Index, US May Industrial Production

Jun 16 Tue: US May Housing Starts & Building Permits

Jun 17 Wed: US May Retail Sales, Pending Home Sales

Jun 18 Thu: FOMC Rate Decision + Press Conference, Weekly Initial Jobless Claims

Jun 19 Fri: June Michigan Consumer Sentiment & Inflation Expectations (Preliminary)

Key monitoring factors: FOMC June policy guidance and Chair remarks; US economic data shifts altering rate hike pricing; US-Iran standoff volatility and oil price swings; US Dollar & Treasury yield trajectories; evolving global tariff trade policies and associated risks.

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