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Weekly Gold Wrap

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I. Gold Price Recap

On Friday (June 19, New York session, early hours Beijing time June 20), COMEX gold futures closed down 1.72% at $4,172.9 per troy ounce, posting a 1.55% weekly loss; COMEX silver futures fell 2.12% to $64.91 per troy ounce, with a cumulative weekly drop of 4.51%.

Gold traded sharply volatile with an early rally followed by a pullback this week, marking its third consecutive weekly close in negative territory. Early in the week, prices surged on easing Middle East geopolitical risks after the US and Iran reached a framework agreement. However, hawkish signals from the Federal Reserve's Wednesday policy meeting, paired with the cancellation of scheduled US-Iran in-person talks on Friday, triggered rapid liquidation of safe-haven holdings and dragged gold sharply lower.

Monday: Major geopolitical risk relief lifted markets. The US and Iran struck a peace framework deal to reopen shipping through the Strait of Hormuz, triggering a sharp drop in crude oil and an over 2% gap-up jump in gold. Senior officials from both sides signed a written agreement online overnight, agreeing to lift Iran's port blockades and launch 60 days of nuclear negotiations.

Tuesday: Markets adopted a wait-and-see stance ahead of the Fed decision with muted trading; gold edged up on mild fluctuations.

Wednesday: Gold consolidated in a narrow range through the daytime. The FOMC meeting concluded overnight with rates held steady at 3.50%-3.75%. The policy statement removed dovish wording, and updated economic projections signaled a 25bp rate hike in 2026, a stark reversal from prior rate-cut expectations. New Fed Chair Walsh delivered a speech lacking dovish hints, interpreted as hawkish by markets. The US dollar rallied sharply, sending gold down 1.7% on the day. CME data showed a steep rise in odds of at least one rate hike within 2026.

Thursday: Hawkish Fed sentiment lingered, keeping the US dollar elevated and gold under persistent downside pressure.

Friday: Swiss authorities confirmed the scheduled US-Iran in-person talks would not proceed, with US officials scrapping travel plans. Iran suspended negotiations citing unresolved Lebanon ceasefire terms. Fading geopolitical relief reignited inflation fears tied to oil prices, pressuring gold further lower to lock in three straight weekly declines.

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

➢ **NY Fed June Manufacturing Index & May Industrial Output**

The NY Fed Manufacturing Index printed 5.7, well below consensus and prior readings, pointing to a marked slowdown in manufacturing expansion with steep declines in new orders and shipments and cautious business outlooks. Price pressures softened marginally, yet high interest rates and energy headwinds continued to weigh on demand. May industrial output rose 0.7% month-on-month, beating estimates driven by energy and utilities, while manufacturing recovery remained tepid with sticky upstream costs sustaining inflationary pressure.

➢ **May US Housing Starts & Building Permits**

Housing starts fell month-on-month while permits were flat. Elevated mortgage rates suppressed housing demand and slowed property recovery, weighing on transactions for new and existing homes and dragging demand for construction materials and durable goods.

➢ **May US Retail Sales & Pending Home Sales**

Retail sales edged higher with divergent performance: essential spending on food and energy held steady, while discretionary purchases including autos and home appliances remained sluggish. Inflation eroded household real incomes, and higher borrowing costs dented willingness for big-ticket spending. Existing home sales declined month-on-month as elevated rates pushed buyers to the sidelines, dampening real estate sector sentiment.

➢ **Weekly Initial Jobless Claims**

Initial claims hit 229,000, slightly above forecasts and prior prints, hitting a short-term peak since February. Still, absolute levels remained historically low, signaling solid overall labor market resilience that reinforced the Fed's view of an overheated economy and persistent inflation risks.

(2) Impact on Gold:

Mixed economic data—weak manufacturing and housing alongside resilient employment—reinforced market bets on Fed rate hikes. A stronger US dollar and higher Treasury yields created sustained headwinds for gold.

2) Monetary Policy & Gold Market Impact

(1) Fed Developments & Official Views

➢ **Core Event: June FOMC Policy Meeting**

① **Rate Decision**

The FOMC unanimously voted 12-0 to maintain the federal funds rate target range at 3.50%-3.75% for the fourth consecutive pause, fully in line with market consensus. New Chair Kevin Walsh hosted his inaugural post-meeting press conference, overhauling the Fed's communication framework.

② **Sharply Hawkish Dot Plot (Week's Biggest Surprise)**

Nine out of 18 officials submitting rate forecasts expected at least one 2026 rate hike, accounting for half of all respondents—a complete reversal from March, when no officials projected tightening. Breakdown: 1 official priced three 25bp hikes (75bp total), 5 projected two hikes (50bp), and 3 saw one hike (25bp). The remaining 8 favored steady rates, with only one official forecasting a 2026 cut. The median terminal rate for end-2026 was revised up from 3.4% (March) to 3.8%, alongside significant upward adjustments to 2027 and 2028 rate medians, signaling a much longer high-rate cycle. Walsh did not submit a dot plot projection, diluting its signaling weight, yet markets fully priced tighter policy.

③ **Upgraded Inflation Forecasts**

The Fed substantially raised inflation projections: 2026 headline PCE inflation revised up from 2.7% to 3.6%, core PCE from 2.7% to 3.3%, primarily driven by energy supply shocks stemming from Middle East tensions. It simultaneously cut 2026 GDP growth to 2.2% and edged down the unemployment forecast to 4.3%, officially identifying inflation risks as greater than growth downside risks.

④ **Major Policy Communication Overhaul**

The post-meeting statement was drastically shortened with traditional forward guidance eliminated, removing clear rate-path signals for markets. Walsh repeatedly emphasized the 2% inflation target as a non-negotiable constraint prioritizing price suppression. Five dedicated working groups were formed to restructure frameworks for policy communication, balance sheet runoff and inflation analysis. Stripped of consistent policy anchors, markets faced amplified volatility.

⑤ **Money Market Pricing Reaction**

Post-FOMC, markets priced a 72% probability of a 25bp hike at the September 16 meeting, with cumulative 2026 rate-cut expectations collapsing to just 0.6%, erasing broad consensus for easing prevailing last year.

(2) Market Watch Data

➢ **Prime Market Terminal Data：**

CME FedWatch Tool confirmed rates held steady at 3.50%-3.75% post-June meeting. Markets now assign a 72% chance of a 25bp September hike, with just 0.6% cumulative cuts priced for 2026. Hawkish dot plot revisions, elevated inflation prints and labor market resilience drove aggressive repricing of tighter policy. As of June 19 close, the odds of at least one 25bp hike in 2026 surged to 85.8%. Pricing for prolonged high yields lifted Treasury yields and the US dollar, pressuring gold lower.

(3) Impact on Gold Prices

Walsh's neutral-to-hawkish rhetoric paired with dot plot tightening expectations lifted Treasury yields and the US Dollar Index, raising the opportunity cost of holding non-yielding gold and exerting persistent bearish pressure.

3) Yields, USD & Gold Dynamics

(1) Dollar Index Behavior

As of Friday's New York close June 19, the DXY dipped 0.12% intraday to 100.729 but jumped 0.99% on the week, hitting a 13-month high. The index traded sideways near 99.5 early in the week before surging above 100 post-Wednesday's hawkish FOMC dot plot, peaking above 101 intraday. Though it retreated mildly on Friday, solid pricing for extended high rates and robust US labor data capped downside scope, with only brief profit-taking triggered by US-Iran geopolitical relief.

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

By Friday's New York close, the 10-year Treasury yield rose 5bp week-on-week to 4.49%, trading between 4.46% and 4.51%. The rate-sensitive 2-year yield surged 13bp over the week. Soft manufacturing and housing data briefly pulled yields lower earlier in the week, before hawkish FOMC inflation and rate projections drove a sustained rally. Walsh's scrapping of conventional forward guidance pushed markets to price prolonged restrictive policy, anchoring the 10-year yield firmly above 4.47%. Higher yields substantially lifted gold's carry cost, forming persistent bearish pressure.

(3) Impact on Gold

A sharply stronger US dollar coupled with climbing Treasury yields and rising rate-hike odds created dual bearish headwinds, limiting gold's rebound capacity. While lingering Middle East geopolitics offered mild safe-haven support, its impact was overwhelmed by tightening policy risks. Elevated rates and 2026 hike expectations formed the dominant bearish catalyst, sustaining gold's downtrend.

4) Geopolitical Tensions & Safe-Haven Demand

(1) Geopolitical Tensions

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

- **Early-week backdrop:** Persistent military clashes kept gold subdued. While Israel and Hezbollah signaled willingness to observe a ceasefire under the US-Iran framework, the Washington Post reported US intelligence warnings to the Trump administration that Israeli Prime Minister Netanyahu might act to sabotage the deal amid domestic political pressures. Expected reopening of the Strait of Hormuz eased crude supply disruption fears and marginally cooled inflation anxiety.
- **Major early-week de-escalation catalyst:** Mediated by Pakistan, the US and Iran signed the Islamabad Memorandum of Understanding remotely, with formal in-person signing scheduled June 19 in Switzerland. The deal stipulated a comprehensive ceasefire, US lifting of naval blockades in the Persian Gulf, phased unfreezing of Iranian overseas assets, and unrestricted shipping through the Strait of Hormuz for 60 days, sharply mitigating fears of global crude supply shocks and inflation panic. Safe-haven capital exited the dollar and gold temporarily.
- **Critical impasse:** Israel explicitly disavowed the US-Iran memorandum and refused to withdraw troops from southern Lebanon, launching airstrikes targeting over 80 Hezbollah sites across Lebanon throughout the week. Iran deemed Israel-Lebanon hostilities an inseparable component of the bilateral deal, suspending its Swiss signing trip alongside Pakistan's mediation delegation and canceling the June 19 formal ceremony, erasing de-escalation optimism overnight.
- **Lingering risks:**Internal US divisions: The CIA warned the White House Iran would retain nuclear capacity despite pledges to dilute enriched uranium, with deep rifts between negotiation-focused White House staff and military hawks. Trump threatened renewed military strikes against Iran if a final nuclear deal failed to materialize within 60 days.
- **Iran's red lines:** Tehran retains full sovereignty over the Strait of Hormuz, requiring vessel registration for transit while rejecting external oversight of the waterway. It warned Israeli airstrikes risk triggering full regional conflict.

2) Progress of the Russia-Ukraine Conflict

Intense battlefield stalemate persisted with reciprocal long-range strikes: Russia launched 70 missiles and hundreds of drones targeting Kyiv on June 15, damaging urban infrastructure. On June 18, Ukraine staged its largest drone offensive in four years, deploying nearly 200 drones to hit Moscow refineries, sparking fires and temporary airport closures. Street fighting continued across Donbas and Konstantinovka with no material frontline shifts. Diplomatic overtures for talks emerged yet yielded no tangible ceasefire progress. The prolonged low-intensity conflict only offered mild, persistent safe-haven support with far weaker gold pricing impact than US-Iran tensions.

(2) Impact on Gold

The week's core geopolitical swing factor was the US-Iran narrative shift from de-escalation to renewed friction. The initial deal optimism briefly lifted gold, yet the canceled signing paired with ongoing Israel-Lebanon hostilities reignited geopolitical risks, stoking oil and inflation fears that weighed on bullion. Tighter Fed policy pricing and elevated Treasury yields exerted far stronger bearish forces, locking precious metals into a downward trajectory.

5) Tariff Turmoil Drives Gold Swings

① **Tariff & Trade Policy Developments**

- **US-China tariffs**

The 12.5% additional US tariffs on Chinese goods entered a formal rebuttal window this week, with Chile, India, Brazil and other nations filing joint written appeals against high tariff rates alongside domestic export chambers submitting category exemption requests. The US Department of Justice continued appeals to overturn rulings mandating refunds on legacy China tariffs, while China's CCPIT publicly condemned unilateral levies.

- **US global tariff overhaul**

Domestic US recycled aluminum producers filed mass tariff exemption applications. Concurrently, the June 18 hawkish FOMC dot plot led markets to price higher import inflation from broad global tariffs, lifting odds of Fed tightening in 2026.

- **US-EU tariffs**

European industry associations jointly protested US layered global taxation proposals, while the European Commission expanded probes into countervailing duties on Chinese hybrid vehicles.

② **Impact on Gold Prices**

Global tariff risks generated dual safe-haven demand from inflation and trade recession fears, offering mild underlying support for gold. However, tariffs amplified imported inflation pressures, coinciding with hawkish Fed signals that drove the dollar and Treasury yields higher. Tightening policy headwinds dominated, capping gold's upside and sustaining a weak downward bias.

6) Gold Market Observation

1. 2026 Central Bank Gold Reserves Survey-June 2026 (World Gold Council, WGC)

① **Survey Overview**

Fielded February – May 2026 across 76 central banks spanning all global economy types. Global central banks purchased an average of 1,000 tonnes of gold annually over the past four years, doubling the pace of the prior decade amid rising geopolitical and macroeconomic uncertainty.

② **Reserve Allocation Expectations**

Short-term: 89% of surveyed central banks project further growth in global official gold reserves over the next 12 months; 45% plan to raise their own gold holdings, with only 1% targeting reductions, and emerging markets showing far stronger buying appetite.

Long-term: 84% expect gold's share of reserve portfolios to rise within five years; 74% forecast shrinking US dollar reserve allocations, with euro and RMB shares flat, positioning gold as the primary alternative asset.

③ **Core Drivers of Gold Purchases**

-Top motivations: crisis hedging, long-term inflation resistance and portfolio diversification, followed by geopolitical risk mitigation and reserve de-dollarization. Emerging markets exhibit far greater concern over inflation, geopolitical friction and trade tariffs than advanced economies.

-Top macro consideration: interest rate levels, with geopolitics ranking above inflation as a secondary concern.

-Funding sources for gold purchases: Half of central banks conduct domestic purchases via local currency, while 38% sell other reserve assets to fund bullion acquisitions.

④ **Diversification Trends in Gold Storage**

-Vaulting locations: The Bank of England remains the primary storage venue (57%), followed by domestic national vaults; preference for the Swiss National Bank fell from 12% to 6%.

-Accelerated reserve diversification: 9% of central banks expanded domestic storage capacity and 10% split overseas vault holdings over the past year, with a large cohort planning further diversification in 2027 to mitigate single-custody counterparty risks.
-Physical standard: London Good Delivery bars remain the dominant official holding vehicle, with over half of emerging markets establishing domestic gold procurement frameworks.

⑤ **Gold Portfolio Management**

76% of central banks manage gold reserves as standalone strategic assets; only 37% actively trade bullion, prioritizing yield enhancement over risk hedging, with short-term speculative trading demand declining sharply year-on-year.

⑥ **Summary**

Advanced and emerging central banks uniformly endorse gold's long-term strategic reserve value. Declining dollar exposure, persistent geopolitical friction and proliferating trade barriers will sustain robust official gold demand, alongside broad shifts toward diversified vaulting and domestic bullion procurement channels.

III. Outlook & Key Catalysts

➢ **Next Week's Focus:**

Jun 23 (Tue): US S&P Global flash PMIs
Jun 24 (Wed): US Q1 final GDP
Jun 25 (Thu): US May core PCE & weekly jobless claims
Fed officials speak all week.

Core catalysts: Fed hawkish commentary; inflation/GDP data; US-Iran geopolitics; USD & Treasury yield swings; global tariff hearings; central bank gold buying vs near-term rate hike pressures.

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