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

COMEX gold futures rose 1.37% to settle at $4,103.00/oz on Friday's New York session (early morning June 27 Beijing time), with a cumulative weekly loss of 3.37%. COMEX silver futures climbed 1.37% to $59.16/oz, down 10.79% for the week.

Gold edged higher early this week on upbeat US-Iran nuclear talks, yet stronger-than-expected US economic data lifted Fed rate hike bets and boosted the US Dollar, sending gold plunging. In-line inflation data fueled a brief recovery on Thursday, while slumping Asian equities capped upside on Friday, leaving gold with a weekly loss.

Monday: Optimistic US-Iran nuclear negotiation news lifted safe-haven demand for gold, pushing the metal modestly higher despite Iran’s early exit over Trump’s military threats.

Tuesday: US June manufacturing and services PMIs both beat estimates, stoking Fed tightening expectations and lifting the USD. Tech stock selloffs diverted capital to the greenback. Conflicting statements from Washington and Tehran revived Middle East uncertainty, dragging gold lower.

Wednesday: Mounting bets on a September Fed hike kept the USD firm, driving gold to a fresh November low below
$4,000.

Thursday: US May PCE inflation matched forecasts, easing inflation fears. The USD retreated alongside a mild stock rebound, lifting gold back above $4,000 for a daily gain.

Friday (NY session): Widespread selloffs across Asian equities weighed on risk sentiment amid worries over chip costs and inflation hitting AI stocks. The USD extended its pullback, enabling a mild gold bounce toward $4,100 late in the session.

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 May Personal Consumption Expenditures (PCE) Price Index**

Released Thursday by the US Bureau of Economic Analysis, the headline PCE index rose 4.1% YoY in May, up from April's 3.8%. Core PCE, stripping volatile food and energy components, printed a 3.4% YoY gain.

- **University of Michigan June Consumer Sentiment Index**

The final June reading climbed to 49.5 from 48.9, beating consensus and May's 44.8 print. Breakdowns revealed one-year inflation expectations held flat at 4.6%, while five-year expectations dipped to 3.3% from 3.4%.

- **US June S&P Global Manufacturing & Services PMI Flash**

Manufacturing PMI printed 55.7 and Services PMI hit 51.3, both far exceeding market estimates. Accelerating expansion in US private-sector activity underscored robust economic resilience, reinforcing bets on tighter Fed monetary policy.

(2) Impact on Gold:

This week's data confirmed strong US growth and sticky inflation, lifting expectations for a 2026 Fed rate hike and fueling USD strength to weigh on bullion. Only a mild pullback in long-term inflation expectations slightly mitigated downside momentum, failing to reverse the metal's near-term bearish bias.

2) Monetary Policy & Gold Market Impact

(1) Fed Developments & Official Views

- **Fed Policy Developments**

While Chair Kevin Walsh hosted the June FOMC last week, financial institutions and media extensively parsed its hawkish implications throughout this week. The Committee maintained rates at 3.50%-3.75%, stripped all dovish forward guidance, and shifted to a balanced, hawkish-leaning policy tilt. Walsh identified inflation containment as the Fed's top priority, sharply upgraded full-year inflation forecasts, overhauled communication frameworks by phasing out widely referenced dot-plot projections, erased market rate-cut bets, and reserved ample policy room for potential rate hikes, buoying US Treasury yields and the Dollar all week long.

- **Official Views**

-Austan Goolsbee, President of the Chicago Fed: Reiterated hawkish hike odds, noting entrenched underlying inflation with no meaningful cooling trajectory.

-Neel Kashkari, President of the Minneapolis Fed: Forecasts one rate hike in 2026, telling Bloomberg pervasive persistent inflation necessitates higher policy rates.

-John Williams, President of the New York Fed: Current policy rates deliver sufficient restrictiveness to guide inflation back to the 2% target over the long run. Inflation remains elevated near term and will only moderate modestly this year, returning to target by 2028. He ruled out immediate additional tightening yet offered no dovish signals.

(2) Market Watch Data

- **Prime Market Terminal Data:**

CME FedWatch's latest weekly readings confirm rates will hold steady in the 3.50%-3.75% band, with a July pause fully priced in. Driven by strong PMI prints and sticky May PCE inflation, odds of a 25bp September rate hike briefly hit 69% before edging down to 62.1% post-PCE data. The probability of at least one 2026 hike stands at 81.7%, while pricing for any rate cut this year is nearly eliminated. Combined with cumulative hawkish Fed speeches and lingering fallout from the June hawkish FOMC, markets have cemented pricing for higher-for-longer interest rates.

(3) Impact on Gold Prices

Multiple voting Fed officials delivered consistent hawkish rhetoric this week, compounded by sustained market repricing of the June FOMC's hawkish stance. Coupled with above-consensus growth and inflation prints, odds of a September rate hike climbed steadily, underpinning the US Dollar and capping gold's recovery attempts, leaving the metal's near-term bearish trajectory intact.

3) Yields, USD & Gold Dynamics

(1) Dollar Index Behavior

As of the New York close on June 26 Friday, the DXY – tracking the greenback against six major peers – dipped 0.25% intraday to settle at 101.20, yet trended higher overall for the week, hitting a 13-month peak of 101.80 midweek. Early-week upside stemmed from strong June manufacturing and services PMI prints paired with coordinated hawkish Fed commentary, pushing the index firmly above 101. Post-PCE inflation data on Thursday moderated hike bets, while steep selloffs across Asian equities diverted partial safe-haven flows away from the Dollar, triggering mild Friday losses. Still, solid US economic fundamentals and pricing for 2026 rate hikes establish firm support for the DXY, limiting substantial downside; only temporary profit-taking emerged amid wavering US-Iran diplomatic sentiment.

(2) US Treasury Yields & Gold Dynamics

The 10-year US Treasury yield closed at 4.37% on Friday June 26 New York time, down 2bp intraday and over 10bp lower on a weekly basis, trading within a 4.36%-4.51% range in a choppy rally-then-retreat pattern. Early-week robust PMI data and hawkish Fed rhetoric lifted yields to a weekly high, while in-line May PCE figures eased inflation fears on Thursday, prompting short covering and a sharp yield pullback. Real yields remain elevated, exerting persistent downward pressure on non-yielding gold.

(3) Impact on Gold

The US Dollar traded strong on net this week alongside persistently elevated Treasury yields. Though September hike probabilities receded slightly, they remain above 60%, leaving the broader tightening narrative intact and rendering gold's rebound attempts unsustainable. Fluctuating hopes for de-escalated Middle East geopolitics only provided fleeting bottom-side support, insufficient to offset monetary tightening headwinds. Hawkish Fed policy and robust US macro data constitute the core bearish drivers, keeping gold biased lower with only brief technical corrective bounces.

4) Geopolitical Tensions & Safe-Haven Demand

(1) Geopolitical Tensions

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

➢ **Weekly Theme: Temporary Detente Followed by Renewed Escalation, Swinging Risk Sentiment**

Early this week, the Islamabad Memorandum of Understanding between Iran and the US fueled bets on broad Persian Gulf de-escalation, easing supply fears for crude oil as full Strait of Hormuz shipping resumption was priced in. However, Israel's refusal to cease hostilities and large-scale airstrikes against Hezbollah in Lebanon derailed planned diplomatic signing events, rapidly erasing geopolitical relief optimism.

➢ **Key Fresh Escalations This Week**

-June 25: Iranian drones targeted commercial vessels transiting the Strait of Hormuz, which Washington deemed a breach of the ceasefire memorandum. Overnight June 26, US fighter jets launched strikes against Iranian missile, drone and coastal radar facilities on Iranian soil – the first direct US military action against Iranian territory since the memorandum was signed. The Islamic Revolutionary Guard Corps retaliated immediately with strikes against US military outposts across the Persian Gulf, reinstating tight shipping restrictions and reigniting bilateral confrontation.

-Lebanon-Israel: While the US, Israel and Lebanon drafted a ceasefire framework, Hezbollah rejected unconditional troop withdrawal, and Israeli forces continue cross-border strikes against armed factions in southern Lebanon, leaving full regional conflict risks unresolved.

➢ **Lingering Diplomatic Flashpoints**

-US domestic division deepens: The CIA warns Iran retains full uranium enrichment capacity; hardline military factions advocate expanded strikes on Iran, while White House negotiators push for continued diplomatic mediation. Policy inconsistency amplifies market uncertainty. President Trump stated sweeping military pressure would resume if a comprehensive nuclear accord fails to materialize within 60 days.

-Iran's red lines are explicit: It claims full jurisdiction over the Strait of Hormuz, permitting vessel passage only with mandatory advance registration. Tehran further warned Israeli airstrikes risk igniting full regional war and ruled out unilateral concessions.

2) Progress of the Russia-Ukraine Conflict

Battlefields remain locked in intense stalemate with frequent reciprocal long-range strikes targeting energy and critical infrastructure; no meaningful shifts emerged along eastern frontlines. Though both sides voiced willingness to negotiate, irreconcilable core disagreements persist with no tangible ceasefire progress. Safe-haven demand stemming from the conflict exerts minimal influence over gold, dwarfed by Middle East geopolitical dynamics.

(2) Impact on Gold

Renewed US-Iran hostilities lifted crude prices and stoked fears of rebounding inflation, reinforcing the Fed's hawkish bias and pushing real yields higher, delivering clear bearish pressure to gold. Safe-haven flows from the Russia-Ukraine conflict are too muted to counteract rate-driven headwinds, leaving bullion broadly weak.

5) Tariff Turmoil Drives Gold Swings

① Tariff & Trade Policy Developments

➢ **US-China tariffs**

A Sino-US Trade Council was formally established June 25 to discuss reciprocal tariff reductions. Meanwhile, hearings on Washington's 12.5% supplementary tariffs on Chinese goods remain ongoing, with domestic exporters and multinationals filing exemption petitions. The US continues appealing rulings that grant tariff refunds to Chinese entities, signifying unresolved trade frictions. Beijing rolled out countermeasures including export controls on key entities and government procurement restrictions in response to Washington's entity list crackdowns.

➢ **US global tariff overhaul**

Domestic recycled aluminum producers filed mass tariff exemption applications. Washington plans to impose broad tariffs ranging 25%-40% on Japan, South Korea and Southeast Asian nations starting August, widening the scope of trade friction.

➢ **US-EU tariffs**

President Trump threatened 100% retaliatory tariffs on all EU imports if the bloc implements digital services taxes. The EU jointly files legal challenges against Washington's tiered tariff scheme while expanding anti-subsidy tariff probes targeting Chinese hybrid vehicles. The UK announced steel duty-free quotas will shrink starting July, with a 50% safeguard tariff levied on excess import volumes.

② Impact on Gold Prices

Widespread global trade friction lifts imported inflation expectations and reinforces the Fed's hawkish stance, driving simultaneous strength in Treasury yields and the US Dollar. While trade tensions generate mild safe-haven demand for gold, monetary tightening forces dominate price action, sustaining the metal's downtrend.

6) Gold Market Observation

1. Why Gold Has Been Correcting? Bull Market Remains Intact – CICC Research

➢ **(1) Two Core Bearish Drivers Behind Gold's Deep Correction**

1.1 Geopolitical Crude Spikes Revive Inflation & Tightening Bets

Gold has trended downward since early March, at one point breaking below $4,000/oz with a drawdown exceeding 25% from its early-month peak. Escalating US-Iran tensions sent crude oil surging, stoking market fears that energy costs will reignite broad US inflation, forcing the Fed to sustain restrictive monetary policy and weighing on non-interest-bearing gold.

1.2 Hawkish FOMC Signals Fuel USD Strength to Suppress Bullion

The June FOMC meeting catalyzed the current downturn. New Fed Chair Walsh prioritized inflation control, with dot-plot forecasts lifting inflation projections and half of voting officials backing a 2026 rate hike. Markets immediately priced in two rate increases across 2026–2027, betting on a renewed US Dollar rally that pressured gold lower.

➢ **(2) Rational Interpretation of Fed Communications: Policy Has Not Shifted Full-Blown Hawkish**

2.1 Markets Overreacted to Hawkish Remarks; Dot-Plots Carry Diminished Significance

Markets overstated tightening signals from the latest FOMC. Walsh himself de-emphasized dot-plots, acknowledging frequent revisions and reduced reliability as forward guidance tools. New Fed chairs initially stress inflation stability purely to build policy credibility – standard rhetorical practice, not a commitment to prolonged hikes.

2.2 Five Task Forces Established to Build a New Rate-Cut Policy Framework

The pivotal structural overhaul from this FOMC lies in five special working groups led by Walsh to redesign the Fed's decision-making framework:

Restructure communication protocols to decouple policy judgment from rigid forward guidance and dot-plots, anchoring decisions solely to real-time economic fundamentals;

Adopt trimmed-mean inflation metrics that filter out transitory oil-price volatility to lay data groundwork for future rate cuts;

Distinguish one-off price shocks from persistent underlying inflation, eliminating automatic rate-hike triggers for crude-driven inflation spikes;

Integrate AI productivity gains into economic models, as technological efficiency curbs labor costs and suppresses long-term inflation;

Pause aggressive balance sheet runoff, prioritizing Treasury market liquidity to avert financial risks from passive tightening.

2.3 Sustained USD Rally Is Unlikely; Credibility Recovery Premature

Mounting US federal debt paired with eroding domestic and diplomatic credibility limits long-term Dollar upside, even amid near-term Fed hawkishness. A single FOMC meeting cannot confirm a lasting bull trend for the greenback.

➢ **(3) US Inflation Lacks Persistence; Price Pressures Will Ease H2 2026**

3.1 Current Inflation Rebound Driven Solely by Transitory Oil Shocks

The latest inflation uptick stems exclusively from energy price volatility, unaccompanied by overheated consumer demand or a wage-price spiral. With US-Iran diplomatic detente having pulled crude back to pre-conflict levels, inflationary pressure from oil will fade rapidly.

3.2 Multiple Core Price Metrics Signal Downward Inflection

Excluding energy, rents, used vehicles, food and core goods prices all show cooling signals. Leading indicators point to sustained core inflation moderation, with headline inflation set to peak this summer before trending lower through the second half of the year.

3.3 Payroll Data Contains Statistical Bias; Labor Markets Gradually Cool

May's robust nonfarm payroll headline masks consistent large downward revisions to initial May prints in historical datasets. Adjusted for typical revision magnitudes, job creation is far softer than reported. The ostensibly red-hot labor market reflects statistical noise rather than fundamental strength, failing to justify persistent rate hikes.

- **(4) Bull Market Fundamentals Remain Sound; Gold's Inflection Point Approaches**

4.1 Historical Bull Market Termination Requires Two Strict Prerequisites

Reviewing five major gold bull cycles since the 1970s, sustained bear markets only materialize under two scenarios: consecutive Fed rate hikes or full-blown economic expansion. Neither condition is satisfied currently; the ongoing pullback constitutes a mid-cycle correction, not a terminal top.

4.2 June Marks a Global Liquidity Trough; Correction Is Seasonal

June represents the year's tightest global liquidity window amid synchronized tightening across central banks, rendering gold's short-term pullback logical. By July–August, cooling US inflation data will reverse rate-hike narratives and reignite cut bets, bringing gold's price inflection closer.

4.3 Improved Allocation Value Offers a Hedge Against AI Equity Bubbles

Beyond monetary easing tailwinds, gold acts as a high-quality safe-haven asset for portfolios, hedging against valuation bubbles in AI-focused equities and smoothing overall portfolio volatility.

- **(5) Allocation Strategy & Risk Reminders**

The long-term gold bull cycle remains intact, with the current drawdown merely a mid-rally correction. Investors are advised to maintain core positions and add incremental exposure on price dips, awaiting a reversal in liquidity expectations.

Key Risks: Renewed sharper-than-forecast core US inflation prints; abrupt flare-ups in Middle East geopolitical tensions.

III. Outlook & Key Catalysts

- **Next Week's Focus:**

Jun 29 (Mon): Dallas Fed Manufacturing Index (Jun)

Jun 30 (Tue): Chicago PMI, Conference Board Consumer Confidence (Jun)

Jul 1 (Wed): ADP Private Payrolls, ISM Manufacturing PMI (Jun)

Jul 2 (Thu): Nonfarm Payrolls, Unemployment Rate (Jun); Factory Orders MoM (May)

Key Watchlist

Fed officials' remarks on September rate hikes; ADP/NFP jobs data steering rate pricing; crude inflation & safe-haven swings from US-Iran nuclear talks; volatile USD and real Treasury yields; tug-of-war between central bank gold buying (long-run bullish) and Fed tightening bets (near-term bearish); thinner liquidity and heightened volatility ahead of US Independence Day.

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