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Weekly Gold Wrap

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I. Gold Price Recap

As of Friday's New York session (early morning July 4 Beijing time), COMEX gold futures rose 1.49% to settle at $4,187.30 per troy ounce, posting a 2.22% weekly gain. COMEX silver futures climbed 2.04% to $62.815 per troy ounce, with a 5.39% weekly surge of 5.39%.

Gold slumped to a fresh periodic low early this week amid divergent US-Iran geopolitical signals. Fed Chair Walsh's cautious rhetoric, which ruled out pre-emptive forward guidance on rate paths, kept prices range-bound. Later in the week, yen volatility weighed on the US Dollar, while drastically soft US nonfarm payrolls cooled Fed hike bets, fueling a sharp bullish reversal. Gold closed higher to break a four-week losing streak.

Monday: Escalated US-Iran clashes near the Strait of Hormuz stoked choppy risk sentiment, triggering a 1.5% single-day gold drop. Conflicting official statements from Washington and Tehran injected persistent geopolitical uncertainty to cap bullion prices.

Tuesday: Geopolitical selloffs persisted, dragging gold down to $3,950/oz, its lowest level since November last year. Markets stood on the sidelines ahead of Fed remarks, halting further declines and locking gold into narrow sideways trading.

Wednesday: Fed Chair Walsh delivered a hawkish speech stressing inflation containment while acknowledging mild recent inflation easing, with no dovish signals offered. He reiterated the Fed would refrain from telegraphing rate trajectories in advance. Weak bullish momentum limited upside, yet gold edged up slightly to hold above the $4,000/oz threshold.

Thursday: Markets staged a full reversal. Sharp yen swings spurred broad US Dollar liquidation. Worse-than-expected June US nonfarm payrolls plus downward revisions to prior prints significantly priced out Fed rate hikes, triggering a powerful gold rally.

Friday: Markets extended post-payroll trades as the US Dollar remained under consistent selling pressure, attracting fresh bullish capital inflows. Gold rallied further to hit a two-week high, finishing the week firmly higher and ending four consecutive weekly losses.

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 June Nonfarm Payrolls**

The BLS reported June payrolls rose only 57,000, far below the 110,000 – 113,000 consensus. April and May readings were revised sharply lower: April down to 148,000 from 179,000, May cut to 129,000 from 172,000, a combined downward revision of 74,000. The unemployment rate edged down to 4.2% from 4.3% solely due to a lower labor force participation rate of 61.5%, rather than genuine labor market improvement. Average hourly earnings rose 0.3% month-on-month and 3.5% year-on-year, in line with forecasts, reflecting lingering wage inflation stickiness.

➢ **US June ADP Private Payrolls**

Private-sector employment added 98,000 jobs in June, short of the 118,000 forecast and down from May's 122,000 print, signaling cooling corporate hiring and foreshadowing weak official nonfarm data.

➢ **US Weekly Initial Jobless Claims (Week Ended June 27)**

Initial claims stood at 215,000, slightly below the 218,000 estimate, with the prior reading also revised to 215,000. Steady jobless filings indicated no emergent mass layoff risks.

➢ **US June Conference Board Consumer Confidence Index**

The index printed 91.2 versus a 94.4 forecast, edging marginally higher from the revised May reading of 90.6, pointing to muted household spending sentiment.

➢ **US June ISM Manufacturing PMI**

Manufacturing PMI fell to 53.3 from May's 54.0, below the 53.9 forecast. The gauge stayed above the 50 expansion-contraction threshold, yet manufacturing expansion momentum weakened month-over-month.

(2) Impact on Gold:

Broad softness across US labor and activity data materially scaled back Fed rate hike expectations, pressuring the US Dollar and Treasury yields lower. The macro backdrop delivered robust buying support and lifted gold off weekly lows.

2) Monetary Policy & Gold Market Impact

(1) Fed Developments & Official Views

➢ **Fed Policy Developments**

Fed Chair Kevin Walsh (July 1, Sintra ECB Forum Keynote)

① **Inflation stance:** Near-term inflation expectations have moderated, yet overall price levels remain elevated. Price stability remains the Fed's primary mandate, with the 2% inflation target non-negotiable.

② **Rate guidance overhaul:** Formal tapering of forward-looking rate guidance; no clear signal on July's rate decision. Policy will be data-dependent post-meeting deliberations, with no pre-emptive release of rate path outlooks.

③ **Balance sheet runoff:** Balance sheet reduction will proceed at an extremely gradual pace with a multi-year timeline. A dedicated task force will review balance sheet management, inflation frameworks and communication overhauls to redesign monetary policy frameworks.

④ **Macro outlook:** The Fed will assess AI's long-run impacts on supply chains and inflation, balancing dual mandates of maximum employment and stable prices.

➢ **Official Views**

San Francisco Fed President Mary Daly: The US economy retains underlying resilience, but labor market cooling is evident. Tariffs and oil price spikes pose upside inflation risks, with monetary policy moderately restrictive at present. The Fed retains flexibility to hike anew if inflation rebounds or ease if growth deteriorates, pending further data validation.

(2) Market Watch Data

➢ **Prime Market Terminal Data：**

The federal funds rate target range holds at 3.50% – 3.75%. Post-weak June payrolls, odds of a July pause rose to 82.4%, with a 25bp hike priced at merely 17.6%. Markets widely expect rates unchanged in July.

Prior strong PMIs and sticky PCE inflation lifted September 25bp hike odds to 69%, which retreated to 43.6% post-payrolls, alongside 49.4% odds for steady September rates and only 7.1% chance of a 50bp hike. Pricing for at least one additional 2026 hike faded notably, while full-year rate cut bets evaporated. Lingering hawkish rhetoric from June's FOMC meeting and prior official commentary sustained the "higher-for-longer" rate narrative over the medium term.

(3) Impact on Gold Prices

Marginally dovish Fed communications paired with soft labor data dampened rate hike bets, dragging the US Dollar and Treasury yields lower. Lower opportunity costs for non-yielding bullion provided strong bullion catalysts and fueled gold's rebound from lows.

3) Yields, USD & Gold Dynamics

(1) Dollar Index Behavior

DXY edged up 0.01% to settle at 100.87 on Friday's July 3 New York close, finishing the week lower on a choppy rally-then-slump trajectory. Early-week DXY strength stemmed from US-Iran geopolitical risks and Walsh's hawkish rhetoric. Mid-week sharp yen gains triggered intervention speculation and broad USD selling, exacerbated by weak June payrolls that erased hike odds. While solid US economic fundamentals offer underlying dollar support, soft labor data dominated sentiment, weakening the greenback and clearing room for gold's recovery.

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

As of Thursday's July 2 cash market close, the 10Y yield fell 0.99bp to 4.467%. The weekly yield curve traced a rally-then-fall pattern, with futures trading range bound between 4.25% and 4.48%. Early-week inflation fears and Fed hawkishness pushed yields higher, yet disastrous June payrolls flagged slowing US growth, sharply reducing near-term hike odds and driving haven demand for bonds to depress yields. Lower long-dated yields cut gold's opportunity cost, serving as a core bullish driver this week.

(3) Impact on Gold

A weaker US Dollar and falling Treasury yields eased the monetary tightening headwinds that weighed on gold previously. After dipping to lows amid volatile geopolitics early in the week, bullion staged a powerful data-led recovery to snap four straight weekly losses.

4) Geopolitical Tensions & Safe-Haven Demand

(1) Geopolitical Tensions

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

➢ **Weekly trend:**

Geopolitical risk softened amid diplomatic negotiations, fading haven demand.

No major military clashes erupted this week; markets focused on US-Iran indirect talks mediated by Qatar. Doha confirmed incremental progress on memorandum frameworks with continuous dialogue scheduled, while VP Vance hailed constructive negotiations to kick off dedicated nuclear consultations, easing regional risk premiums.

Key negotiating topics cover Strait of Hormuz shipping rules, frozen asset releases, Lebanon-Israel ceasefire oversight and nuclear safeguards.

- **While both sides voiced conciliatory tones, core disagreements persist:**

Iran claims full jurisdiction over the Hormuz transit corridor and demands US restraint on Israeli airstrikes, whereas Washington has offered no substantive concessions, only maintaining open negotiation channels.

Lebanon-Israel hostilities remained stagnant with no major escalation or formal truce, retaining mild residual haven support for gold.

- **Geopolitical downside risks:**

US-Iran rapprochement is limited to technical talks with unresolved structural conflicts, leaving room for sudden risk swings. Israel's sustained military strikes on southern Lebanon armed groups prevent full regional stability.

2) Progress of the Russia-Ukraine Conflict

Russia-Ukraine frontlines saw routine stalemates this week with no major territorial breakthroughs or large-scale escalations. The conflict exerted minimal market impact and barely acted as a bullish catalyst for gold.

(2) Impact on Gold

Easing Middle Eastern geopolitical risks reduced inflation/oil price fears, initially pressuring gold. However, steep cooling in Fed hike expectations driven by US labor data delivered dominant rate-side bullish momentum, lifting gold off weekly lows into an upward trend.

5) Tariff Turmoil Drives Gold Swings

① Tariff & Trade Policy Developments

- **US-China tariffs**

At the July 2 Commerce Ministry press briefing, China confirmed bilateral agricultural trade expansion frameworks via the China-US Trade Council, with reciprocal tariff reduction talks underway for relevant commodities subject to market-driven corporate purchases. Hearings for US 12.5% additional China tariffs are slated for July 7, with ongoing administrative appeals for tariff refunds. China's countermeasures including export controls and government procurement limits remain in force. The temporary 10% global US tariff expires July 24, set to be replaced by a new Section 301 framework proposing an extra 12.5% duty on Chinese goods, with hearings proceeding this week.

- **US global tariff overhaul**

White House plans for 25%–40% tariffs on Japan, South Korea and Southeast Asian nations starting August remain public policy rhetoric with no adjustments to protectionist intentions. Domestic US aluminum tariff exemption applications are under routine review with no batch approvals this week.

- **US-EU tariffs**

July 1 marked EU implementation of new cross-border parcel duties, scrapping the €150 duty-free threshold with fixed category-based levies. US threats of 100% retaliatory tariffs over EU digital services taxes remain suspended. The EU contests discriminatory US tariff rules while expanding anti-subsidy probes into Chinese hybrid vehicles. The UK launched new steel import quotas in July, imposing a 50% safeguard tariff on volumes exceeding duty-free limits.

② Impact on Gold Prices

Expanding trade barriers stoked latent imported inflation risks, temporarily reinforcing hawkish Fed pricing to lift the US Dollar and yields and cap gold gains. Yet drastically weaker US payrolls softened monetary tightening headwinds, with mild haven buying from trade frictions partially offsetting bearish pressure. Trade factors took a backseat, with gold prices primarily tracking rate expectations for a rebound.

6) Gold Market Observation

1. Central banks remain committed to gold ——World Gold Council

- **(1) Overall Official Gold Purchases**

Central bank buying momentum picked up notably in May, with global institutions logging a net gold inflow of 41 tonnes. Major buyers remain economies with consistent long-term gold accumulation strategies.

Key buyers: Poland (+18 tonnes), China (+10 tonnes), Uzbekistan and Kazakhstan with regular monthly net purchases; Singapore returned to net buying for the first time since September 2025, adding 4 tonnes in May.

Sellers: Turkey offloaded 3 tonnes and Russia sold 6 tonnes in May. Turkey's year-to-date gold sales reached 81 tonnes, while Russia's total sales stood at 34 tonnes.

YTD buying ranking: Poland tops the list with 64 tonnes of cumulative purchases, followed by Uzbekistan (33 tonnes), China (25 tonnes) and Kazakhstan (20 tonnes).

Despite periodic price swings, central banks recognize gold's strategic value as reserve assets. The 9th edition of the World Gold Council's 2026 Central Bank Gold Reserves Survey indicates 89% of central banks expect aggregate global official gold reserves to rise over the next 12 months, while a record-high 45% plan to boost their own gold holdings.

- **(2) Detailed May & Year-to-Date Operations by Economy**

-National Bank of Poland: Added 18 tonnes in May, marking four straight months of monthly purchases exceeding 10 tonnes, its largest single-month increase this year. Its YTD purchases hit 64 tonnes, with official reserves at 614 tonnes, steadily moving toward its 700-tonne reserve target.

-People's Bank of China: Recorded its 20th consecutive month of net gold purchases, adding 10 tonnes in May — the biggest monthly purchase since December 2024. Its YTD purchases total 25 tonnes, ranking it among the world's top three gold-buying central banks. Official gold reserves stand at roughly 2,331 tonnes, accounting for 9% of total foreign exchange reserves.

-Central Bank of Uzbekistan: Bought 9 tonnes in May with 33 tonnes of YTD purchases, second only to Poland. Gold accounts for 87% of its total national reserves.

-National Bank of Kazakhstan: Purchased 7 tonnes in May and 20 tonnes year-to-date, holding official gold reserves of 361 tonnes that make up 78% of its total reserves.

-Monetary Authority of Singapore: Acquired 4 tonnes in May for its first monthly net purchase since September 2025, lifting total holdings to 197 tonnes. Singapore plans to launch central bank gold custody services in October 2026 to support the development of an international gold hub and over-the-counter gold clearing system.

Czech National Bank & Central Bank of Jordan: Added 2 tonnes and 1 tonne respectively in May. The Czech Republic has maintained net gold purchases for 39 consecutive months.

Central Bank of Russia: Continued divestment, selling 6 tonnes in May and 34 tonnes year-to-date, bringing total gold reserves down to 2,292 tonnes.

Central Bank of Turkey: Sold 3 tonnes in May, with total YTD divestments **reaching** 81 tonnes.

- **(3) South Korea's Central Bank Gold ETF Allocation Plan**

Reports state the Bank of Korea has completed preparations for offshore gold ETF investments to diversify foreign exchange reserves. Internal confidentiality protocols prevent confirmation of actual position establishment. Gold ETFs are favored for high liquidity and low storage costs. Surveys show only 4% of central banks allocate gold via ETFs, with physical spot bullion remaining the primary purchasing channel. The Bank of Korea holds 104 tonnes of gold, merely 3% of its total reserves, a low proportion among emerging market central banks.

- **(4) Rising Gold Buying Interest Among Latin American Central Banks**

Regional central bank purchasing activity surged in 2026: Chile accumulated 8 tonnes year-to-date, Guatemala 2 tonnes, and Bolivia and Uruguay each added 1 tonne. Persistent regional geopolitical risks remain, and it is unclear whether this buying trend can sustain and expand over the long run.

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III. Outlook & Key Catalysts

- **Next Week's Focus:**

Mon, Jul 7: NY Fed Empire Manufacturing Index

Tue, Jul 8: June CPI & Core CPI

Wed, Jul 9: June PPI, EIA crude inventories

Thu, Jul 10: Weekly initial jobless claims, June FOMC Minutes

Core Market Focus;

June CPI and PPI are key to measuring inflation stickiness and adjusting September Fed hike odds. FOMC Minutes will signal policy stances and move USD and Treasury yields. Progress in US-Iran nuclear talks will swing geopolitical sentiment and oil inflation bets.

Gold faces dual forces: persistent central bank buying underpins long-term prices, yet the higher-for-longer rate outlook limits short-term gains. Main risks are stronger-than-expected inflation, hawkish Fed minutes and sudden geopolitical shocks triggering wild price swings.

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