



Future Gold Labs

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Weekly Gold Wrap

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I. Gold Price Recap

At New York close on July 10 (early hours Beijing time July 11), COMEX gold futures shed 0.29% intraday to settle at \$4,120.70/oz, with a weekly loss of 0.12%. COMEX silver futures dropped 0.86% intraday to \$60.200/oz, marking a 1.41% weekly decline.

The yellow metal edged lower amid stable geopolitics and robust services data early in the week; steep sell-offs ensued midweek as US-Iran hostilities escalated alongside hawkish official rhetoric; mild corrective gains emerged late week amid de-escalation signals, before gold consolidated within a narrow range on Friday as investors paused to await next week's inflation prints and Chairman Warsh's congressional testimony.

Trading activity remained thin on Monday, and strong services data pressured gold into a mild decline. The US June ISM Services PMI printed at 54, signalling sustained services expansion; the employment sub-index rebounded sharply from 47.9 to 51.2, pointing to improved labour conditions within the sector. Diminished safe-haven flows triggered modest downside for gold, with no fresh geopolitical flare-ups across the Middle East.

On Tuesday, US-Iran tensions intensified sharply, driving a 1.5% single-day slump in gold. Iran's Revolutionary Guard targeted merchant vessels near the Strait of Hormuz, while President Trump stated the US would either finalise a diplomatic accord or resolve the conflict definitively. Washington revoked crude export waivers for Iran and reinstated comprehensive sanctions, followed by US airstrikes targeting Iranian air defence and drone launch sites. Crude oil surged over 5% intraday; markets priced elevated energy-driven inflation and aggressive Fed tightening, pressuring gold down 1.5%.

Trump issued another hawkish statement on Wednesday, sending gold lower for a third consecutive session. At the NATO Summit, he declared the prior US-Iran memorandum of understanding void and threatened renewed strikes, including potential seizure of Kharg Island. Escalating geopolitical anxiety lifted Treasury yields and hawkish rate bets, sustaining bearish momentum for bullion through the session.

Brief de-escalation unfolded on Thursday, with a weaker US dollar fuelling a gold rally exceeding 1%. While cross-border skirmishes persisted early Thursday, sentiment shifted markedly after diplomatic détente signals emerged overnight; both sides halted fresh military strikes, and senior US officials

confirmed Washington's willingness to sustain indirect technical negotiations to resolve outstanding disputes.

Bullion traded sideways around USD 4,100/oz on Friday amid balanced two-way positioning. Markets entered a wait-and-see mode without new geopolitical catalysts, with investors pre-positioning ahead of June US CPI readings and Chairman Warsh's congressional testimony next week, compressing gold's trading volatility.

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 ISM Services PMI

The index registered 54.0, down marginally from 54.5 yet firmly in expansionary territory. Business Activity (55.4) and New Orders (55.1) softened modestly, while the Employment sub-index rebounded from 47.9 to 51.2, returning to expansion. The Prices Paid sub-index fell to a four-month low of 67.7, easing near-term inflation pressures in services and underscoring solid underlying economic resilience.

➤ US Initial Jobless Claims

For the week ending July 4, initial jobless claims totalled 215,000, below consensus forecasts of 218,000 and the prior week's 217,000. The four-week moving average stood at 218,750, with continuing claims at 1.814 million; subdued jobless filings reflect a broadly stable labour market.

(2) Impact on Gold:

Signs of resilient US economic activity, paired with hawkish inflation concerns outlined in the FOMC Minutes, buoyed US Treasury yields and the US dollar, capping upside potential for gold prices.

2) Monetary Policy & Gold Market Impact

(1) Fed Developments & Official Views

➤ Fed Policy Developments

The June FOMC Meeting Minutes were published this week, affirming unanimous consensus to maintain the federal funds rate target range at 3.50% – 3.75%. The document carried an overall hawkish tilt, revealing deep internal policy divergence and removing prior dovish forward guidance language. Officials voiced widespread alarm over persistent inflation stickiness, with a minority of members advocating additional rate hikes. Spurred jointly by the Minutes and escalating US-Iran geopolitical risks, markets repriced tightening odds: the probability of a 25bp rate hike at the July meeting stood at 20%, while odds for an October lift rose to 60%. Multiple voting FOMC members delivered public remarks throughout the week centred on inflation risks, AI-fuelled demand and energy price volatility; the unified hawkish rhetoric lifted Treasury yields and the US dollar, weighing on gold valuations.

➤ Official Views

-Chairman Kevin Warsh's June 1 speech at the ECB Sintra Forum set the week's core policy tone: he reaffirmed unwavering commitment to the 2% inflation target, clarified the Fed would discontinue issuing forward rate guidance and refrain from pre-emptive signalling on policy paths. He acknowledged persistently elevated headline inflation, albeit with mild cooling in inflation expectations, noting AI may boost long-run productivity yet stoke near-term demand-driven inflationary pressures. He further emphasised the Fed's institutional independence from political interference and declined to offer explicit signals for the July FOMC gathering.

John Williams, President of the New York Fed, identified AI-driven industrial expansion as the primary

inflation upside catalyst, warning that sustained surges in core prices would mandate additional Fed tightening. He projected crude oil prices may have neared their cyclical peak, implying gradual dissipation of energy inflation risks, though this baseline outlook remains highly contingent on shifts in US-Iran geopolitics.

-Lorie Logan, President of the Dallas Fed (2026 FOMC voter), stated policymakers would closely track CPI prints and services wage metrics. She noted renewed inflation momentum would open scope for additional rate hikes within 2026, rejecting premature dovish signalling to stabilise market sentiment.

(2) Market Watch Data

➤ Prime Market Terminal Data:

Per CME FedWatch Tool and Prime Terminal market data, money markets priced the odds of a September rate hike as high as 80%, while the consensus base case for the July 29 FOMC meeting remains steady rates, with hike probabilities below 34%.

(3) Impact on Gold Prices

Hawkish Fed communications and upward revisions to tightening odds lifted Treasury yields and the US dollar, creating dual bearish headwinds for gold; concurrent energy inflation fears stemming from US-Iran tensions further reinforced hawkish policy bets, keeping gold trapped in a downward trajectory.

3) Yields, USD & Gold Dynamics

(1) Dollar Index Behavior

At New York close on July 10, the US Dollar Index (DXY) edged up 0.05% intraday to 100.95, finishing the week range-bound with a mild net gain. Early-week US-Iran escalation and hawkish signals from the FOMC Minutes and Fed officials boosted the dollar, driving it to a near-term peak of 101.06. Midweek long USD positions took profit as markets digested hawkish rhetoric, and de-escalation headlines triggered broad greenback liquidation. The dollar faced notable downside pressure on Thursday amid diplomatic détente, though robust services and jobless claims data offered fundamental support. Diminished geopolitical safe-haven demand capped dollar rebounds, leaving the index trapped in a high sideways range and limiting gold's corrective upside throughout the week.

(2) US Treasury Yields & Gold Dynamics

The 10-year US Treasury yield rose 1.01 basis points intraday to 4.5612% at Friday's close, accumulating a weekly gain of 7.81bps, with consistent upward momentum from July 6 to 8. Early-week US-Iran military clashes sent crude oil surging, stoking fears of energy-led inflation; paired with hawkish FOMC Minutes signalling appetite for additional tightening, the 10-year yield rallied to a seven-week high. Persistently elevated yields throughout the week raised the opportunity cost of holding non-interest-bearing gold, constituting the primary bearish driver behind bullion's weekly decline.

(3) Impact on Gold

A broadly resilient US dollar coupled with a sharp rally in Treasury yields and rising Fed hike odds created compounded bearish pressure on gold; only brief geopolitical de-escalation and mild yield pullbacks on Thursday delivered fleeting relief, resulting in a weekly sideways decline for bullion.

4) Geopolitical Tensions & Safe-Haven Demand

(1) Geopolitical Tensions

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

➤ US-Iran Geopolitical Dynamic

-Weekly Theme: Geopolitical tensions escalated sharply early in the week before partial diplomatic détente late week, with inflation spillover risks overriding gold's traditional safe-haven appeal.

-Early week, Iran's Revolutionary Guard attacked commercial vessels transiting the Strait of Hormuz, followed by large-scale US retaliatory airstrikes targeting over 80 Iranian air defence, drone and coastal missile sites. Washington revoked crude export exemptions and reinstated full oil sanctions, sending crude prices sharply higher. Markets traded the energy inflation narrative alongside rising Fed tightening odds, triggering steep gold declines. At the NATO Summit on Wednesday, Trump formally voided the pre-existing US-Iran memorandum of understanding and threatened further military action, including seizure of Kharg Island; reciprocal cross-border strikes sustained upward pressure on Treasury yields and extended gold's losses. On Thursday, both sides paused fresh military strikes and issued negotiation signals, cooling risk premiums and easing oil-driven inflation fears to deliver a mild gold rebound.

-However, Trump published a Truth Social post on Friday acknowledging Iran's request for talks while declaring the prior ceasefire framework fully terminated; Iran's foreign ministry denied initiating diplomatic outreach, highlighting enduring core disputes and persistent geopolitical volatility risks.

➤ **Lingering Geopolitical Vulnerabilities**

US and Iran only temporarily suspended military operations, with the prior ceasefire framework officially revoked; unresolved structural core interests leave the risk of renewed vessel attacks and cross-border airstrikes intact. Israel maintained regular military strikes targeting armed factions in southern Lebanon, eliminating prospects for full regional stabilisation and sustaining residual safe-haven tailwinds for gold.

2) Progress of the Russia-Ukraine Conflict

The theatre remained locked in high-intensity stalemate marked by frequent long-range drone and missile counterstrikes, with no decisive frontline breakthroughs recorded. The conflict exerted only marginal influence on cross-asset pricing, providing minimal, short-lived safe-haven support for gold without capacity to dictate directional trends.

(2) Impact on Gold

.Early-to-midweek US-Iran hostilities lifted crude prices and Fed tightening odds to weigh heavily on gold; mild price recovery emerged on Thursday amid diplomatic de-escalation. Inflation-driven bearish dynamics outweighed safe-haven demand, resulting in a weekly decline for bullion.

5) Tariff Turmoil Drives Gold Swings

① Tariff & Trade Policy Developments

➤ **Sino-US Tariff Landscape**

The USTR hosted a three-day 301 Tariff Hearing from July 7 to 9 to solicit public feedback on a proposed new 12.5% tariff on Chinese goods, designed to replace the 10% universal temporary tariff expiring July 24, representing sustained US trade containment against China. China's Ministry of Commerce reiterated plans to advance reciprocal agricultural tariff cuts via the China-US Trade Council, with only bulk purchasing consensus reached and no concrete tariff relief implemented. All existing additional US tariffs on Chinese goods and China's export control countermeasures remain fully enforced, while US tariff refund appeals remain ongoing with no material trade thaw visible.

➤ **US Global Tariff Initiatives**

-Delayed multi-tiered tariffs: Washington pushed back the scheduled July 9 rollout of 25% – 40% punitive tariffs targeting Japan, South Korea and Southeast Asian economies to August 1, granting three weeks for bilateral negotiation; the US pledged further tariff escalations if counterpart nations deploy retaliatory trade measures.

-Cross-border opposition to new 301 tariffs (July 7 – 9): Dozens of economies including Japan, South Korea, the EU and Brazil submitted joint official briefs opposing the proposed 10% – 12.5% broad-based

tariffs, yet failed to alter the USTR's policy timeline, merely expanding diplomatic negotiation scope.

-Aviation sector tariffs (July 9 official release): The US completed Section 232 national security investigations covering imported aircraft and aerospace engines, identifying foreign supply chain vulnerabilities but temporarily withholding new aviation tariffs for six months of bilateral talks; unilateral tariff implementation remains a post-negotiation contingency, easing near-term industrial inflation pressures.

➤ **European Tariff Developments**

Two new EU trade probes were launched on July 9: an anti-dumping investigation targeting Chinese duck meat imports that may trigger new agricultural tariffs if affirmative findings are reached; definitive anti-dumping duties ranging from 4.3% to 45.3% took effect on Chinese automotive tyres starting July 8, expanding Sino-EU trade friction from manufactured goods to agricultural commodities.

② **Impact on Gold Prices**

Proliferating global tariff barriers stoke persistent imported inflation risks, reinforcing hawkish Fed policy expectations that lift the US dollar and Treasury yields to cap gold upside; only the temporary suspension of aviation tariffs marginally eases inflation fears, insufficient to reverse bullion's weak weekly trajectory.

6) Gold Market Observation

1. Gold Mid-Year Outlook 2026 -Point break —World Gold Council

(1) H1 2026 Market Recap

Gold saw extreme H1 volatility: spot peaked intraday at \$5,595.47/oz in January and slumped to \$3,959.33/oz in June, falling around 7% YTD but ranking among top 12-month assets. US-Iran friction lifted its 30-day realised volatility above 50%; though easing below 30% afterward, it stayed above the 20-year average of 17%, with spikes historically prone to mean reversion. Gold prices are shaped by four drivers: physical demand from economic expansion, safe-haven inflows amid geopolitical uncertainty, opportunity costs from higher Treasury yields and a firmer US dollar, and trend momentum that magnifies price moves. The GRAM model links 70% of H1 price swings to geopolitics, USD moves and trend capital flows. Rallies mostly occurred in Asian hours and corrections in US sessions, highlighting Asia's rising weight in global gold price formation.

(2) Baseline H2 2026 Macroeconomic Outlook

- Global GDP growth is projected at 2.9% for 2026, with US output expanding by 2.1%. US inflation is set to peak near 3.9% in Q2 before mild cooling, bringing average global inflation to 4.3% for the full year, signalling entrenched inflation stickiness.
- Major central banks including the Fed, ECB, BoE and BoJ are priced to deliver additional rate hikes before year-end, with markets assigning material odds to a Fed tightening move in October. Consensus diverges sharply on the US dollar's H2 trajectory amid offsetting cross-currents, paving the way for pronounced two-way volatility.
- Under the baseline macro consensus, gold is expected to consolidate around USD 4,100/oz within a $\pm 5\%$ trading band.

(3) Bullish Catalysts to Push Gold Above USD 4,500

- Substantial economic slowdown or renewed acute geopolitical escalation; empirical analysis shows a 100-point monthly rise in the Geopolitical Risk (GPR) Index correlates with a 2.5% gold price uplift.
- Dovish repricing of interest rate expectations and sustained declines in US sovereign yields: a 25bp drop in the 10-year Treasury yield generates a 1.75% gold rally, ceteris paribus.

- Sustained portfolio reallocation by long-duration institutional investors including pension funds, sovereign wealth funds and insurance entities; China has rolled out a regulatory pilot allowing domestic insurance capital to allocate to gold assets.
- The 2026 US midterm elections are poised to produce a split legislature, elevating policy uncertainty and defensive asset demand; prolonged above-target inflation further bolsters gold's inflation hedging value.
- Accelerated official sector purchases: annual central bank buying exceeding the long-run average by 20 – 30 tonnes correlates with a 1% gold price appreciation.

(4) Downside Risks Pressuring Gold

- Resilient US economic data exceeding consensus forecasts, more aggressive Fed tightening than current market pricing, concurrent strength in the US dollar and Treasury yields, and synchronous global monetary tightening lifting the opportunity cost of holding non-yielding gold.
- Broad risk-on sentiment across global markets triggering capital outflows from safe-haven assets and profit-taking by long gold positioning.
- Technical breakdown below critical support at USD 3,860, which could unlock deeper corrective downside.
- Downside buffers exist: any 10% – 15% drawdown from prevailing price levels will attract robust bargain-hunting flows from physical consumers and central banks, limiting severe depreciation. Since 1971, eight drawdowns exceeding 20% from major cyclical peaks have been recorded, with an average decline of 36% and a median drop of 29%.

(5) Two Long-Term Structural Variables

- **Central Bank Gold Reserves:** Multiple central banks executed tactical gold sales and reserve swaps in Q1 2026, yet aggregate official sector holdings are projected to register net accumulation for the full year. Reserve managers maintain structural long-term appetite for gold diversification, though a material deceleration in central bank purchasing volumes will create tangible bearish headwinds for bullion.
- **Indian Physical Demand (World's Second-Largest Gold Consumer Market):** India relies entirely on gold imports to satisfy domestic consumption. The federal government raised gold import duties from 6% to 15%, projected to cut annual physical demand by 50 – 60 tonnes (a 10% year-on-year contraction). Domestic economic deceleration, Indian rupee depreciation and rising delinquencies on gold-collateralised loans will suppress retail dip-buying activity. A 10% incremental tariff hike correlates with a 2% downward adjustment in gold prices.

(6) Gold Price Sensitivity Matrix (*Ceteris Paribus*)

- Central bank purchases: Positive correlation; an extra 20 – 30 tonnes of annual official buying lifts gold prices by 1%.
 - Indian import tariffs: Negative correlation; a 10% tariff increase drags gold prices down by 2%.
- US long-end yields: Negative correlation; a 25bp decline in the 10-year Treasury yield boosts gold by 1.75%.
- Inflation: Positive correlation; a 1% rise in CPI lifts gold prices by 0.5%.
 - Geopolitical risk: Positive correlation; a monthly 100-point rise in the GPR Index drives a 2.5% gold rally.

(7) Concluding Remarks

Gold exhibits high sensitivity to shifting macro fundamentals, geopolitical tail risks and cross-market investor sentiment, with Asian consumption and investment flows commanding rising weighting within

global price discovery mechanisms. Absent systemic exogenous shocks, gold will maintain range-bound consolidation through H2 2026. Escalating geopolitical stress or a dovish pivot in monetary policy pricing will unlock meaningful upside potential. Sustained reserve accumulation by central banks and strategic allocation from long-term institutional investors establish robust downside buffers, cementing gold's role as a core strategic asset for mitigating broad-based global systemic uncertainty.

III. Outlook & Key Catalysts

➤ Next Week's Focus:

July 13 (Mon): US June federal budget data

July 14 (Tue): US June CPI & core CPI; Fed Chair Warsh's House monetary policy testimony plus multiple Fed speakers

July 15 (Wed): US June PPI, NY Fed manufacturing index, Fed Beige Book, EIA crude inventories; Warsh's Senate testimony

July 16 (Thu): US weekly initial jobless claims, June retail sales, Philly Fed manufacturing index

July 17 (Fri): US housing starts, industrial output, preliminary Michigan consumer sentiment

Market focus: June CPI and PPI will gauge inflation persistence and reshape Fed rate hike odds for September and October. Warsh's two-day congressional testimony, the Beige Book and policymakers' remarks will deliver pivotal monetary cues. Ongoing indirect US-Iran talks introduce recurring geopolitical swings that roil oil prices and inflation expectations.

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