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

As of New York close Friday, July 17 (Beijing time early morning July 18), global precious metal futures closed higher. COMEX gold futures rose 0.77% to settle at $4,023.00/oz, reclaiming the $4,000 psychological level, yet registered a 2.20% weekly loss. COMEX silver futures edged up 0.06% to $56.22/oz, down 6.56% for the week.

Persistent US-Iran geopolitical tensions stoked inflation fears and weighed on gold prices all week. Though Tuesday's soft inflation figures briefly boosted bullion, hawkish Fed rhetoric dragged gold lower across the session, marking a second consecutive weekly decline.

-Monday: Weekend US-Iran clashes escalated. The US launched two consecutive rounds of strikes on Iranian military sites, while Iran retaliated against US outposts across the Middle East. Markets feared blocked crude shipments would fuel inflation, triggering a gap-down opening for gold with a nearly 3% single-day drop, sending prices toward $4,000.

-Tuesday: June US CPI printed a sharp year-on-year slowdown, undershooting market forecasts. Investors sharply priced out July rate hikes, triggering broad US dollar selling. Gold rallied over 1% and tested the $4,100 zone. However, uninterrupted US-Iran hostilities left lingering inflation risks, capping gains and preventing a sustained break above $4,100.

-Wednesday: June PPI also cooled, signaling easing pipeline inflation that should have supported gold. Still, repeated US-Iran airstrikes lifted oil-driven inflation worries. Fed Chair Kevin Warsh kicked off a two-day congressional testimony with hardline anti-inflation remarks that stabilized the US dollar. Gold lost upward momentum and trended lower for the rest of the week.

-Thursday: Warsh's opening testimony struck a hawkish tone, downplaying one-month softer CPI data and reviving rate-hike bets to bolster the dollar. Separately, reports emerged Iran could shut Red Sea crude shipping lanes in retaliation for US strikes. Gold tumbled roughly 2% and broke below $4,000 under dual bearish pressures.

-Friday: The US launched its sixth straight night of strikes targeting Iranian civilian infrastructure including power plants and railway stations, further escalating Middle East tensions. Surging crude prices reignited inflation fears, lifting market odds of a September Fed rate hike to 50%. Gold staged a mild intraday recovery on limited buying interest and traded sideways at weekly lows, wrapping the week with a near-3% loss and its second straight weekly decline.

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

➢ **July University of Michigan Consumer Sentiment Index**

Sentiment rose from 50.7 to 54, aided by falling retail gasoline prices. One-year inflation expectations dipped from 4.6% to 4.2%, while five-year expectations held steady at 3.3%.

➢ **June Consumer Price Index (CPI)**

YoY CPI cooled to 3.5% vs prior 4.2% and consensus 3.8%, with a -0.4% month-on-month reading. Core CPI rose 2.6% YoY and was flat MoM, logging the steepest monthly decline since April 2020 and signaling notable disinflation.

➢ **June Producer Price Index (PPI)**

Headline PPI missed estimates, pointing to easing factory-gate inflation and alleviating broad market inflation anxiety.

(2) Impact on Gold:

This week's batch of cooler inflation and consumer sentiment data temporarily dialed back Fed hike odds and offered bullish support for gold. That upside was largely neutralized, however, by oil-fueled inflation risks stemming from Middle East conflict alongside hawkish Federal Reserve communications.

2) Monetary Policy & Gold Market Impact

(1) Fed Developments & Official Views

➢ **Fed Chair Kevin Warsh's Congressional Testimony**

Despite synchronized soft June CPI and PPI prints, Warsh maintained zero tolerance for persistent high inflation. He stressed a single month of cooling price data did not confirm a lasting disinflation trend, nor did it complete the Fed's anti-inflation mission, ruling out dovish pivots based on isolated favorable prints. He acknowledged AI may lift long-run productivity and ease price pressures but insisted the Fed retains full control over inflation trajectories. He vowed to keep policy restrictive if prices rebound, refused to outline a fixed timeline for rate cuts, and emphasized Fed policy independence free from White House political influence.

➢ **Official Views**

-Beth Hammack, President of Cleveland Fed: Persistently elevated inflation remains her top concern. She cited robust labor markets, solid economic growth and stable consumer spending.

-Philip Jefferson, Vice Chair: He would keep rate hikes on the table if inflation fails to show meaningful cooling progress.

-Lorie Logan, President of Dallas Fed: Modest additional rate hikes are needed to balance growth outlooks and downside risks, as inflation has yet to trend sustainably toward the 2% target.

-Jeff Schmid, President of Kansas City Fed: June's brief inflation reprieve cannot confirm a durable downtrend; inflation risks remain prominent in coming months, and premature policy easing carries severe economic risks.

-Lisa Cook, Fed Governor: She backs further tightening if near-term inflation fails to show consistent cooling. Upside inflation risks now outweigh labor market softness risks, with Middle East energy costs and AI investment booms both capable of pushing prices higher.

(2) Market Watch Data

➢ **Prime Market Terminal Data：**

Per Prime Terminal data, the CME FedWatch Tool shows markets price a roughly 61% chance of a rate hike at the October 28 FOMC meeting, while odds of steady rates at the July meeting stand at 76%.

(3) Impact on Gold Prices

Uniform hawkish rhetoric from Fed officials and persistent pricing of year-end rate hikes erased bullion's inflation-driven upside potential and capped gold's recovery attempts, locking in a bearish weekly bias.

3) Yields, USD & Gold Dynamics

(1) Dollar Index Behavior

DXY edged up 0.04% to 100.76 at Friday's New York close, tracing a "decline-then-rebound" trajectory across the week. Early-week Middle East escalation plus hawkish Fed remarks briefly buoyed the dollar. The greenback slumped on Tuesday after inflation data crushed near-term hike odds, then staged a moderate recovery through late week supported by Warsh's hawkish testimony and recurring geopolitical volatility. The dollar's resilient performance throughout the week capped gold's recovery potential.

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

The US 10-year Treasury yield dipped 0.19 bps to 4.5495% at Friday's close, trading firmly within an elevated range all week backed by lingering Fed tightening expectations. Yields climbed early on amid conflict-driven oil inflation fears and the Fed's consistent hawkish tilt, pulled back temporarily on softer inflation prints, then stabilized at elevated levels late week due to residual inflation risks and restrictive policy commentary. Persistently high yields lifted the opportunity cost of holding non-interest-bearing gold, acting as a core bearish driver for bullion this week.

(3) Impact on Gold

A resilient US dollar alongside elevated long-dated Treasury yields and a broadly hawkish Fed stance created sustained bearish pressure on gold. Bullion only rebounded modestly on Tuesday's sharp inflation miss; Middle East energy inflation risks quickly erased that brief relief rally, leaving gold to trade lower on the week for a second straight session.

4) Geopolitical Tensions & Safe-Haven Demand

(1) Geopolitical Tensions

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

➢ **Weekly core narrative:** Volatile back-and-forth US-Iran hostilities dominated sentiment. Oil-fueled inflation fears suppressed gold's typical safe-haven demand.

➢ **Early-week escalation:** Iranian attacks on Strait of Hormuz merchant vessels triggered US retaliation. Tuesday saw massive US airstrikes on over 80 Iranian military sites alongside reinstated full Iranian oil sanctions and revoked crude export waivers. Surging oil prices amplified inflation and hike expectations, pressuring gold lower. On Wednesday, Washington voided the bilateral US-Iran memorandum of understanding and threatened expanded strikes. Continuous reciprocal airstrikes persisted; the US deployed extra aerial refueling tankers to Israel to prepare for wider operations. Iran warned it would close the Strait of Hormuz unconditionally if US assaults continued, stoking persistent inflation risks that weighed on gold.

➢ **Late-week swings:** Thursday brought renewed severe escalation. Washington threatened strikes on Iranian civilian infrastructure, while Iran warned of Mandeb Strait shutdowns, putting two major global crude chokepoints at risk and triggering a steep gold selloff. Temporary de-escalation signals followed with both sides pausing new offensives, cooling risk aversion and allowing a minor gold bounce. Friday reignited friction: the US floated willingness to negotiate yet declared the prior ceasefire void, while Iran denied seeking talks. Fundamental rifts remain unresolved, and ongoing Israeli strikes on southern Lebanese armed groups keep broad Middle East volatility elevated.

2) Progress of the Russia-Ukraine Conflict

Intense battlefield stalemates persisted all week, with both sides exchanging long-range missile and drone attacks with no decisive territorial breakthroughs in Donbas. The conflict's marginal impact on commodities, US yields and the dollar diminished, offering only fleeting, mild safe-haven support to gold that failed to steer overall price action.

(2) Impact on Gold

Inflationary headwinds from rising crude prices stemming from US-Iran tensions overpowered gold's traditional safe-haven appeal. Early-to-mid-week conflict-fueled oil and hike expectations pressured gold lower; mild relief came only on temporary de-escalation Thursday with weak rebound momentum. Geopolitical swings ultimately drove gold's bearish weekly performance.

5) Tariff Turmoil Drives Gold Swings

① Tariff & Trade Policy Developments

- **Sino-US Tariff Landscape**

Washington advanced preparations for a new 12.5% tariff on Chinese goods, set to replace the expiring 10% universal temporary surcharge on July 24, ramping up trade pressure on China. The US Trade Representative criticized China's uneven fulfillment of prior trade agreements. Bilateral agricultural tariff negotiations yielded only purchase expansion pledges without concrete duty reductions. All existing reciprocal tariffs and Chinese export controls remain fully enforced with no signs of trade détente.

- **US Global Tariff Initiatives**

-New Brazil tariffs announced July 15: A 25% levy on a wide range of Brazilian goods effective July 22. Brazil vowed reciprocal countermeasures and WTO dispute filings. Opposition briefs submitted by the EU, Japan and South Korea failed to delay US tariff rollouts, merely extending negotiation timelines.

-Aviation tariff pause maintained: Six-month cross-border negotiations proceed with no new levies announced this week, slightly easing import inflation pressures for aerospace supply chains, though the US retains authority to impose tariffs should talks collapse.

- **European Tariff Developments**

The European Commission issued preliminary anti-dumping duties on Chinese biodiesel on July 16 with tiered temporary tax rates. EU officials signaled additional unilateral trade restrictions targeting China would launch before October. Previously finalized anti-dumping duties on Chinese auto tires and ongoing anti-dumping probes on Chinese duck meat remain in progress, widening the scope of Sino-EU trade friction across manufacturing and agricultural sectors.

② Impact on Gold Prices

Expanding global tariff barriers lift import inflation expectations and reinforce bets on Fed policy tightening, consistent bearish headwinds for gold. Minor relief from the aviation tariff suspension proved insufficient to reverse the metal's bearish weekly trajectory.

6) Gold Market Observation

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

(1) Macro Market Overview

June's sharp gold selloff erased all early-half-year gains, delivering the first H1 loss since 2021: USD-denominated gold fell 8% H1, RMB gold lost 10%. Hawkish remarks from new Fed Chair Warsh lifted US real yields and the dollar, raising gold's holding costs and prompting broad bearish positioning; both LBMA PM spot and Shanghai benchmark gold fell 11% in June alone. By early July, price stabilization slowed gold ETF redemptions, yet thin Au9999 trading volumes and compressed domestic-global price spreads signal lingering physical demand weakness.

(2) Chinese Gold ETFs

June recorded the largest monthly redemptions on record, with outflows of RMB 15 billion and holdings down 17 tonnes. Total AUM slipped to RMB 243 billion ($36 billion) with holdings at 277 tonnes, hitting a December 2025 low. Slumping gold prices dampened retail allocation appetite, while surging new A-share investor accounts diverted household capital away from bullion.

For H1 overall, performance remained robust with cumulative inflows of RMB 40 billion and holdings rising 29 tonnes, marking the second strongest H1 inflow on record. Heightened geopolitical and macro uncertainty alongside consistent central bank gold purchases lifted institutional allocations to ETF products.

(3) Shanghai Futures Exchange Gold Futures

June average daily trading volume rebounded marginally by 4 tonnes to 305 tonnes/day, below 2025 averages yet comfortably above the five-year mean. H1 average daily turnover hit 386 tonnes, supported by extreme price volatility and rising industrial hedging demand. Open interest stood at 274 tonnes end-June, down 8% month-on-month and 13% versus end-2025, reflecting mild long liquidation across institutional accounts.

(4) Wholesale Physical Demand (SGE Withdrawals)

SGE physical withdrawals rebounded 36% month-on-month to 87 tonnes in June, driven by opportunistic restocking across supply chains on price declines plus retail bar/coin dip-buying, compounded by a 16-year May low base effect. Still, persistent jewelry sector weakness kept wholesale volumes near decade lows. Total H1 withdrawals reached 598 tonnes, down 12% YoY and 27% below the 10-year average, as soft end-consumer jewelry demand left manufacturers and retailers cautious on inventory restocking.

(5) PBoC Official Gold Reserves Purchases

Monthly buying scale: The PBoC added 15 tonnes of gold reserves in June, its largest monthly purchase since October 2023, demonstrating a clear long-term strategy to boost reserve bullion holdings.

Uninterrupted buying streak: The central bank has recorded 20 consecutive months of net purchases, the longest stretch on official record, with buying sustained through extreme H1 price volatility.

Total reserve metrics: The PBoC accumulated 40 tonnes of gold reserves in H1, and 82 tonnes across the past 20 months. Official holdings now stand at 2,346 tonnes, accounting for 8% of China's total foreign exchange reserves.

Strategic rationale: Amid pervasive geopolitical friction, cross-border trade barriers and volatile global financial markets, gold's zero credit risk and stable value deliver unique strategic reserve benefits, aligned with broader global central bank allocation trends. Sustained official buying establishes long-term price support for gold and mitigates valuation swings in dollar-denominated foreign reserve assets.

(6) Gold Imports (Latest May Data)

China's net gold imports under HS7108 reached 151 tonnes in May, a mild 6-tonne month-on-month drop tracking softer wholesale physical demand. Imports remained elevated year-on-year as persistent domestic gold price premiums sustained importer buying interest.

(7) China Domestic Demand Outlook

Jewelry consumption will likely stay muted through the traditional off-season with only mild support from stabilized gold prices. Investment demand via gold ETFs and futures will remain primarily tied to international spot price trends plus capital flows into domestic equity markets.

III. Outlook & Key Catalysts

➢ **Next Week's Focus:**

Mon Jul 20: US June state employment & wage data

Tue Jul 21: Multiple Fed official speeches; June JOLTS job openings

Thu Jul 23: US initial jobless claims (week ending Jul 18); Chicago Fed National Activity Index; Philadelphia Fed Non-Manufacturing Index

Fri Jul 24: US June new home sales; July S&P Global Manufacturing & Services PMI flash prints; Conference Board Leading Economic Indicators

Market Focus：Next week lacks high-impact inflation prints; employment, housing, PMI and job opening data will be the primary catalysts shifting market odds of September/October Fed rate hikes. Scheduled Fed official commentary will deliver ongoing policy signals. Unresolved US-Iran tensions leave crude shipping chokepoint risks intact, capable of triggering volatile oil moves that shift global inflation and rate expectations.

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