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Weekly Gold Wrap

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I. Gold Price Recap

This past Friday (Aug 7 New York session, early Aug 8 Beijing time), COMEX gold futures rose 2.37% to $4,401.3/oz, notching a weekly gain of over 7%. COMEX silver futures advanced 3.56% to $63.8/oz, climbing more than 10 percent for the week. Precious metals staged a broad strong rebound featuring a sharp weekly recovery and reversal, driven by the market's persistent downward repricing of Fed rate-hike expectations.

Gold's strong rally this week was driven by broad-based weak U.S. employment prints, de-escalating shipping talks between the U.S. and Iran in the Strait of Hormuz, falling crude oil prices, declining U.S. Treasury yields and a sustained downtrend in the U.S. Dollar Index. Aggressive bullish capital inflows pushed gold higher in staged rallies:

-Mon Aug 3: President Trump announced postponement of planned massive military strikes on Iran and bilateral indirect talks would be launched. Choppy geopolitical sentiment persisted amid repeated attacks on vessels in the Strait of Hormuz, keeping crude oil elevated. Gold edged down to $4,050.40 with a minor 0.03% intraday loss amid balanced two-way trading.

-Tue Aug 4: Rumors of joint U.S.-Japanese FX intervention weighed on the dollar. Markets priced in weak ADP payrolls in advance, lifting gold 1.35% to $4,088.10 and clearing short-term resistance at $4,080.

-Wed Aug 5: U.S. July ADP private payrolls only added 44,000 jobs, the weakest reading of 2026. Minneapolis Fed President Neel Kashkari delivered a softer policy speech, cutting September hike odds from 70% to 55%. Combined with weak demand in the 10-year Treasury auction, yields dropped and gold spiked 3.83% intraday, breaking firmly above $4,200 to an intraday peak of $4,262.20, triggering technical buying and short covering and confirming a solid bullish trend.

-Thu Aug 6: Mild short-term profit-taking confined gold to a tight high range, closing nearly flat at $4,242.70 (-0.07% intraday), as investors waited for Friday's pivotal nonfarm payrolls.

-Fri Aug 7: July nonfarm payrolls missed estimates drastically with a net job loss of 23,000, the first negative print since February. May and June payrolls were revised down by a combined 103,000 jobs. Markets sharply priced out September rate hike odds, triggering a collapse in DXY and Treasury yields. Gold surged to an intraday high of $4,371.50 before settling at $4,340.70, forming a large bullish weekly candlestick.-

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

➢ **Q2 Annualized GDP**

Q2 annualized GDP growth stood at 1.5%, lower than market expectations and Q1's 2.1%. Excluding inventory and government spending disturbances, annualized final private demand hit 3.9%, hitting a two-year high backed by robust consumption and AI-related corporate investment. Total economic growth slowed, yet domestic demand remained strong with no material recession risks.

➢ **June PCE Inflation**

Headline PCE rose 3.7% year-on-year and core PCE rose 3.3% year-on-year. Inflation edged down but remained far above the 2% target with sticky downward momentum.

➢ **Weekly Initial Jobless Claims**

Initial jobless claims for the week ending July 25 reached 197,000, slightly higher than the prior reading. Employment weakened marginally but stayed generally stable without sharp deterioration in the labor market.

➢ **July University of Michigan Consumer Sentiment**

Final July Michigan Consumer Sentiment was 55.2, higher than the preliminary reading and hitting a five-month high. Oil prices dipped then rebounded during the survey period (June 23-July 27). Consumer willingness to spend and economic expectations improved; short-term inflation expectations fell to 4.2%, while 5～10 year long-term inflation expectations held steady at 3.3%. Many respondents worried AI may hurt employment while acknowledging its productivity benefits.

➢ **Chicago PMI**

July Chicago PMI printed 57.6, exceeding the expected 56 and previous 56.7. The index stayed above the 50 expansion threshold, reflecting mild acceleration in Midwest business activity.

➢ (1) July Nonfarm Payrolls (Released Aug 7)

Seasonally adjusted payrolls fell by 23,000 versus consensus +80,000. May and June figures saw combined downward revisions of 103,000. The unemployment rate dipped to 4.1% from 4.2% prior. Job-stayer wage growth held firm at 4.4% YoY, while switcher wages rose to 7.0% YoY, signaling persistent wage inflation stickiness. The report confirmed rapid cooling in the labor market, yet resilient wage growth limited aggressive pricing of Fed rate cuts.

➢ (2) July ADP Private Payrolls (Released Aug 5)

Private-sector employment added only 44,000 workers, the weakest print in 2026 across services and manufacturing sectors. The soft ADP result foreshadowed dismal nonfarm payrolls and ignited gold's rally on Wednesday.

➢ (3) Revised June PCE Inflation (Updated This Week)

Headline PCE rose 3.6% YoY, core PCE 3.2% YoY, slightly lower than initial estimates. Disinflation marginally accelerated but remained well above the 2% long-term target, with sticky price pressures unresolved.

➢ (4) Weekly Initial Jobless Claims (Week Ending Aug 1, Released Aug 7)

Initial claims printed 226,000, above consensus 198,000 and prior 201,000. Jobless applications rose for a second consecutive week, further validating cooling labor momentum.

➢ (5) Final July University of Michigan Consumer Sentiment (Released Aug 6)

Final reading hit 57.1, up from June's 55.2. Short-term inflation expectations fell to 2.8%, long-term expectations stabilized at 3.0%. Households expressed concern over weakening jobs, while optimism over AI productivity gains lifted sentiment modestly.

➢ (6) July Chicago PMI (Released Aug 4)

The index printed 56.1, down from 57.6 prior but comfortably above the 50 expansion-contraction threshold. Manufacturing expansion momentum softened marginally without slipping into contraction territory.

(2) Impact on Gold:

All U.S. labor data disappointed this week as the dominant market catalyst, sharply lowering rate hike bets and pulling the U.S. Dollar and Treasury yields lower to fuel gold's major rally. However, elevated wage and core PCE inflation created persistent headwinds that capped unlimited upside, leading to range-bound consolidation after sharp gains. Mixed economic signals sustain gold's long-term wide-range oscillation logic, with bulls firmly controlling short-term momentum.

2) Monetary Policy & Gold Market Impact

(1) Fed Developments & Official Views

➢ **Fed Updates**

.Following the July FOMC meeting, voting members and regional Fed presidents delivered frequent public remarks with prominent internal policy divergence:

-Lorie Logan, Dallas Fed: Recognized cooling employment but argued core inflation decelerates too slowly. Middle East geopolitics risk lifting energy prices, leaving a 25bp September hike on the table; restrictive policy must remain intact.

-Loretta Mester, Cleveland Fed: Wage stickiness is the primary inflation threat. Temporary labor softness cannot offset elevated inflation; premature easing would reignite price pressures.

-Neel Kashkari, Minneapolis Fed: Adopted a softer tone in this week's speech, stating prolonged high rates are needed without aggressive tightening. Even with weak jobs data, rapid rate cuts are inappropriate; incremental small hikes remain preferable.

-Fed Chair Walsh: Weak jobs data deserves attention, yet it is too early to confirm inflation has hit target. September policy will be fully data-dependent with no pre-set bias.

-Mary Daly, San Francisco Fed: A cooling labor market suppresses wage inflation. Sustained disinflation could justify a September pause and launch discussions on rate cuts.

-White House Economic Advisors updated their stance this week: Odds of a U.S. soft landing have risen. AI will suppress inflation over the long run, yet short-term tariff and geopolitical shocks delay disinflation, ruling out overly aggressive Fed tightening.

(2) Market Watch Data

➢ **Prime Market Terminal Data：**

Before nonfarm payrolls, markets priced a 35% probability of a 25bp September hike. After the weak jobs print on Aug 7, hike odds collapsed to 11%, while pricing for the first December rate cut rose sharply. Market sentiment shifted from “higher-for-longer rates” to “policy pivot driven by weak employment”, and falling real rate expectations delivered direct bullish support to precious metals.

(3) Impact on Gold Prices

Hawkish Fed speakers capped runaway single-day gold gains; however, conclusive evidence of labor market cooling led markets to prioritize long-term rate cut pricing, weighing persistently on the dollar and Treasury yields. Balanced hawkish-dovish policy expectations pushed gold into a steady uptrend, with fundamental bullish factors dominating short-term price action.

3) Yields, USD & Gold Dynamics

(1) Dollar Index Behavior

The U.S. Dollar Index (DXY) settled at 99.58 at the New York close on August 7, tumbling 0.80% on Friday following a freezing jobs report and ending the week down 0.21% week-on-week. The dollar faced persistent pressure as the July non-farm payrolls unexpectedly contracted by 23,000 alongside massive downward revisions, drastically cooling Fed rate hike expectations. Additionally, continuous yen-intervention ripples drained dollar buying demand. While midweek geopolitical tensions in the Strait of Hormuz triggered safe-haven flows, Friday's NFP shock forced bulls to retreat, leaving the DXY pressed against its 200-day moving average support near 99.25.

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

The 10-year yield ended at 4.65% on Aug 7, trending downward. Midweek, rising oil prices and hawkish Fed talk temporarily boosted yields. However, weak Friday jobs data triggered massive short-covering, dropping the yield to 4.60%. Lower real rates also fueled a record gold rally

(3) Impact on Gold

The dual bullish catalyst of a weaker dollar and falling real Treasury yields formed the core driver of gold's sharp rebound this week. Only brief yield spikes during hawkish Fed speeches temporarily limited price gains. Medium-to-long term rate and FX headwinds eased substantially, laying fundamental groundwork for sustained bullish momentum in gold.

4) Geopolitical Tensions & Safe-Haven Demand

(1) Geopolitical Tensions

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

- Regional tensions eased temporarily this week: The U.S. postponed new airstrikes targeting Iranian energy infrastructure, indirect diplomatic talks resumed, and negotiations over Strait of Hormuz shipping controls advanced, pulling crude oil lower and cooling upside inflation risks. Rabobank analysis notes deep fundamental conflicts remain unresolved; any temporary shipping agreement would only last a 60-day window, and U.S. maritime blockades on Iranian ports are still in place.
- **Core conflicts remain unresolved:** Iran retains authority to launch remote strikes on U.S. military bases, Houthi forces conduct intermittent attacks on Red Sea vessels, and small-scale border skirmishes persist between Israel and Lebanon, leaving residual tail risks intact. Any renewed conflict escalation will send crude prices surging, reviving inflation and rate hike bets to indirectly pressure gold.
- Near-term de-escalation lifted risk appetite, with capital rotating out of USD and crude oil into gold and equities.

2) Progress of the Russia-Ukraine Conflict

Battle lines remain static with regular long-range missile strikes, no decisive territorial breakthroughs. The marginal market impact of the war on precious metals continues to fade, only offering fleeting safe-haven support amid major aerial assault news and unable to dictate long-term gold trends.

(2) Impact on Gold

Easing Middle East oil-driven inflation risks combined with rate-side bullishness from weak jobs data created dual positive catalysts driving gold higher this week. Geopolitical risks only introduce short-term volatility shifts and do not override the current bullish core trend.

5) Tariff Turmoil Drives Gold Swings

① **Tariff & Trade Policy Developments**

- **U.S.-China Tariffs:**

After layered 301 duties fully took effect, U.S. authorities reviewed corporate tariff exemption applications this week with lower-than-expected approval rates, sustaining imported inflation pressures. Bilateral agricultural trade talks stalled with no timeline for tariff relief.

- **Global Uniform Tariffs**

The U.S. 12.5% baseline tariff on 38 nations fully entered force this week. Brazil and Southeast Asian economies filed WTO complaints and deepened trade ties with China to offset U.S. tariff shocks, accelerating global trade fragmentation.

- **EU Trade Barriers**

Anti-dumping duties on passenger vehicles and light truck tires remain in effect. The EU finalized contingency plans for additional trade restrictions on light industrial goods in Q4 this week, lifting global commodity circulation costs and pushing up medium-to-long term inflation.

② **Impact on Gold Prices**

Short term: Global tariffs raise import costs and sustain inflation stickiness, supporting Fed tightening expectations and moderately capping gold upside.

Long term: Escalating global trade frictions weaken worldwide economic stability. Dual uncertainties from trade and geopolitics lift gold's safe-haven allocation demand and underpin the lower bound of gold prices. The split dynamic creates short-term bearish pressure and long-term bullish support, extending gold's wide-range oscillation cycle.

6) Gold Market Observation

1. World Gold Council July 2026 Monthly Commentary - WGC

(1) July 2026 Gold Price Review

- **Price Performance:** Gold closed July at $4,027/oz, nearly flat month-on-month after repeatedly testing the $4,000 threshold, with a year-to-date loss of 7.8%. Gold returns priced in all major currencies fluctuated within a ±2% range; RMB-denominated gold rose 0.7% MoM, INR gold gained 1.0% MoM, while JPY, GBP and AUD gold posted monthly losses.
- **Gold Return Attribution Model (GRAM) Factor Breakdown for July:**

-Bullish drivers: Positive momentum factors, consistent inflows into European gold ETFs despite 15-year high real Bund yields;

-Bearish drivers: Falling risk premiums (breakeven inflation, implied volatility), rising U.S. real Treasury yields lifting gold's opportunity cost;

-Offsetting factor: A weaker U.S. Dollar Index partially offset yield-driven downside pressure.

-Capital Flow Feature: European ETFs led all regional inflows in July. Capital rotated from equities or seized attractive price levels, breaking the historical pattern where European investors avoided gold amid elevated real rates.

(2) Risk of A Second Inflation Wave

A 1970s-style second inflation surge cannot be ruled out, yet a comparable super gold bull market is highly unlikely under current conditions:

- **Key differences:** The Fed now has a stronger inflation-fighting mandate; labor unions hold far less pricing power; crude oil carries less economic weight; U.S. personal savings rate stands at 2.8%, close to all-time lows, limiting household capacity to absorb persistent price hikes.
- **Potential inflation triggers:** Massive government & corporate AI spending, strategic stockpiling of critical resources, geopolitical energy shocks, and sustained cost pass-through by corporates. University of Michigan partisan inflation expectations and small business price indices have edged higher.
- **Gold's correlation with inflation is threshold-based rather than linear:**

Gold barely responds to mild inflation; sensitivity surges once YoY CPI exceeds 4%. Regression data shows the CPI coefficient jumps to 2.98 for inflation above 4%, versus 1.32 across the full sample.

Inflation alone cannot spark a major gold rally; bullish price action requires a combination of rising inflation, falling real rates, weaker USD and higher recession odds.

(3) Fed Policy & Macro Constraints

The Fed's July hold at 3.5%-3.75% failed to cool core PCE inflation. U.S.-Iran geopolitical tensions add upside inflation tail risks, keeping core PCE stuck above 3%.

Elevated real yields no longer act as a decisive headwind for gold. Since 2023, gold has maintained resilience even as U.S. 10Y TIPS yields stayed in historically restrictive territory, supported by two independent demand pillars: sustained central bank gold purchases and physical investment demand across Asia (China, India etc.), which operate separately from U.S. macro cycles.

(4) 7.1.4 Medium & Long-Term Gold Outlook

- **Near-term risks:** Sticky inflation and prolonged Fed high rates will keep Treasury yields biased higher, creating corrective pressure on gold as markets test the Fed's commitment to tightening.
- **Long-term support:** Sustained monetary tightening will eventually trigger weaker inflation or slower growth, driving long-dated Treasury yields lower. Combined with persistent central bank buying and steady Asian physical consumption, gold retains allocation value, though outsized 2025-style gains are not expected to repeat.

III. Outlook & Key Catalysts

- **Next Week's Focus:**

Aug 10 Mon: U.S. July Dallas Fed Manufacturing Index

Aug 11 Tue: Multiple Fed official speeches; U.S. July Conference Board Consumer Confidence Index

Aug 12 Wed: U.S. July CPI Inflation; Monthly Retail Sales

Aug 13 Thu: Weekly Initial Jobless Claims; U.S. Industrial Production

Aug 14 Fri: Preliminary University of Michigan Consumer Sentiment; Closing Fed official remarks

Core Market Focus: July CPI inflation data is the dominant market focal point next week, directly verifying disinflation persistence and heavily shaping September Fed policy pricing. Frequent Fed speeches will deliver consistent policy signals. Middle East tensions and Red Sea shipping risks may trigger abrupt shifts in risk sentiment, with crude volatility indirectly transmitted to gold pricing.

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