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Weekly Gold Wrap

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I. Gold Price Recap

At the New York close on August 14 (Beijing time early August 15), COMEX gold futures rose 0.26% to settle at $4,432.00/oz, registering a weekly gain of 0.73%. COMEX silver futures edged down 0.26% to $64.83/oz, with a weekly rise of 2.09%. Precious metals traded sideways at high levels. Gold briefly hit $4,450/oz, a two-month high, before retreating. The core driver was fading market expectations for Federal Reserve rate hikes, while Middle East geopolitical risks capped further upside.

Driven by cooling US inflation data and lower rate-hike bets, gold trended higher to a two-month peak, though Middle East uncertainty triggered a pullback. The metal found support amid soft retail sales data and closed near $4,400/oz.

On Monday, gold extended bullish momentum. Persistent US dollar weakness stemming from weak July nonfarm payroll data sent gold up more than 1% on the day, kickstarting a bull run.

On Tuesday, gold advanced during Asian trading, yet upward momentum faded in the US session, leading to a mild loss. Subdued shipping activity in the Strait of Hormuz alongside EIA upward revisions to crude price forecasts weighed on gold, preventing sustained gains.

On Wednesday, US July CPI matched consensus. Lacking bullish catalysts for the US dollar, the greenback stayed weak, enabling gold to fully recoup Tuesday's losses.

On Thursday, July PPI pointed to cooling upstream inflation, further pressuring the US dollar and trimming odds of a September Fed rate hike. Gold surged to

$4,450/oz, a two-month high, before reversing lower to close in negative territory. Washington issued tough sanctions rhetoric against Iran, stoking fears of higher oil prices amid geopolitical tensions and amplifying market volatility.

On Friday, weaker-than-expected US retail sales dragged down the US dollar. Gold drew support and stabilized, finishing the week at the upper end of its trading range near $4,400/oz.

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 CPI Inflation**

Headline CPI rose 3.4% YoY (prior: 3.5%) and 0.1% MoM (prior: -0.4%). Core CPI increased 2.5% YoY (prior: 2.6%) and 0.2% MoM, in line with consensus. Inflation cooled moderately but remained well above the Fed's 2% target, with shelter costs the primary driver, reflecting lingering inflation stickiness.

➢ **July PPI**

PPI climbed 4.7% YoY, below expectations of 4.9% and the prior 5.5%. Cooling upstream inflation served as a dovish leading signal. The data drove down odds of a September rate hike, weighing on the US dollar and Treasury yields and lifting gold prices.

➢ **July Retail Sales**

Retail sales fell 0.6% MoM, sharply missing the 0.2% consensus forecast, signalling softer domestic demand. Weak consumption further pressured the US dollar and offered support for gold toward the weekend.

(2) Impact on Gold:

Cooling July CPI and PPI alongside weak retail sales weighed on the US dollar and Treasury yields, supporting gold. However, geopolitical jitters and profit-taking after the rally pressured prices from highs, resulting in a choppy, high-level trading pattern after an initial advance.

2) Monetary Policy & Gold Market Impact

(1) Fed Developments & Official Views

➢ **Fed Updates**

Multiple regional Fed presidents delivered public remarks this week, revealing prominent internal policy divergence:

-Loretta Mester, Cleveland Fed: Adopted a hawkish stance and called for an immediate rate hike. She argued current rates remain insufficiently restrictive, and a single 25bp hike may not suffice; further tightening cannot be ruled out. While inflation has improved marginally, evidence of sustained cooling is lacking. Escalation in the Middle East could lift energy inflation, leaving a September rate hike on the table.

-Austan Goolsbee, Chicago Fed: Described the labour market as steady yet not robust. Inflation and purchasing power challenges remain the top priority for policy. Though recent inflation data improved, consistent evidence of cooling is required before determining September policy, and energy and tariff risks may reignite inflation.

-Thomas Barkin, Richmond Fed: Leaned toward holding rates steady. Much inflation pressure stems from temporary shocks including tariffs and Middle East tensions. Still, sustained supply chain disruptions and AI investment could entrench inflation, meaning rate hikes cannot be permanently ruled out.

(2) Market Watch Data

➢ **Prime Market Terminal Data：**

CME FedWatch data showed the market priced a 44% probability of a 25bp September hike early in the week. Following softer inflation and retail sales prints, the probability fell below 33% by Friday, with the base case shifting to unchanged rates. Markets focused on cooling inflation and weakening demand, and expectations of lower real yields underpinned precious metals.

(3) Impact on Gold Prices

.Hawkish official remarks limited sharp rallies, yet softer inflation and consumption data dampened Fed tightening expectations and pressured the US dollar and Treasury yields. Mixed policy signals plus Middle East risks triggered profit-taking after gold hit highs, forming an upward-then-downward wide high-level consolidation pattern.

3) Yields, USD & Gold Dynamics

(1) Dollar Index Behavior

DXY closed at 99.64 at the New York session on August 14, trading in a broad range. Cooling July CPI and PPI plus disappointing retail sales curbed Fed tightening expectations and weighed on the dollar. Brief bounces emerged on hawkish comments from Cleveland and Chicago Fed officials. Risk-off demand amid strained US-Iran ties and low shipping volumes in the Strait of Hormuz capped downside for the greenback. The dollar rebounded modestly as gold bulls took profits, with DXY oscillating mainly between 99.48 and 99.94.

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

The benchmark 10Y US Treasury yield settled at 4.68% on August 14, fluctuating widely at elevated levels. Markets consolidated ahead of inflation prints early in the week. The yield dipped briefly after in-line CPI and fell further to an intra-week low of 4.63% following softer PPI, pushing gold to its stage peak. Weak demand at the US Treasury's 10Y and 30Y auctions lifted auction yields. Combined with Washington's tough rhetoric toward Iran, fears of energy-driven inflation pushed yields higher into Friday's close. Real yields tracing a downward-then-upward path triggered profit-taking in zero-yield gold after its rally.

(3) Impact on Gold

Cooling inflation dragged the US dollar and real yields lower to support gold, yet weak Treasury auction results and persistent Middle East risks alongside hawkish Fed remarks drove yield rebounds and capped upside. Conflicting forces in FX and rates caused gold to pull back after rallying, sustaining high-range consolidation.

4) Geopolitical Tensions & Safe-Haven Demand

(1) Geopolitical Tensions

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

- .The diplomatic deadlock persisted. US Treasury and Defense officials announced unprecedented sanctions and an open-ended maritime blockade against Iran. Vessel traffic in the Strait of Hormuz remained minimal, far below pre-conflict averages of 120 ships daily. Trump stated the US retained full control over the strait, while Iran refused to reopen shipping lanes without US troop withdrawals, stalling indirect negotiations. Crude oil stayed supported by geopolitical premiums, fuelling concerns that higher energy costs could revive inflation risks.
- **Sporadic friction continued:** US forces intercepted vessels in the Gulf of Oman; attacks on Red Sea shipping recurred, and minor clashes along the Lebanon-Israel border became regular. A near-term comprehensive de-escalation looks unlikely. Any further conflict escalation could lift oil prices, reprice Fed tightening expectations and cap gold upside.

2) Progress of the Russia-Ukraine Conflict

Frontline positional warfare continued with regular long-range missile strikes, without decisive battlefield breakthroughs. The conflict's marginal impact on precious metals diminished; only large-scale air strikes offer short-term safe-haven support, unable to dictate gold's medium-term trend.

(2) Impact on Gold

Gold received support from dovish inflation signals, yet lingering Middle East tensions created upside risks for energy inflation and acted as a headwind. Balanced geopolitical crosscurrents only drive short-term volatility and do not alter gold's high-level consolidation trend.

5) Tariff Turmoil Drives Gold Swings

① **Tariff & Trade Policy Developments**

- **China-US tariffs:**

301 tariffs remain effective. USTR continues processing tariff exclusion applications, with low approval rates sustaining imported inflation pressure. China-US agricultural trade talks remain stalled with no

timetable for tariff adjustments this week.

- **New global tariffs:**

On August 13, the US rolled out tiered tariffs on drones, imposing duties ranging from 25% to 100% based on weight and functionality. Multiple nations filed WTO challenges against the US universal base tariff, seeking trade offsets amid deepening global trade fragmentation.

- **EU trade barriers:**

Anti-dumping duties on passenger vehicles and tyres remain enforced. The EU keeps advancing plans for new trade restrictions on light industrial goods effective Q4, with no new detailed rules released this week.

② **Impact on Gold Prices**

Higher tariffs lift import costs and entrench inflation stickiness, limiting gold's short-term upside. Meanwhile, intensifying trade fragmentation elevates global economic uncertainty and boosts safe-haven demand for gold, forming a pattern of short-term pressure and sustained medium-to-long-term support.

6) Gold Market Observation

1. China gold market update: Strong official sector buying in July - WGC

(1) Core Takeaways

- **Gold prices:** LBMA PM gold price was flat in July; SHAUPM edged up 0.7%. Early August saw a rally on soft US labour and inflation data, with the RMB gold price breaking above its 60-day moving average near RMB920/g for the first time since mid-March.
- **Chinese gold ETFs:** Inflows totalled RMB5bn (US$744mn) in July, reversing prior outflows. Holdings rose 5 tonnes to 282 tonnes, with AUM climbing 3% to RMB250bn (US$37bn). From January to July, cumulative inflows reached RMB45bn (US$6.3bn, 34 tonnes), marking the second strongest start to a year on record. As of August 12, ETFs added around 8 tonnes in August with nearly daily inflows backed by bullish gold momentum. Drivers include geopolitical uncertainty, weak equities and consistent PBoC gold purchases alongside rising institutional participation.
- **SHFE gold futures:** Trading volume fell 4% MoM to 292 tonnes/day amid lower price volatility. Net long positions among top 20 traders rose 24 tonnes to 117 tonnes by end-July, reflecting improved sentiment.
- **Wholesale physical demand (SGE withdrawals):** July withdrawals totalled 80 tonnes, down 8% MoM and 15% YoY. Seasonal softness weighed on jewellery consumption; elevated gold prices and fragile consumer confidence suppressed retail buying, while investment demand failed to offset weaker jewellery demand.
- **PBoC gold purchases:** The central bank added 20 tonnes of gold reserves in July, the largest monthly increase since October 2023 and the 21st consecutive month of buying. Official holdings rose to 2,366 tonnes. The PBoC accelerated purchases amid relatively stable prices to diversify foreign exchange reserves amid fragmented geopolitics.
- **Gold imports:** June net imports reached 152 tonnes, up 2 tonnes MoM and the highest since March 2024. H1 imports hit 764 tonnes, surging 138% YoY on robust investment demand.

(2) Outlook

Further gold price gains may lift domestic investment demand, though an August rebound in domestic equities could divert capital flows. Jewellery demand stays in seasonal lull; a seasonal pickup is expected as retailers replenish inventories ahead of peak consumption periods.

(3) Summary

Domestic gold investment demand improved in July, supported by ETF inflows, rising futures net longs and heavy PBoC purchases. Still, jewellery consumption remained subdued due to high prices and weak sentiment. ETF inflows persisted in early August amid higher gold prices, while equity market recovery poses a risk of capital diversion. Physical demand awaits seasonal inventory restocking.

III. Outlook & Key Catalysts

➢ **Next Week's Focus:**

Aug 18 (Mon): US NY Fed Empire State Manufacturing Index

Aug 19 (Tue): Multiple Fed officials speak; US July Import & Export Price Index

Aug 20 (Wed): FOMC July meeting minutes

Aug 21 (Thu): US Initial Jobless Claims; US Philadelphia Fed Manufacturing Index

Aug 22 (Fri): US Flash August Manufacturing & Services PMI; Fed official speeches

Market Focus: The July FOMC meeting minutes stand out as the key event, offering clues to policymakers'stance on a September rate hike. US manufacturing and services PMI data will signal economic momentum, while Fed speakers will continuously shift rate expectations. The unresolved Middle East standoff and shipping conditions in the Strait of Hormuz risk triggering oil volatility, indirectly altering inflation expectations and gold pricing. Investors should watch for amplified short-term price swings.

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