Future Gold Labs

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Weekly Gold Wrap

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I. Gold Price Recap

International precious metals futures edged higher on Friday, July 4th. The COMEX gold (GCQ5) settled at $3,346.50/oz, up 0.11% DoD for a weekly gain of 1.79%. COMEX silver rose 0.14% to $37.135/oz, gaining 2.1% on the week.

Prices retreated mid-week amid improved risk sentiment, fueled by reports of progress in U.S. trade talks ahead of the July 9th deadline and easing geopolitical tensions. However, gold rebounded on Friday as renewed tariff uncertainty emerged following President Trump's threat to demand payments from trading partners.

Market focus now shifts to ongoing trade negotiations and Trump's 'big, beautiful bill'. Any deterioration in talks or escalation in geopolitical risks could boost safe-haven demand for gold.

Furthermore, the House passed the proposed Trump's 'big, beautiful bill' late Thursday. The legislation extends 2017 tax cuts, addresses immigration, expands defense programs, while cutting Medicaid and green energy funding, raising concerns over U.S. fiscal sustainability. It raises the debt ceiling by $5 trillion, with the CBO projecting an additional $3.3 trillion in deficits over the next decade. Persistent high deficits and debt could ultimately weaken the dollar. A weaker dollar lowers gold's cost for foreign buyers, supporting prices. Gold is expected to trade range-bound near current highs with contained downside potential.

II. Key Drivers Behind Gold's Volatility

1) Gold Market Pressure and Tug-of-War Amid Mixed U.S. Economic Data

- **U.S. Bureau of Labor Statistics (BLS) Employment Report:** June jobs data beat expectations and May's figures, with 147,000 new jobs (~vs projected 110,000; May revised to144,000). Unemployment dipped to 4.1% from 4.2%, beating forecasts and within the Fed's 4.4% projection.

This supports Powell's cautious stance as the Fed monitors tariff-driven inflation risks. Weekly jobless claims (ending June 28) fell to 233,000 (~vs 240,000 expected), showing labor market resilience. The near-4% unemployment signals strength, weighing on gold, contrasting Wednesday's ADP report of 33,000 private-sector job cuts.

- **ADP's latest employment report:** Businesses are adapting to the current economic climate by pausing hiring rather than initiating layoffs. Microsoft's announcement of 9,000 job cuts further darkened the labor market outlook. The June ADP Employment Change report recorded private-sector job contraction, with actual payrolls declining by 33K versus consensus expectations of +95K growth. This divergence signals underlying U.S. labor market weakness. As a key leading indicator for NFP data, this soft reading offers modest support to gold.
- **U.S. economic data - ISM:** U.S. manufacturing activity contracted for the 4th straight month in June but at a slower pace. June's ISM manufacturing PMI rose to 49 (vs expected 48.8). However, the services PMI climbed to 50.8 from May's 49.9, signaling the sector's return to expansion.
- **Job Openings and Labor Turnover Survey (JOLTS):** The report showed 7.769mn U.S. job openings as of end-May, exceeding the 7.3mn expectation. This underscores the deteriorating U.S. labor market trend. Additionally, the weak hiring environment may push the Fed to resume rate cuts as early as this month.

Impact on Gold Prices:

The Fed is sticking to monitoring job growth and inflation data before moving to rate cuts; the employment reports mentioned could shape where interest rates head next. Fed policy rides on employment and inflation numbers-if job data stays weak, expectations for looser policies will build, giving gold ongoing support. All in all, gold's caught between competing forces right now: there's some bullish momentum, but bearish pressures aren't going away, keeping it in a volatile range with little downside risk.

2) Monetary Policy & Gold Market Impact

Speaking at the ECB Forum in Sintra on Tuesday, Fed Chair Jerome Powell stated, "We'll be making decisions meeting by meeting, based on the incoming data." He emphasized, "I wouldn't rule out any meeting, nor lock us into any particular one. The path forward depends entirely on how the data evolve." These remarks signal that the Fed is in no rush to cut rates, effectively pushing back expectations and increasing the likelihood of a first cut in September.

Powell added that were it not for the "highly uncertain path" created by President Trump's tariffs, the Fed might have already begun easing policy. While noting current policy remains "moderately restrictive," Powell said he couldn't confirm if July is too soon for a cut but reiterated he is "not ruling anything out." Meanwhile, comments from Governors Michelle Bowman and Christopher Waller suggest the Fed could consider cutting rates as early as its July policy meeting.

At the ECB Forum, inflation and interest rates remain the dominant focus. Commentary from the event is poised to continue steering rate expectations, with the prospect of cuts potentially boosting demand for non-yielding assets like gold. Concurrently, dovish Fed expectations should cap the US dollar's rebound momentum from three-and-a-half-year lows, thereby helping to limit downside for the non-yielding precious metal.

Market expectations now assign near a 25% probability of a cut at the July 29-30 policy meeting, while a 25-basis-point September reduction is almost fully priced in. Market conviction remains high for two full cuts by year-end, collectively reflecting significant easing bets.

Gold price drivers:
-**Delayed Fed Cut Expectations Reinforce Wait-and-See Stance**
Powell's "sufficiently restrictive" policy guidance and stated lack of urgency to ease sharply reduced July cut probability, shifting focus to September. Sustained higher real rates (nominal rates minus inflation) weigh on non-yielding gold's appeal.

-**Data-Dependent Posture Amplifies Volatility Risks**
Weak key indicators (e.g., rising unemployment, cooling CPI) would rapidly fuel rate-cut expectations and gold rallies; strong data conversely pressures prices.

-**Trump Tariffs & “Big Beautiful Bill” Introduce New Variables**
Uncertainty may provide near-term safe-haven support, but tariff-driven inflation constrains Fed easing capacity, creating medium-term headwinds.

-Global Coordinated Easing Expectations Intensify
Dovish ECB/BoE signals heighten competitive currency devaluation concerns, strengthening gold's allocation appeal as a store-of-value asset.

3) Yields, USD & Gold Dynamics

➢ **Dollar Index Behavior**

The US Dollar Index (DXY), tracking the greenback against a basket of currencies, rose 0.34% to 97.10. The stronger-than-expected BLS jobs report has provided the USD with near-term positive momentum, seemingly snapping its seven-day losing streak - creating headwinds for gold. However, expectations of imminent Fed rate cuts coupled with concerns over Trump's expansive tax-and-spend bill have capped the dollar's upside. As Trump's tax legislation advances to its next phase, intensifying fiscal concerns could fuel gold demand given projected budget deficit expansion.

Trump hailed House GOP's passage of Trump's “Big, Beautiful Bill” extending 2017 tax cuts, expanding defense and immigration enforcement while slashing Medicaid/green energy. The $5T debt-ceiling hike and projected $3.3T deficit surge spark fiscal sustainability fears. Long-term dollar weakness could lift gold by lowering foreign acquisition costs.

Critics like Musk and Democrats warn of inflation/weaker dollars, likely boosting gold's appeal as a dual hedge against instability and currency debasement.

Dollar Weakness & Gold Impact：
(1) Policy Tensions & Expectations: Trump's pressure for rate cuts widens the Fed-government policy gap, driving USD volatility and inflation risks. Resulting erosion of dollar confidence lifts gold through currency depreciation effects.

(2) Debt/Inflation Risks:
With U.S. debt-to-GDP swelling past 130% (2025), Trump's deficit-expanding fiscal bill threatens higher inflation. Should CPI exceed Fed targets, falling real rates would undermine dollar appeal - structurally gold-positive.

- **US Treasury Yields & Gold Dynamics**

10-year yields rose 5bps to 4.334%, with real yields up 5bps to 2.034%. Gold edged higher despite the moves, though elevated holding costs create temporary headwinds for precious metals.

4) Geopolitical Tensions & Safe-Haven Demand

Reports of a potential 60-day Gaza truce following Israel's incursion have significantly reduced geopolitical risks. Safe-haven sentiment continues to wane. Additionally, an Israel-Iran détente agreement has been reached, with Israel's Defense Ministry stating Defense Minister Katz ordered the IDF to draft operational plans countering future Iranian threats. These developments capped gold's upside momentum.

5) Tariff Turmoil Drives Gold Swings

- **Tariff policy impacts**

Ongoing uncertainty around former President Trump's tariff policies keeps investors vigilant.
U.S. trade engagements: Trump stated he won't extend the July 9 deadline to reinstate elevated tariffs. The U.S. now prioritizes smaller, incremental deals over comprehensive agreements to avoid new tariffs. While partial progress was made with the UK and China, negotiations with Japan and the EU remain unresolved. The EU expressed willingness to accept 10% blanket tariffs but demands carve-outs for sensitive sectors like semiconductors and pharmaceuticals.
Though trade-policy concerns have eased, investors maintain defensive positioning.

- **U.S.-Vietnam Trade Deal:** A newly agreed U.S.-Vietnam trade deal eased concerns over prolonged trade tensions. Under the deal, U.S. products gain zero-tariff access to Vietnam, while the U.S. imposes a 20% tariff on Vietnamese goods and 40% on re-exported items. Treasury Secretary Scott Bessent signaled expectations for more trade deals following this agreement.

- **U.S.-Japan Trade Stalemate:** U.S.-Japan trade talks stalled as President Trump threatened higher tariffs on Japanese imports, citing Japan's alleged reluctance to buy U.S.-grown rice. With the July 9th deadline for Trump's tariff decision approaching, uncertainty increased. Trump showed no sign of extending negotiations, sustaining trade-related uncertainty which may continue supporting gold prices.

- **U.S.-India Deadline Pressure:** U.S. and Indian negotiators are working towards a tariff-reduction deal ahead of Trump's July 9th deadline. These developments boosted investor confidence, prompting some profit-taking in gold after its three-day rally.

- **Trump's Tariff Threats & Payment Letters:** Market sentiment shifted slightly on Friday due to renewed tariff uncertainty. Trump threatened to send countries letters stipulating payment obligations for trading with the U.S., stating: "We may start sending some letters, perhaps as soon as tomorrow, maybe 10 a day to different countries, stating what they need to pay to do business with the U.S." He told Bloomberg reporters the tariffs "could be 60%, 70%, down to 10%, 20%."

Market focus shifts to ongoing trade talks, potentially triggering fresh volatility. Deteriorating negotiations or escalating geopolitical tensions could revive safe-haven bids for gold. While previous trade policy anxiety has ebbed, persistent tariff uncertainty continues to underpin structural support for gold, maintaining an upside bias.

6) Physical Gold Demand

- **Central Bank Gold Buying Persists in May**: Global central banks added 20 tonnes of gold to reserves in May, marking a 66.7% MoM increase but falling below the 12-month average of 27 tonnes.
- **Top Buyers**: Kazakhstan led with a 7-tonne purchase, pushing its net buying above 14 tonnes year-to-date. Turkey’s central bank (+6 tonnes) and Poland’s National Bank followed. Cumulative net purchases by these top two buyers reached 67 tonnes and 15 tonnes respectively in the first five months of 2025.
- **Strategic Support:** The data confirms sustained accumulation by medium-to-long-term allocators (e.g., central banks, pension funds), creating a "buy-on-dips" cushion. Central banks’ ongoing gold allocation is driven by concerns over dollar credibility and expectations of major central bank rate cuts.

III. Market Sentiment & Key Technical Levels

- Gold is poised for range-bound trading near current highs next week. Prices are undergoing a technical consolidation phase, primarily driven by diminished safe-haven demand amid easing Sino-US tariffs and geopolitical tensions. However, persistent tariff uncertainties, geopolitical tensions, and potential inflationary pressures from the Trump's “Big, Beautiful Bill” will sustain gold's defensive appeal, containing significant corrections while maintaining upward momentum.

IV. Outlook & Key Catalysts

- **Next Week's Focus:**

• Geopolitical risk persistence
• Fed speaker commentary
• Inflation data & employment data,
• Tariff and trade policy
•the implementation of the Trump’s Big, Beautiful Bill

Source：Wind

V. Quantitative Strategy Review

- **Strategy Performance:**

-**Quarterly Performance**

Win Rate: 46.5%
・Risk-Reward Ratio: 3:1
・Trades Executed: 20
・Annualized Return: 26%

・Maximum Drawdown: 8.9%

-**Weekly Trading Summary**:
・Weekly Win Rate: 100%
・P&L Change: -0.001%
・Trade Frequency: 3 trades

*Notes:
-Win rate is the number of wins divided by the total number of participations, calculated as (number of wins / total participations) × 100%. Excluding draws, it is (number of wins / (wins + losses)) × 100%. In statistics, a trade is considered a win if profit > 0.
-Profit-loss ratio has two calculation methods: total profit divided by total loss, or average profit per trade divided by average loss per trade. The latter is adopted here.
-Maximum drawdown is the largest decline from a peak to a trough. It is calculated by identifying the historical peak net value and subsequent trough net value, using the formula: (peak net value - trough net value) / peak net value.
-Equity changes refer to fluctuations in account funds, which occur after each position closing. In live trading, there are daily static equity changes and dynamic changes (fluctuating every second with position P&L).

Reference:

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