

[Gold](#) prices eased on Tuesday as the dollar strengthened amid encouraging signs from a historic U.S.-[North Korea](#) summit and a likely interest rate hike by the U.S. Federal Reserve, limiting demand for the yellow metal.

Spot [gold](#) inched down 0.2 percent at \$1,297.42 per ounce at 0352 GMT and U.S. [gold](#) futures for August delivery were 0.1 percent lower at \$1,301.50 per ounce.

"Dollar has been a big driver for some time now and investors are certainly taking more from that than from easing geo-political risks in recent runs... I suspect that will be the key driver for the short term," said ANZ analyst Daniel Hynes.

The dollar edged up to a three-week high against the yen on Tuesday, bolstered by optimism about a closely-watched U.S.-[North Korea](#) summit and widely expected U.S. interest rate increase from the Federal Reserve.

The Federal Open Market Committee (FOMC) starts its two-day meeting later in the day.

"We are all waiting for the Fed meeting, the FOMC should be more of the focus for the market," said Mark To, head of research at Hong Kong's Wing Fung Financial Group.

Higher interest rates will likely have an impact on gold prices as they tend to boost the dollar and pressure greenback-denominated commodities, like gold.

Meanwhile, a historic summit between U.S. President [Donald Trump](#) and North Korean leader [Kim Jong Un](#) is underway in Singapore, over how to end a nuclear standoff on the Korean peninsula.

The risk environment is probably better leading to the summit in Singapore, Hynes said. "The market is starting to price in slightly less geo-political risks."

The [European Central Bank](#) and Bank of Japan also have policy meetings this week.

Gold is expected to be volatile this week amid the U.S.-[North Korea](#) summit and central bank meetings Wednesday through Friday, said MKS SA senior precious metals dealer Alex Thorndike.

"Producer selling in gold continues to cap a definitive move through \$1,300-1,305, while Asian buying in the low \$1,290's continues to support on dips," he said.

In other precious metals, silver fell 0.3 percent to \$16.83 an ounce.

Palladium was down 0.4 percent to \$1,018.05 an ounce and platinum was also 0.4 percent lower at \$900.65.