

ICBCS Gold Market Outlook

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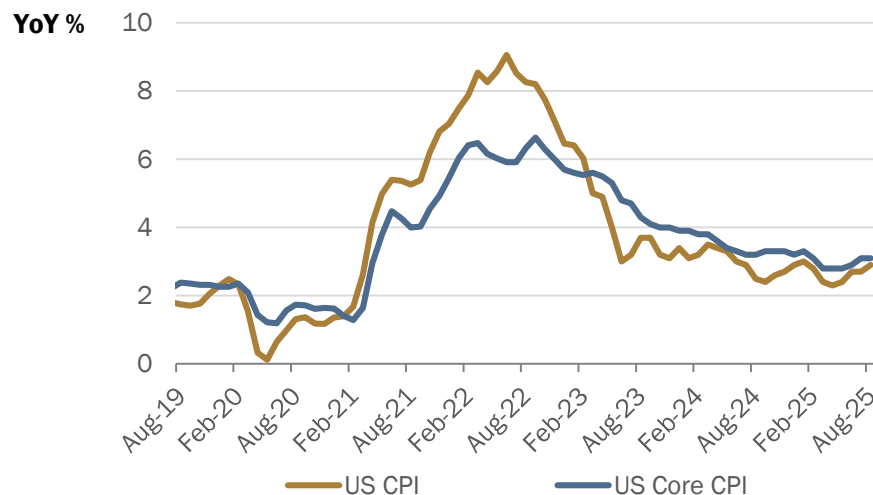
September 2025



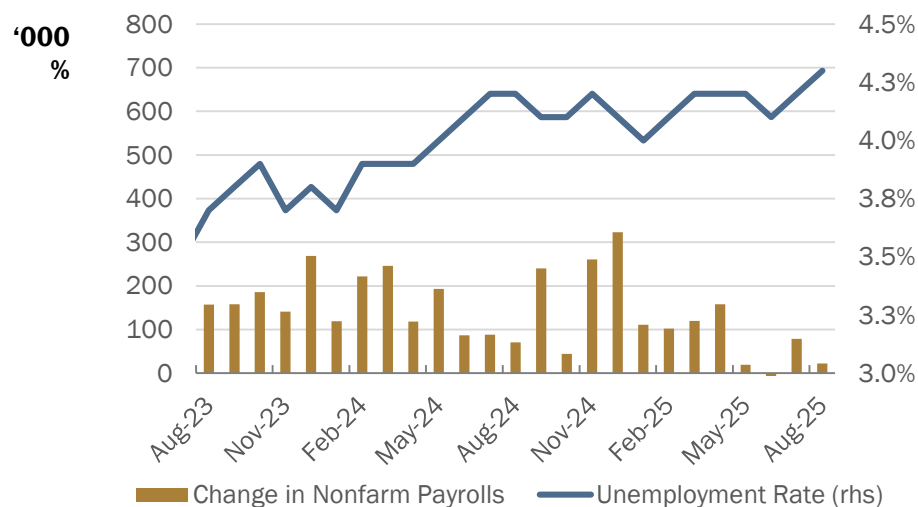


Global Economic Outlook

US August inflation showed a moderate increase; jobs data disappointed



Source: Bureau of Labour Statistics



Source: Bureau of Labour Statistics

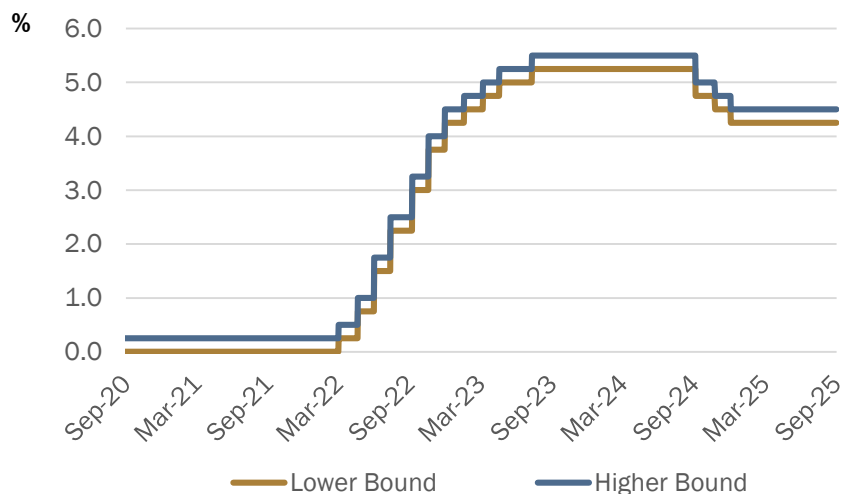
US CPI

- The latest US CPI data showed a moderate increase in inflation for August. Along with the data, initial jobless claims surged to the highest level in nearly four years, intensifying concerns about the US economy. Following the data release, traders increased their bets for at least two Fed rate cuts before the end of 2025.
- The US CPI rose 2.9% year-on-year in August, in line with expectations and slightly up from July's 2.7%. On a month-on-month basis, CPI increased by 0.4%, slightly above the forecast of 0.3% and higher than the previous reading of 0.2%.
- Core CPI rose 3.1% year-on-year and 0.3% month-on-month, both matching market expectations and unchanged from the prior month.

NFP and the unemployment rate

- The August US jobs report revealed a notably weak labour market, weighed down by Trump's tariff impacts. Nonfarm payrolls fell sharply, and the unemployment rate rose, prompting markets to fully price in a 25bp Fed rate cut in September. Some are even starting to speculate about a 50bp reduction.
- Nonfarm payrolls rose by just 22,000 in August, far below the 75,000 expected. June's figure was also revised down by 27,000 to -13,000, marking the first monthly job loss in years.
- The unemployment rate climbed to 4.3%, the highest since late 2021. Wage growth slowed as average hourly earnings rose 3.7% y/y, below both July's 3.9% and the 3.8% forecast.

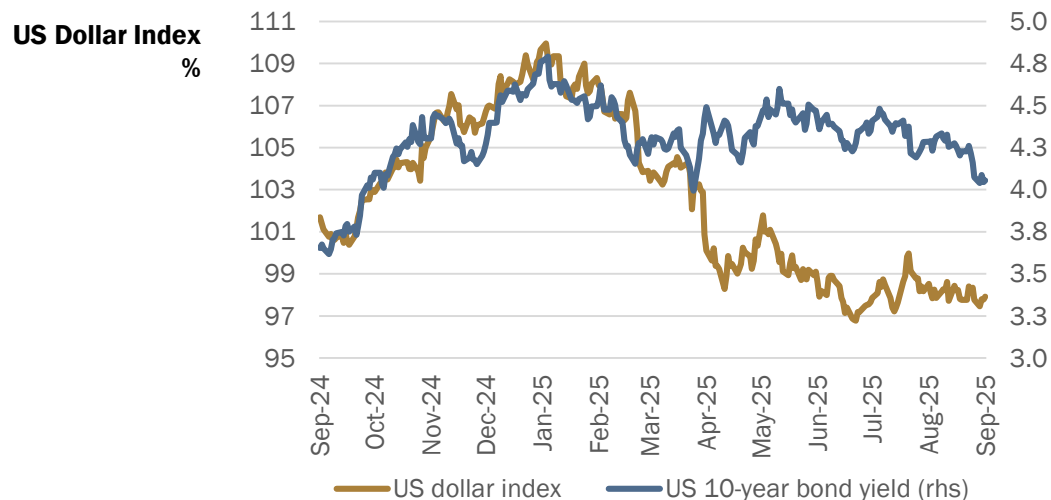
Growing expectations for an imminent Fed rate cut weigh on the US dollar



Source: Federal Reserve

US Interest rate

- Since the Fed's last rate cut in December 2024, the federal funds rate has remained steady in the 4.25–4.50% range. Pressure on the Fed to ease monetary policy has intensified, with Trump repeatedly calling for rate cuts and even threatening to replace Fed Chair Powell. Meanwhile, the Fed has maintained a cautious stance, emphasising the need to monitor inflation closely.
- Recently, Powell cautiously opened the door to a potential rate reduction. This shift to a dovish tone was reinforced by the latest US jobs report, which showed the economy barely added any new jobs in August. According to the CME FedWatch Tool, the market is now pricing in nearly a 90% probability of a 25 basis point cut on September 17, with another cut likely in December.



Source: Bloomberg

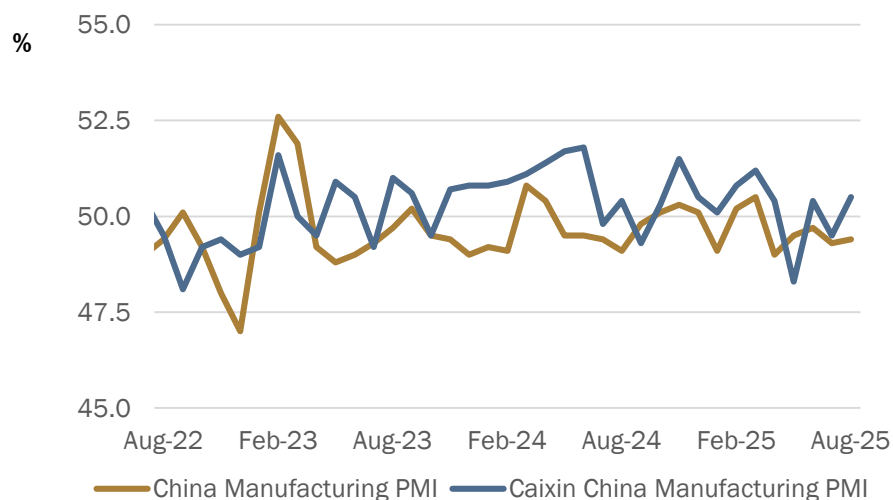
US Treasury yield and dollar

- Impacted by Trump's tariffs, the US Dollar Index has declined notably this year and has hovered near a three-year low over the past two months. Fed Chair Powell cautiously opened the door to rate cuts recently, reinforcing expectations for monetary easing. In addition, concerns over the Fed's independence and the longer-term economic and labour market effects of the tariffs are prompting investors to reduce exposure to US assets in favour of safe-haven alternatives.
- After briefly rising to 4.8% earlier this year, the 10-year US Treasury yield has since retreated and is currently hovering just above 4%. Growing expectations for a Fed rate cut in the near term have exerted fresh downward pressure on yields, with a notable decline observed since the beginning of September.

US tariffs hurt China's industrial activity, clouding the economic outlook



Source: National Bureau of Statistics of China



Source: China Federation of Logistics and Purchasing

China's industrial production and retail sales

- China's economy has shown signs of a general slowdown, with retail sales and industrial output reporting their weakest growth this year amid the strains from a trade war with the US and domestic weaknesses.
- China's industrial production grew 5.2% year-over-year in August, the lowest reading since August 2024, and weaker than a 5.7% rise in July. Retail sales expanded 3.4% in August, the slowest pace since November 2024, and cooling from a 3.7% rise in the previous month.
- Fixed asset investment also grew at a slower-than-expected 0.5% pace in the first eight months year-on-year, from 1.6% in January to July, marking its worst performance outside the pandemic.

China's manufacturing PMI

- The NBS data showed China's manufacturing activity shrank for a fifth straight month in August, reflecting ongoing challenges from higher US tariffs, a property sector downturn, rising unemployment, and heavy local government debt.
- The official manufacturing PMI fell to 49.4 in August versus 49.3 in July, below the 50-mark separating growth from contraction and missing a median forecast of 49.5.
- RatingDog China manufacturing unexpectedly returned to growth in August, rising from 49.5 to 50.5, beating expectations of 49.8. The gauge signalled the fastest rate of expansion since March, which was in part driven by a recovery in new export orders, indicating the "resilience of external demand in the face of tariffs,



Gold Market Analysis

Gold hit a new record in September amid growing rate cut expectations

Spot gold price



Source: Bloomberg

Major events and factors impacting bullion prices since April 2025

Tensions between Trump and Fed

- (24 Jul) The Fed's costly renovation project has sparked controversy. Trump publicly pressured Powell to cut interest rates.
- (20 Aug) Trump attempted to dismiss Fed Governor Cook.

US reciprocal tariff development

- (07 Jul) Trump announced new tariff rates on 14 countries.
- (10 Jul) Trump added new tariff rates on 8 countries.
- (07 Aug) The US reciprocal tariff policy has now officially taken effect.

Big and Beautiful Act

- (03 Jul) The US House of Representatives narrowly passed the "Big and Beautiful Act".
- The act could add approximately \$3 trillion to the US national debt over the next decade.

Geopolitical tensions escalate

- (06-19 May) Military conflict between India and Pakistan.
- (13-25 Jun) Military conflict between Israel and Iran.
- (24-28 Jul) Military conflict between Thailand and Cambodia.
- (15 Aug) Trump-Putin meeting fails to produce a Russia-Ukraine ceasefire agreement.

Fed interest rate decision

- (08 May) No rate change; dovish stance; Fed keeps rate cut option open but urges patience.
- (19 Jun) No rate change; hawkish stance; Fed signals rate cuts require clear evidence of falling inflation.
- (31 Jul) No rate change; internal divisions emerge.

Powell opens the door to rate cut

- (22 Aug) At the Jackson Hole Global Central Banking Conference, Powell softened his tone, stating that the case for a rate cut has become more compelling.

Source: Various sources

Rising central banks' gold purchases due to heightened geopolitical risks

Ratio

Copper/Gold Price Ratio



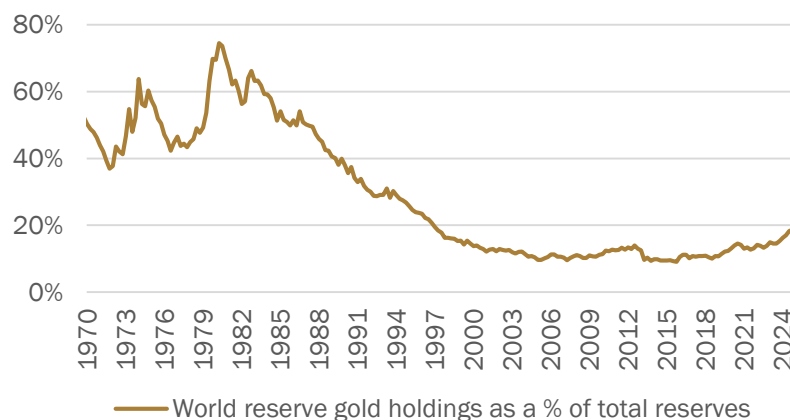
Source: Bloomberg

Falling copper-gold ratio signals rising risk aversion

- Gold has surged nearly 40% this year, driven by robust central bank purchases, growing rate cut speculations, and intensified haven demand amid escalating geopolitical tensions. Concerns over the global economic fallout from Trump's tariffs and the US president's repeated challenges to the Fed's independence have helped extend gold's three-year upward trend.
- As shown in the chart on the left, the Copper-Gold Ratio has broadly trended downward since the second half of 2022. This reflects a shift in market sentiment toward a more pessimistic outlook on global growth and a decline in risk appetite. Investors have increasingly favoured safe-haven assets such as gold, contributing to its strong performance over the period.

% of total

World reserve gold holdings as a % of total reserves

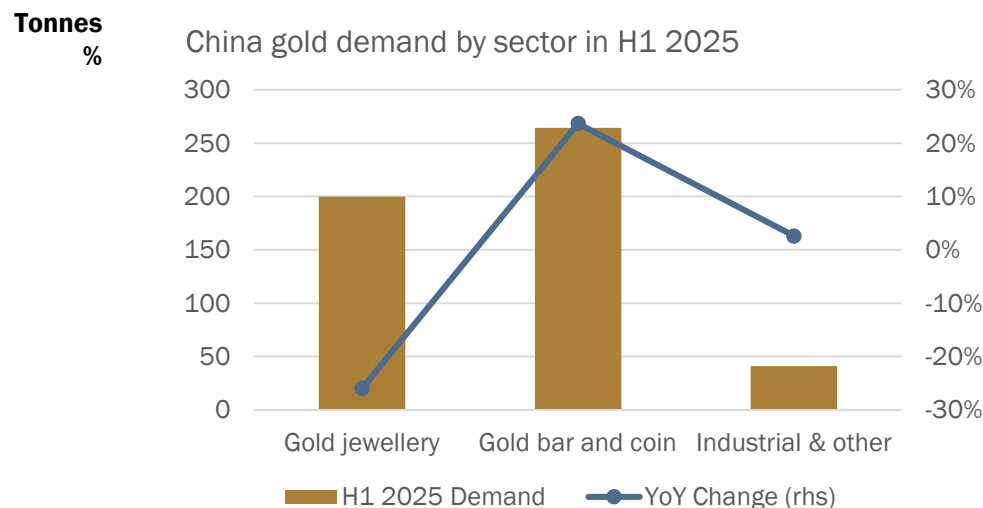


Source: IMF

Central banks have increased their gold holdings since 2023

- IMF data shows that gold once made up 75% of central banks' total reserves in 1980, but the ratio fell below 10% over the following decades. Since 2023, rising geopolitical tensions have led to renewed gold buying. In 2025, uncertainty from Trump's tariffs has pushed central banks to diversify away from the dollar, lifting gold's share to around 22%.
- Emerging markets have driven recent growth in official gold reserves, while developed central banks already hold high ratios. WGC data shows the US holds the largest gold stockpile (78% of reserves), followed by Germany (77.5%). Despite high prices above \$3,600, central bank gold demand remains far below 1980s levels, suggesting further upside potential.

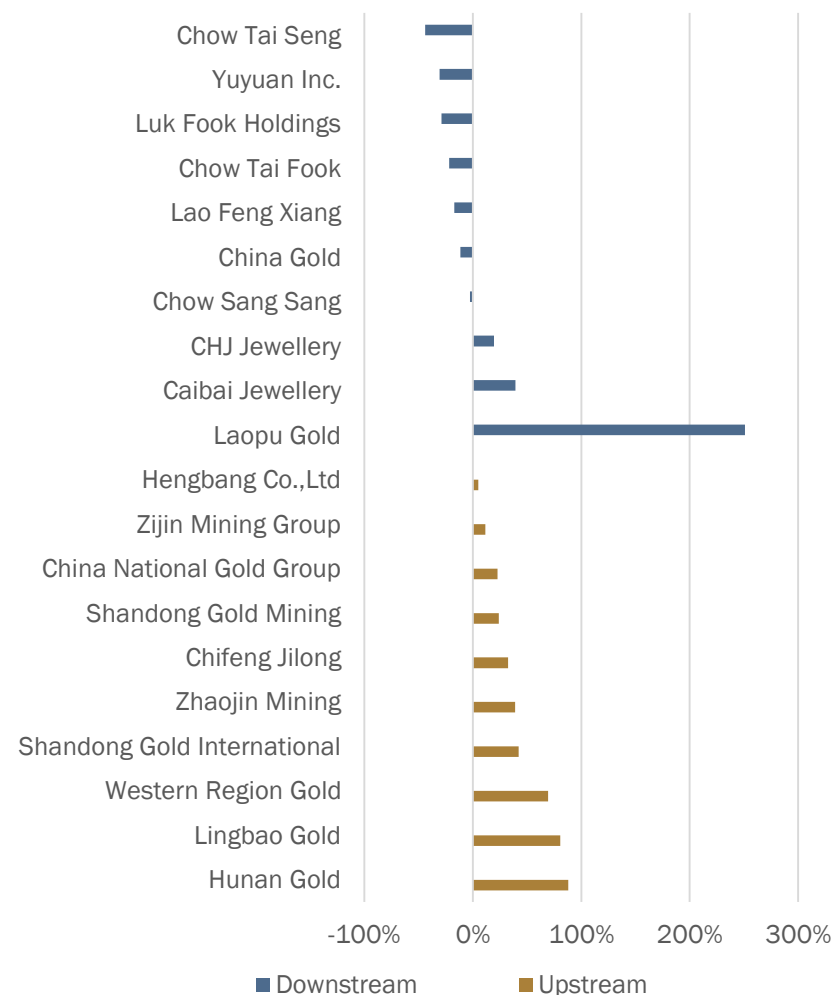
Surging gold prices drive sharp decline in China's gold jewellery demand



Downstream gold jewellery retailers suffer declines in both revenue and profit

- China's gold consumption totalled 505.205 tonnes, down 3.54% year-on-year. Within this, gold jewellery fell 26% to 199.826 tonnes, mainly due to high gold prices dampening demand. In contrast, gold bars and coins surged 23.69% to 264.242 tonnes, while industrial and other uses rose 2.59% to 41.137 tonnes.
- These trends highlight gold's safe-haven and value-preserving role amid rising economic uncertainty, which has stimulated private investment demand for bars and coins, while industrial demand also edged higher due to a recovery in gold salt usage. However, the surge in gold prices has significantly dampened consumer demand for gold jewellery, leading to a decline in both revenue and profit for downstream jewellery retailers.

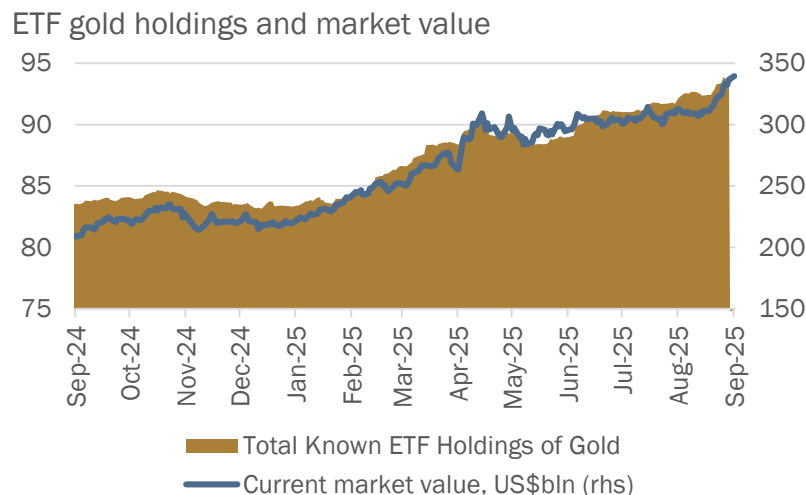
YoY Change in H1 2025 Operating revenue of major gold industry companies



Source: Company financial reports; Wind

Investors turn to gold as a safe haven; PBOC continues to boost reserves

Million troy ounce



Source: Bloomberg, World Gold Council; Data as of 30 June 2025.

Million troy ounce



Source: Bloomberg, The People's Bank of China

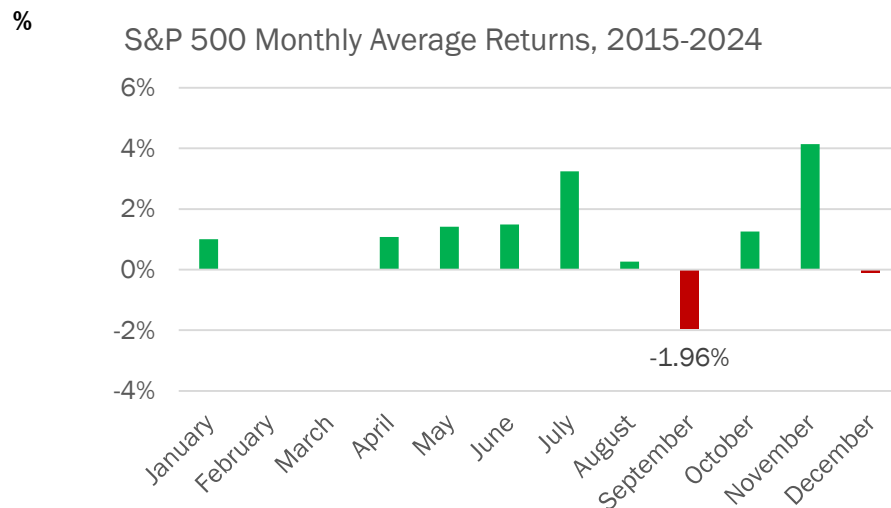
Gold ETFs saw their third consecutive month of inflows in August

- Global physically backed gold ETFs attracted US\$5.5 billion in August, marking the third consecutive month of net inflows. Similar to July, North American and European funds were the primary drivers of demand, while Asia and other regions experienced mild outflows. Year-to-date inflows have reached US\$47 billion, making it the second strongest annual inflow on record, trailing only the peak seen in 2020.
- Supported by continued inflows and a rising gold price, global gold ETFs' total assets under management (AUM) rose by 5% in August to US\$407 billion, setting a new month-end record. Holdings increased by 53 tonnes to 3,692 tonnes, the highest month-end level since July 2022, though still 6% below the all-time high of 3,929 tonnes recorded in early November 2020.

China's PBOC added gold reserves for the 10th straight month

- The People's Bank of China added 60,000 troy ounces of gold to its reserves in August, bringing the total to 74.02 million troy ounces, as it continues to diversify away from the US dollar. This latest purchase is part of a buying streak that began in November 2024, during which China has accumulated 1.22 million troy ounces of gold.
- Gold prices surged to record highs in September, fuelled by increasing expectations of interest rate cuts and concerns over the Fed's independence. The precious metal has gained over 37% year-to-date, surpassing \$3,600 per ounce. While geopolitical tensions continue to support central bank demand, elevated prices have started to slow the pace of gold buying.

Rate cut bets boost market sentiment, keeping US equities resilient

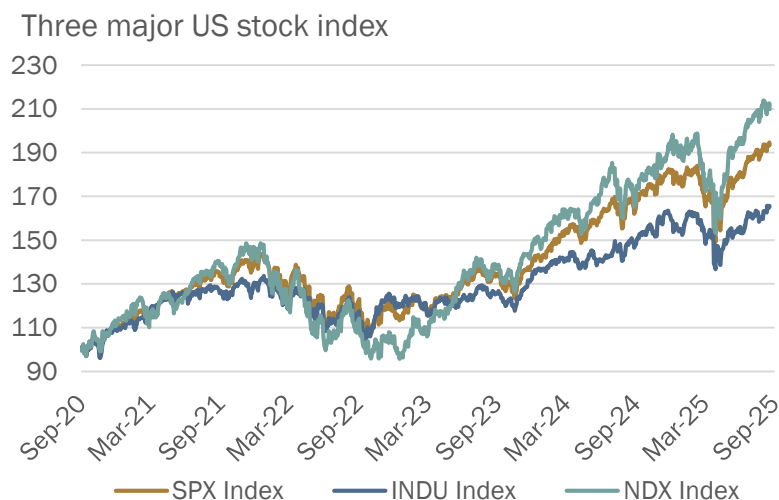


Source: Bloomberg

September stands out as the worst month for US equities

- September has historically been the weakest month for US equities. Between 2015 and 2024, the S&P 500 recorded an average return of -1.96% in September, making it the only month with consistently negative performance over the period.
- Several factors contribute to this recurring pattern. Institutional investors often begin reallocating portfolios ahead of the fourth quarter, which can trigger broad-based selling. At the same time, retail trading activity typically declines, reducing overall market liquidity. Many companies also enter pre-earnings blackout periods, suspending stock buybacks and removing a key source of support. As trading volumes rise without a clear direction, volatility increases and weighs on sentiment.

Normalized
Base 100



Source: Bloomberg

The US equity market has remained resilient so far in September 2025

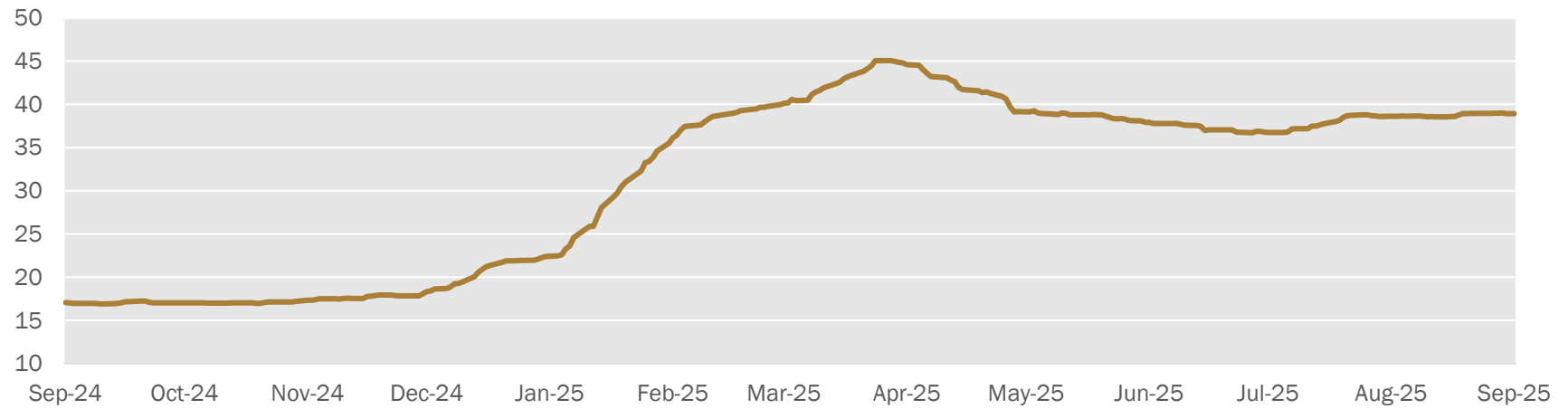
- US equities experienced a sharp dip in April 2025 following the announcement of Trump's reciprocal tariffs. However, as the US gradually reached tariff agreements with key trading partners, the final tariffs turned out to be less severe than originally feared. This helped restore investor confidence, and the market reversed its losses, continuing to trend higher through the summer.
- Despite seasonal headwinds, the US equity market has remained resilient so far in September 2025. The disappointing August US jobs report reinforced expectations for a Fed rate cut in September and at least 50 basis points of easing by year-end. Lower interest rates tend to support economic activity and improve equity valuations, providing a tailwind for risk assets.

COMEX Gold open interest has risen sharply since mid-August

PUBLIC

Million troy ounce

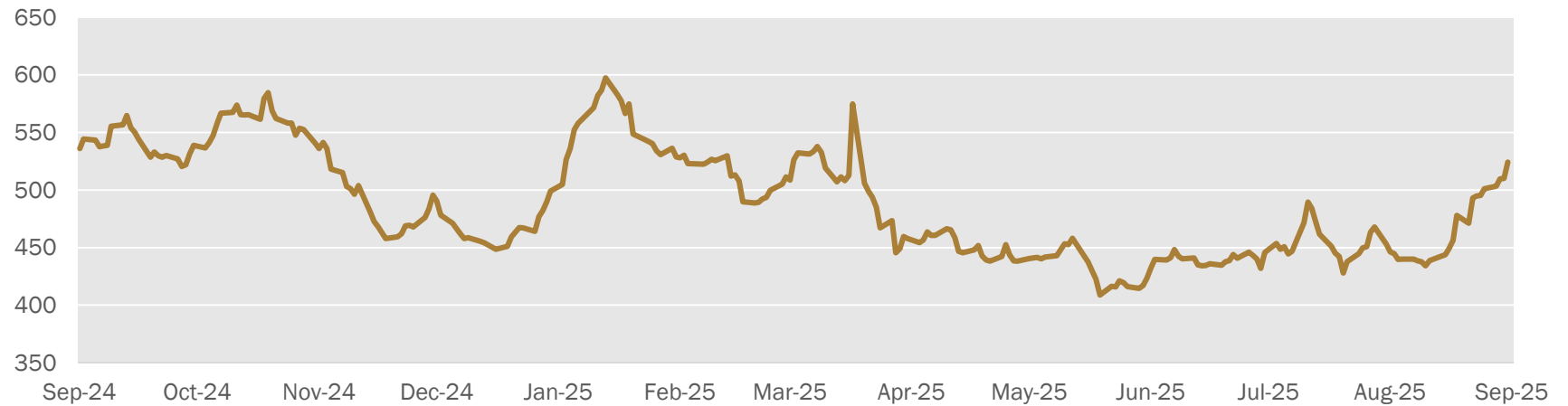
Comex gold inventory



Source: COMEX

Number of contracts '000

Comex gold open interest



Source: COMEX



Gold Price Outlook

Gold price outlook

Short term

Bullish

- The US is actively pushing for a Russia-Ukraine ceasefire, but progress remains limited, and the conflict continues.
- Weak US employment data has strengthened market expectations for imminent Fed rate cuts.
- The US dollar is hovering near a three-year low, which supports dollar-denominated commodities like gold.
- US tariffs are weighing on China's manufacturing activity, casting a shadow over China's economic outlook.
- Central banks continue to increase their gold reserves, and ETF demand for gold remains strong.
- COMEX open interest has surged recently, reinforcing upward momentum in gold prices.

Bearish

- Rate cut expectations have fuelled continued strength in US equities, even during the weakest month of the year.
- Gold is in overbought territory, and profit-taking could trigger a sudden price correction.

Medium to long term

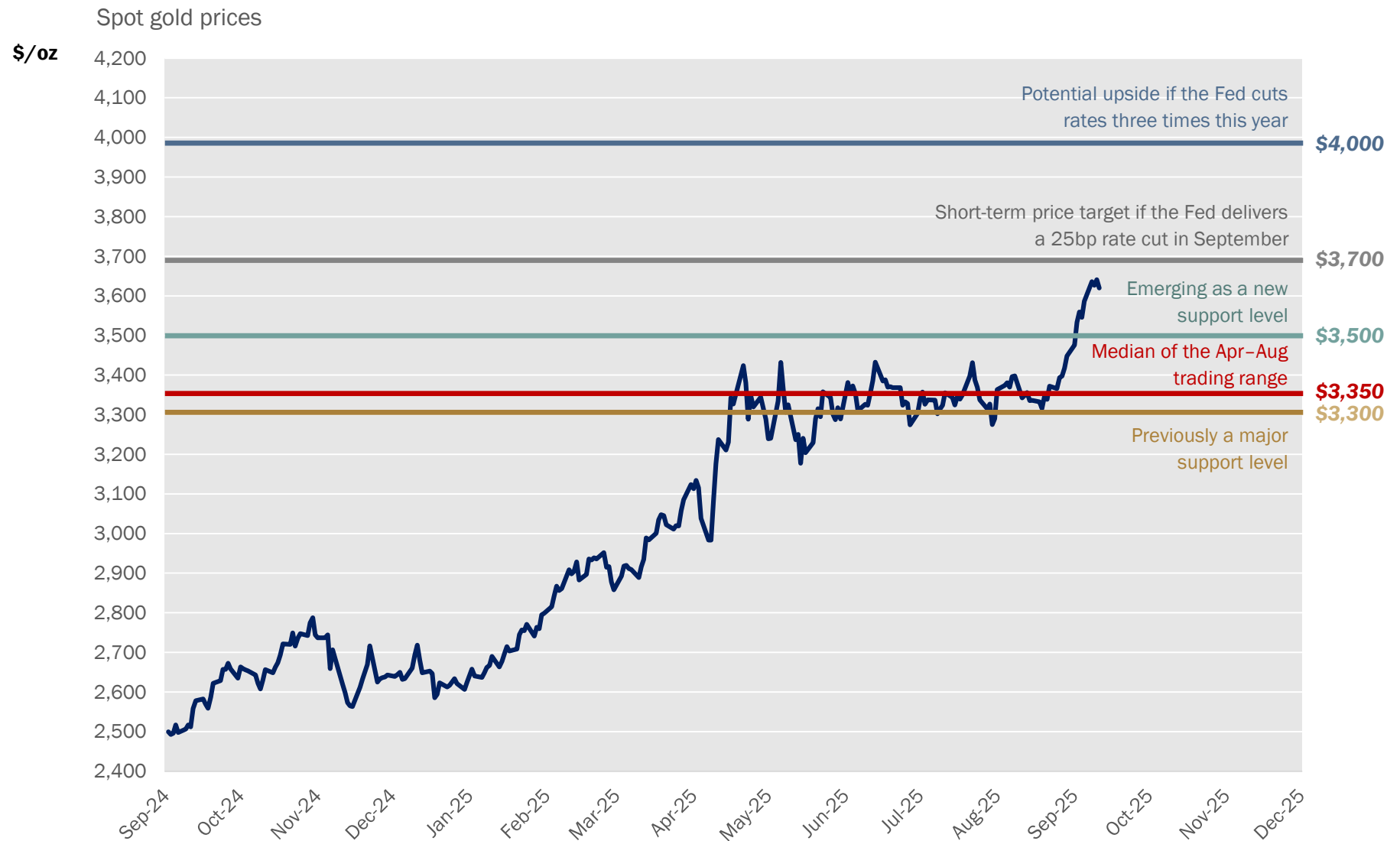
Bullish

- The WGC's 2025 survey shows that 95% of respondents expect global central banks to increase gold reserves over the next 12 months.
- Trump's tariffs may hurt the U.S. economy long term, with rising recession risks boosting safe-haven demand.
- The Fed may cut rates 2–3 times this year, further weakening the US dollar and supporting gold prices.
- Persistent geopolitical tensions are boosting demand for gold as a safe-haven asset.

Bearish

- Surging gold prices have led to a decline in consumer demand for gold jewellery.
- Gold is not subject to US tariffs; more gold may flow back from COMEX to other exchanges, easing regional supply tightness.

Gold prices outlook – key price levels



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