GoldSquawk

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Sticky inflation keeps gold tied to Fed repricing

GoldSquawk Research

Key takeaways

- The U.S. macro mix remains firm enough to validate policy restraint: Q3 real GDP rose 3.4% annualised, real final sales to private domestic purchasers rose 4.9%, and October payrolls increased by 165,000 with unemployment at 4.1%.[1,2]
- Inflation has not cooled cleanly back to target. Q3 core PCE rose 2.5% annualised in the GDP release, September headline PCE was 3.6% y/y, and Q3 compensation growth in the ECI was 0.8% q/q, all consistent with a Fed that remains cautious on easing.[1,3,4]
- The Fed has already responded in a hawkish direction: it raised rates by 25bp in September to 3.75%-4.00%, while the September SEP lifted the median end-2026 funds-rate projection to 4.1% and kept 2027 at 4.1%.[5,6]
- Gold still has important structural support even in a restrictive-rate backdrop. The World Gold Council reported Q3 net central-bank buying of 321t, ETF inflows of 211t and record physically backed ETF holdings of 4,256t.[7]
- Positioning and market structure suggest macro sensitivity is high. COMEX speculative net length has fallen for eight straight weeks to 179.5K contracts, while the 3-month correlation of daily gold moves with the U.S. dollar is -0.42 and with the U.S. 10-year yield is -0.19.[8,9]

Figure 1: Gold remains sensitive to yields as growth and inflation stay firm



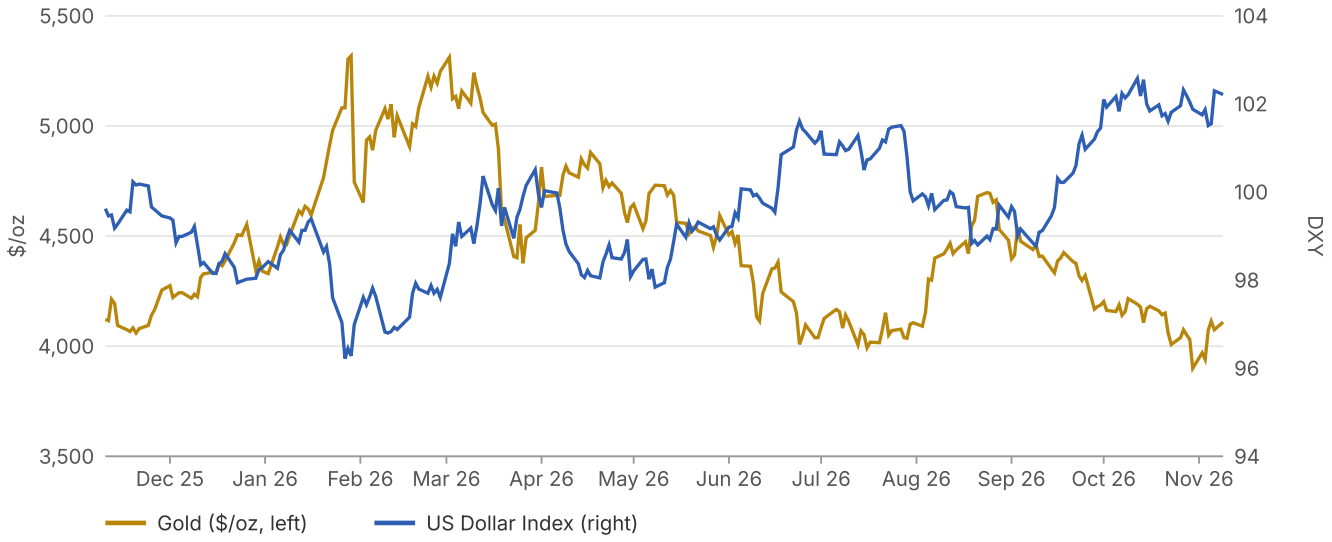
Source: COMEX gold futures and CBOE 10-year yield index via Yahoo Finance, as of 09 November 2026.

Policy expectations are now the main tactical driver

- The immediate macro backdrop does not argue for imminent policy relief. BEA's advance estimate showed Q3 real GDP growth at 3.4% annualised, up from 2.2% in Q2, while real final sales to private domestic purchasers accelerated to 4.9% from 4.6%.[1]

- Inflation and labour-cost data continue to justify caution. In the Q3 GDP release, core PCE rose 2.5% annualised; September headline PCE was 3.6% y/y; and the Q3 Employment Cost Index showed civilian compensation up 0.8% q/q and 3.4% y/y.[1,3,4]
- Labour-market resilience reinforces the same message. October nonfarm payrolls rose 165,000 and the unemployment rate was 4.1%, after 4.2% in September, suggesting only gradual cooling rather than a sharp loss of momentum.[2,10]
- This combination has kept the policy channel active for gold. The 10-year real yield was 2.63% on 29 October, while the chart data show the nominal 10-year yield rose by 77bp over 12 months to 4.86%; higher real and nominal yields raise gold's opportunity cost when markets reprice the Fed path.[11,12]

Figure 2: A firmer dollar remains part of the policy-pressure channel

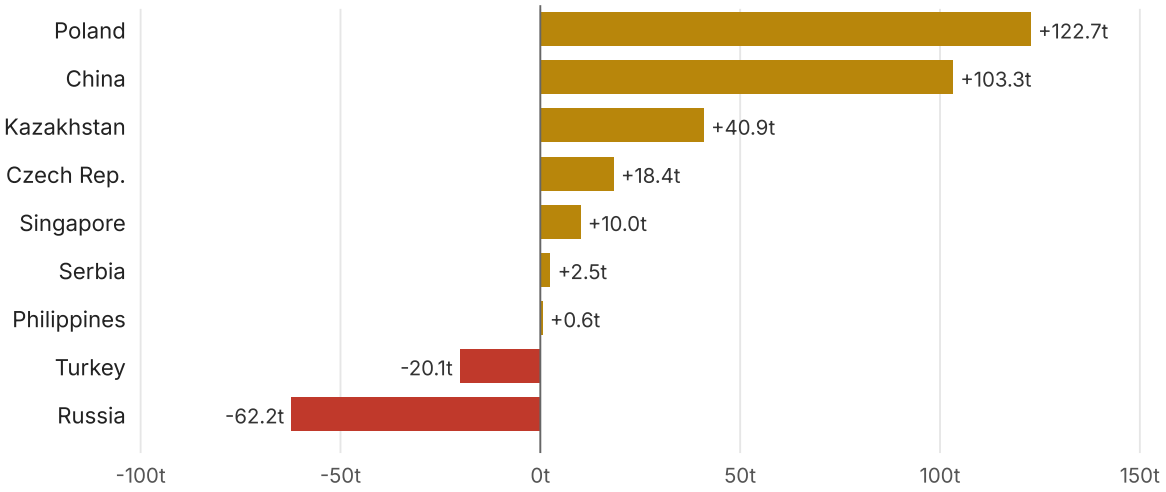


Source: COMEX gold futures and ICE US Dollar Index via Yahoo Finance; GoldSquawk calculations, as of 09 November 2026.

The Fed's own framework has turned more hawkish

- The FOMC raised the target range by 25bp to 3.75%-4.00% on 16 September, stating that economic activity was expanding at a solid pace and inflation remained elevated.[5]
- The September SEP shifted in a hawkish direction across the key variables that matter for gold. The median end-2026 fed funds projection rose to 4.1% from 3.8% in June; the 2027 projection rose to 4.1% from 3.6%; the 2026 core PCE projection rose to 3.4% from 3.3%; 2026 GDP was revised up to 2.3%; and 2026 unemployment was revised down to 4.1%.[6]
- The minutes and speeches explain why. The September minutes said market-implied policy expectations had risen notably, while officials pointed to elevated core inflation, oil-related inflation compensation, tariff effects, geopolitical input-cost pressure and AI-related pricing pressures.[13]
- That backdrop helps explain why gold reacts quickly to inflation, growth and Fed headlines even while broader support remains intact. Intermarket data show gold's 3-month correlation with DXY at -0.42, consistent with policy repricing feeding through the dollar as well as yields.[9]

Figure 3: Official-sector buying remains unusually strong at high prices



Source: IMF International Reserves and Foreign Currency Liquidity data; GoldSquawk calculations, as of 09 November 2026.

Structural demand is cushioning, not cancelling, the rates headwind

- Gold has not behaved like a simple casualty of higher rates because structural demand remains strong. The World Gold Council said Q3 total demand was 1,369t, only 1% lower y/y, while the average gold price was US$4,262/oz and the value of demand rose 22% y/y to US$188bn.[7]
- Official and institutional buying has been the key offset. Central banks bought 321t net in Q3, up 42% y/y, taking year-to-date purchases to 675t; physically backed gold ETFs added 211t in Q3, lifting holdings to a record 4,256t.[7]
- GoldSquawk's reserve data show that breadth in official buying remains visible. Seven of fifteen central banks tracked added gold in their latest reported month, with Poland the top buyer this year at +122.7t, while China has added 103.3t this year and extended its buying streak to 23 months through September.[14,15]
- Even so, shorter-term investor demand has softened at the margin. GLD holdings were 1,040.5t on 5 November, down 20.6t over one month, and weekly GLD flows were -0.6t with -14.9t over four weeks; COMEX speculative net length has also fallen to 179.5K contracts, the eighth straight weekly decline.[16,17,8]

Scenarios

- **Supportive case:** Inflation data soften, labour-cost measures ease and Fed communication becomes less concerned about upside inflation risks. That would reduce pressure from real yields and the dollar, allowing gold's structural support from central banks, ETFs and macro hedging demand to reassert itself.[4,13,7]
- **Pressure case:** Growth remains firm, inflation stays sticky and Fed speakers continue to stress the risk of renewed tightening or a longer restrictive plateau. In that setting, elevated real yields and a firmer dollar would remain a tactical headwind for gold, especially around major U.S. data releases.[1,6,12,9]
- **Tug-of-war case:** Inflation remains awkwardly high because of oil, tariffs or supply-side pressures, but activity also stays resilient. Gold could stay elevated in level terms as a hedge against policy error and macro instability, while still suffering sharp short-term setbacks whenever markets reprice rates higher.[13,18,19,7]

Levels to watch

- COMEX gold last close $4,109.5/oz on 09 Nov 2026.
- 50-day moving average: $4,222.0/oz.
- 200-day moving average: $4,497.1/oz.
- 52-week low: $3,898.9/oz on 30 Oct 2026.
- 52-week high: $5,318.4/oz on 29 Jan 2026.

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Glossary

Core PCE: The Personal Consumption Expenditures price index excluding food and energy; a key inflation gauge watched by the Federal Reserve.

ECI: Employment Cost Index, a U.S. measure of wages and benefits that helps track labour-cost pressure.

SEP: Summary of Economic Projections, the Fed's quarterly set of forecasts for growth, inflation, unemployment and interest rates.

Real yield: A bond yield adjusted for inflation; for gold, higher real yields generally increase the opportunity cost of holding a non-yielding asset.

ETF flows: Net buying or selling into exchange-traded funds backed by gold; often used as a gauge of institutional investment demand.

COMEX net long: The difference between bullish and bearish speculative futures positions in COMEX gold, commonly used as a positioning indicator.

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