GoldSquawk

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Inflation revives Fed pressure, but gold flows remain resilient

GoldSquawk Research

Key takeaways

- The Fed raised rates by 25bp to 3.75%-4.00% on 16 September, and September US CPI and PPI data revived the case for policy staying tighter for longer. That combination is typically negative for gold through higher yields, a firmer dollar and a higher opportunity cost of holding bullion[1,2,3,4].
- Gold still showed resilience in investment flows: global gold ETF holdings rose by 67t in September to a record 4,256t, and by 211t in Q3, even as gold fell 8.5% m/m in September and the US 10-year yield rose 53bp while DXY gained 2%[5,6,7].
- Positioning is mixed rather than uniformly supportive. CFTC combined data show managed-money long positions eased by 3,777 contracts in the latest week while spreading rose by 5,077, and WGC says COMEX Managed Money positions fell by 84t equivalent in September even as ETFs absorbed more than 70t[8,9].
- Official-sector demand remains an important cushion. WGC says the People's Bank of China added 23t in September, taking Q3 buying to 63t and year-to-date accumulation to 103t, reinforcing a structural demand base less sensitive to short-term Fed pricing[10].

Figure 1: Gold has lagged as yields moved higher



Source: COMEX gold futures and CBOE 10-year yield index via Yahoo Finance, as of 23 October 2026.

Fed repricing has strengthened the macro headwind

- The Fed lifted the target range to 3.75%-4.00% on 16 September and kept its inflation language firm, stating that inflation remains elevated and that tighter policy would support a timelier return to 2%[1,4]. Minutes from that meeting also noted that a couple of participants raised their estimate of neutral, suggesting some upward drift in the reaction function[11].

- The September inflation data strengthened that message. US CPI rose 0.6% m/m and 3.7% y/y, with gasoline up 9.1% m/m and shelter up 0.4% m/m, while producer prices also accelerated: final demand goods rose 2.6% m/m, final demand energy 10.8% m/m, gasoline 20.3% m/m and services 0.8% m/m[2,3]. BLS also said producer prices were up 6.3% y/y, the largest 12-month increase since December 2022[12].
- This has fed back into rate expectations, although the exact 23 October probability for a December hike should be confirmed live rather than fixed from these notes. What is verified is the direction: CME said hotter CPI increased expectations for further tightening, and markets were still pricing a further move by December after the September hike[13,14,15].
- Price action has broadly respected that macro logic. Gold ended September at $4,176/oz, down 8.5% m/m, alongside a 53bp rise in the US 10-year Treasury yield to 5.3% and a 2% rise in DXY; over the past 12 months, chart data show gold down 3.3% while the US 10-year yield rose by 100bp to 4.99%[5].

Figure 2: ETF behaviour is more resilient than price action

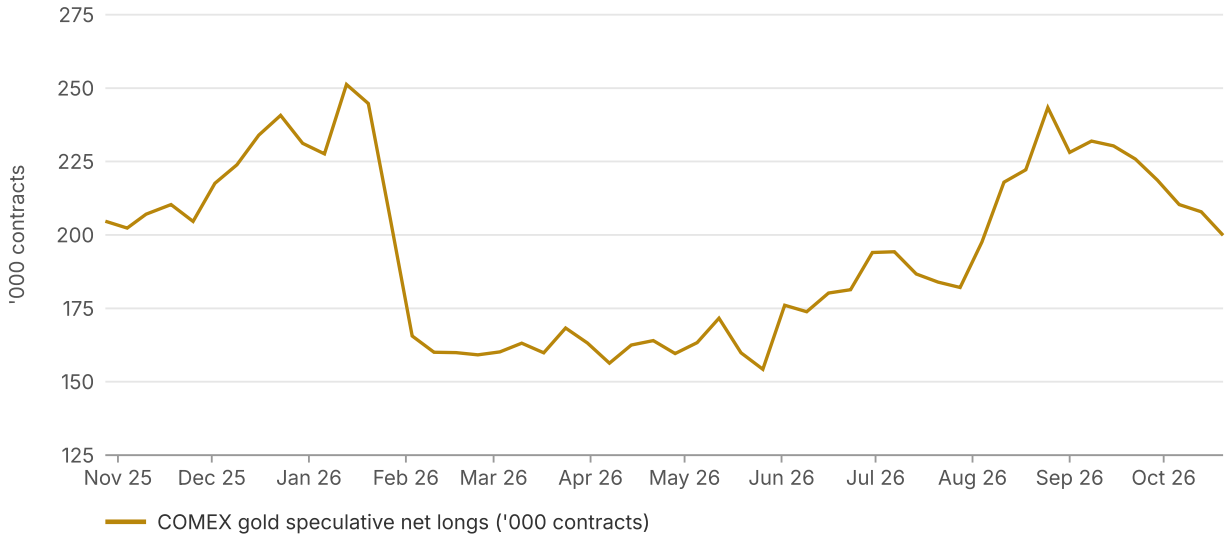


Source: SPDR Gold Shares (World Gold Trust Services), as of 22 October 2026.

ETF and official flows are offsetting weaker tactical signals

- The clearest evidence of resilience is in gold-backed ETF demand. WGC says global holdings rose by 67t in September to a record 4,256t, despite lower prices and a 7% m/m fall in AUM to $574bn, while Q3 holdings rose by 211t and total AUM increased 9% over the quarter[6,7].
- Regional flows were broad-based. Europe saw $3.6bn of inflows in September and a record $14bn in Q3, with the UK contributing $2.2bn in the month; North America saw $4bn in September and $12bn in Q3, including $3.8bn from the US in September[6,7]. WGC said this was North America's first quarterly inflow of 2026, taking year-to-date flows back into positive territory at $4.1bn[7].
- WGC argues those inflows persisted despite the Fed's September hike because persistent inflation, elevated energy prices, equity-valuation concerns and bond-market volatility reinforced gold's role as a diversifier[7]. That helps explain why gold has not broken more decisively even as the rates backdrop stayed hawkish[5,7].
- Official buying adds a second layer of support. WGC says the PBoC bought 23t in September, the largest monthly purchase since October 2023, taking Q3 buying to 63t and year-to-date accumulation to 103t; CME separately described September as the 23rd consecutive month of reserve growth for China[10,14].

Figure 3: Speculative net length has eased from earlier highs



Source: CFTC Commitments of Traders (futures only), as of 20 October 2026.

Futures positioning is mixed, leaving the market split

- CFTC combined data for COMEX gold as of 20 October show open interest at 402,279 contracts. Managed Money held 120,970 longs, 16,764 shorts and 38,634 spreading positions, implying an outright net long of about 104,206 contracts excluding spreads[9].
- The weekly changes point to less conviction rather than aggressive re-risking. Managed Money longs fell by 3,777 contracts and shorts fell by 894, while spreading rose by 5,077; Other Reportables also trimmed longs and increased both shorts and spreading[9].
- That fits WGC's broader September read: ETFs absorbed more than 70t of inflows in the month, but COMEX Managed Money positions fell by 84t equivalent and total spreading declined by 156t equivalent, helping explain why prices weakened despite stronger physical-backed investment demand[8].
- Chart data show the non-commercial net long at 199.9K contracts in the week to 20 October, down 8.0K on the week and below the 52-week high of 251.2K seen in January, but still above the 52-week low of 154.3K from May. That leaves positioning supportive enough to matter, but not strong enough to fully validate the ETF signal[9].

Scenarios

- **Supportive case:** Inflation stays uncomfortably firm, but investors increasingly interpret elevated yields and bond volatility as warning signals rather than a straightforward alternative to bullion. In that setup, ETF inflows and official buying remain constructive and help cushion gold against tighter-for-longer policy expectations[5,10,7].
- **Pressure case:** Hotter inflation keeps lifting real yields and the dollar, while tactical futures participation weakens further and ETF inflows fade. That would reinforce the traditional macro headwind in which higher opportunity cost and firmer USD pressure gold more directly[5,8,9,7].
- **Split-market case:** Allocators and central banks continue to buy gold as a hedge, but macro traders remain reluctant to rebuild outright longs ahead of Fed and inflation data. That would leave gold range-bound in a market supported by structural demand but vulnerable to renewed liquidation on hawkish macro surprises[8,9,14].

Levels to watch

- Last close: $4,010.0/oz [chart data]
- 50-day moving average: $4,341.9/oz [chart data]
- 200-day moving average: $4,532.9/oz [chart data]
- 52-week low: $3,960.5/oz [chart data]
- 52-week high: $5,318.4/oz [chart data]

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Glossary

Real yield: A bond yield adjusted for inflation. Rising real yields usually increase the opportunity cost of holding non-yielding assets such as gold.

DXY: The US dollar index, a measure of the dollar against a basket of major currencies.

Managed Money: A CFTC positioning category that broadly captures leveraged and speculative fund activity in futures markets.

Spreading: A futures position structure involving offsetting long and short exposures across contracts, often signalling tactical rather than outright directional positioning.

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