GoldSquawk

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China’s dip-buying is cushioning weakness, but unevenly

GoldSquawk Research

Key takeaways

- The clearest evidence of a Chinese cushion is the combination of positive local premiums, heavy net imports of 157t in April, 151t in May, 152t in June and 118t in July, and WGC’s observation that June pullbacks encouraged dip-buying.[1,2,3,4,5]
- The support is investment-led. Mainland bar-and-coin demand reached 107.2t in Q2 and 314t in H1 2026, the strongest first half on record, while jewellery demand fell 28% y/y in Q2 and H1 demand was down 30% y/y to 136t.[6,4]
- Chinese ETF demand has reinforced the physical signal: funds added 34t in January-July and a further 11t in August, taking holdings to 293t, while WGC said inflows continued into early September.[1,3]
- The cushion is not unconditional. WGC said August SGE withdrawals fell unseasonally, reflecting cooling bullion demand and continued jewellery weakness, implying China is acting more as a selective downside absorber than as a constant source of physical strength.[1]
- China matters, but it is not the whole market. WGC’s broader August commentary highlighted ETF buying, futures and options activity, momentum and a weaker US dollar as key drivers of the rally, while global physically-backed ETFs added US$10bn, or 67t, in September.[7,8]

Premiums and imports point to local absorption on weakness

- A positive Shanghai premium is generally read as a sign of tighter local availability and/or stronger domestic demand relative to immediately available supply, using the Shanghai Gold Benchmark PM or Au9999 versus the LBMA Gold Price PM as the reference framework.[5]
- The cited Shanghai print of CNY 902.93/g, equivalent to US$4,196.23/oz, with a China premium of +US$9.68/oz versus London spot is directionally consistent with WGC’s view that Golden Week and year-end seasonality often firm local premiums, and with its observation that a higher local premium likely supported July’s year-on-year import strength.[1,5]
- Customs-linked WGC data show net gold imports of 157t in April, 151t in May, 152t in June and 118t in July. Given weak jewellery demand over the same period, these inflows are the strongest hard evidence that local investment demand and market tightness were still pulling metal into China.[1,2,3,9]
- The nuance is that imports moderated in July from June’s level, and WGC described wholesale demand as weaker in May and SGE withdrawals as unseasonally soft in August. That suggests the premium/import signal should be read as episodic support rather than a uniform floor under the market.[1,2,9]

Figure 1: ETF demand remains a key part of the investment bid

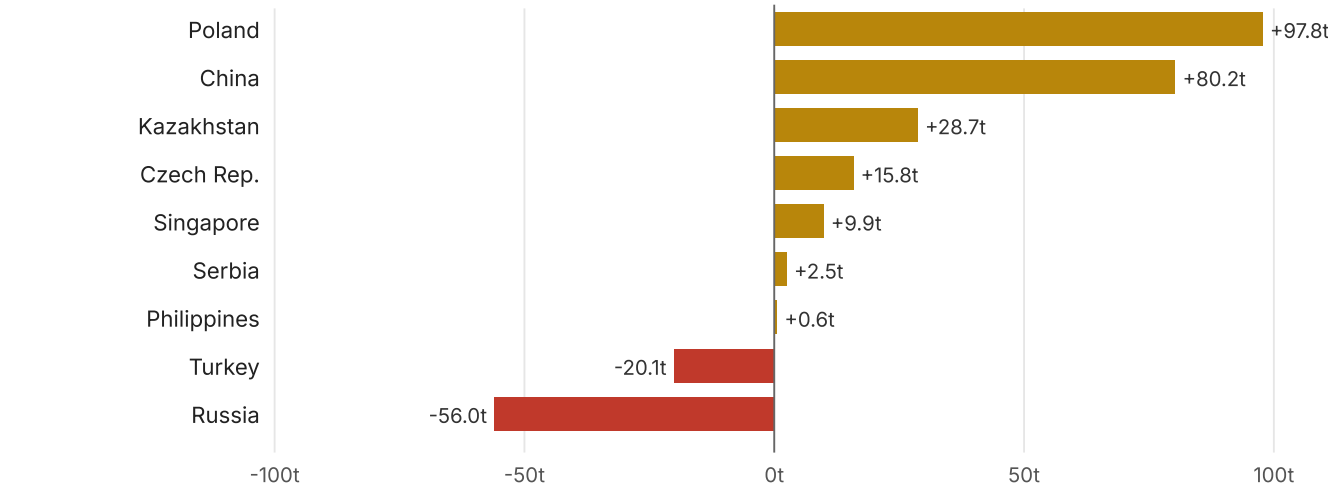


Source: SPDR Gold Shares (World Gold Trust Services), as of 12 October 2026.

China's gold bid is being led by investment, not jewellery

- Mainland China bar-and-coin demand was 107.2t in Q2 2026 and 314t in H1, which WGC said was the strongest first half on record. WGC also said buying was strongest in April, softened during May volatility, and recovered in June as pullbacks encouraged dip-buying.[4]
- WGC attributes this investment demand to safe-haven buying, subdued local yields, property-sector weakness, concerns over the economic outlook and continued PBoC purchases, while VAT reform also favoured investment products such as bars, coins and gold accumulation plans over jewellery.[4]
- Jewellery tells a different story: China's jewellery demand fell 28% y/y in Q2 2026, and H1 demand dropped 30% y/y to 136t, the lowest second-quarter level since 2004. That weakens any argument that China's support is broad-based across all end uses.[6]
- ETF flows amplify the same pattern. Chinese gold ETFs added 34t between January and July, then another 11t in August, taking holdings to 293t and AUM to RMB282bn, or US$42bn; WGC also said inflows continued in early September. Globally, physically-backed ETFs added US$10bn, or 67t, in September, showing China has been important but not the sole source of financial demand.[1,7,3]

Figure 2: China remains a major official buyer in 2026



Source: IMF International Reserves and Foreign Currency Liquidity data; GoldSquawk calculations, as of 13 October 2026.

Official buying and macro conditions strengthen the cushion, but do not define it

- The PBoC added 10t in May, 15t in June and 20.2t in August, extending its buying streak to 22 consecutive months and lifting holdings to 2,387t by end-August, equivalent to 9% of FX reserves. WGC also noted that the PBoC had been making double-digit monthly purchases since May 2026.[1,2,10,9]
- This official buying does not mechanically create the Shanghai premium, but WGC says continued PBoC purchases reinforced domestic investor confidence. That helps explain why price pullbacks can attract investment-led buying even when jewellery remains weak.[4]
- The broader market backdrop still matters. WGC's August market commentary said that month's rally was driven mainly by ETF buying, futures and options activity, momentum and a weaker US dollar, rather than Chinese physical demand alone.[8]
- At current market levels, COMEX front-month gold closed at US$4,193.3/oz on 13 October, below both the 50-day moving average of US$4,380.7/oz and the 200-day moving average of US$4,544.9/oz. In that context, persistent positive Chinese premiums and steady import demand would be more consistent with downside absorption than with outright global price leadership. [gold_technical]

Scenarios

- **Supportive case:** Chinese local premiums remain positive through the post-holiday period, customs imports stabilise after July's 118t, and ETF inflows continue alongside ongoing PBoC purchases. That mix would suggest domestic investors are still using pullbacks to add exposure, helping cushion broader market weakness.[1,3,4,5]
- **Patchy support case:** Premiums stay firm intermittently, but wholesale indicators such as SGE withdrawals remain uneven while jewellery demand stays weak. In that setting, China would still absorb some weakness, but mainly through selective investment demand rather than broad physical consumption.[1,6,5]
- **Pressure case:** If imports fade further after July, local premiums narrow, and ETF inflows slow while alternative domestic assets become more attractive, the evidence for China as a downside absorber would weaken. WGC's framework suggests low yields, property weakness and economic uncertainty have been key supports, so any reversal there matters.[1,4]

Levels to watch

- COMEX gold last close: US$4,193.3/oz
- 50-day moving average: US$4,380.7/oz
- 200-day moving average: US$4,544.9/oz
- 52-week low: US$3,960.5/oz
- 52-week high: US$5,318.4/oz

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Glossary

Shanghai premium: The gap between China's domestic gold price and the international benchmark after relevant adjustments. A positive premium usually signals relatively stronger local demand and/or tighter nearby supply.[7]

SGE withdrawals: Physical gold withdrawn from the Shanghai Gold Exchange vaulting system, often used as a proxy for wholesale physical demand in China.[1][9]

Bar-and-coin demand: Investment demand from retail and private buyers purchasing physical bars and coins, as distinct from jewellery or ETF demand.[6]

AUM: Assets under management, the total value of assets held by an investment fund or group of funds.[1]

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