GoldSquawk

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Asian physical demand is repricing, not disappearing

GoldSquawk Research

Key takeaways

- China's local gold market remains elevated in domestic terms, with the Shanghai Gold Benchmark PM at RMB 884.76/g on 21 October and market reporting still pointing to a premium structure into October. That matters because it suggests physical demand has not vanished even as jewellery tonnage has softened.[1]
- In China, the clearest shift is from jewellery weight to investment demand and spending value: H1 2026 jewellery tonnage was the weakest first half since 2006, yet jewellery consumption value rose y/y, while investors bought 342t against 136t of jewellery demand.[2]
- India's market balance has tightened into the festive season. WGC said domestic prices were below import parity in September, but by 20 October discounts had narrowed as seasonal demand gathered pace and imports dropped sharply.[3,4]
- Asian demand resilience is broader than jewellery. Chinese gold ETFs added 11t in September to a record 304t of holdings, while Indian gold ETF inflows reached a seven-month high in September and remained positive through mid-October.[3,5]
- The evidence points to localised tightness rather than a broad physical shortage. China's Q3 SGE withdrawals were only 234t, down 21% y/y and 44% below the 10-year average, while London vault gold rose to 9,821t at end-September.[6,5]

China: premium resilience reflects a shift in demand composition

- The Shanghai Gold Benchmark PM fixed at RMB 884.76/g on 21 October 2026, while SGE's same-day market page showed Au99.99 at RMB 891.0/g and Au(T+D) at RMB 888.2/g, confirming an elevated local market structure. GoldSquawk's headline also cited a +US$8.32/oz premium versus London spot.[1,7]
- China's weakness is most visible in jewellery tonnage, not in overall appetite for gold. WGC said H1 2026 jewellery demand was the weakest first half since 2006, but jewellery consumption value still rose y/y and approached a record high. In H1, Chinese investors bought 342t versus 136t of jewellery demand, a gap of 206t in favour of investment demand.[2]
- The spending data tell a similar story. WGC said Q2 2026 jewellery spending was RMB 49.6bn, only 7% lower y/y and still 10% above the 10-year average of RMB 44.9bn, despite weaker physical tonnage.[8]
- Support is increasingly coming from investment and official channels. Chinese gold ETFs added 11t in September, their third consecutive monthly rise, bringing holdings to a record 304t; Q3 inflows totalled RMB 27bn (US$3.9bn). WGC also said the PBoC bought 23t in September, lifting Q3 official purchases to 63t and total official holdings to 2,410t.[5]

India: discounts are narrowing as seasonal demand improves

- India's domestic market has moved to a tighter footing. WGC said in September that local prices were still below import parity, partly because old-gold exchange added supply; by 20 October, it said discounts had narrowed as seasonal demand gathered pace, helped by a recent decline in prices.[3,4]
- Demand is proving resilient across investment channels. WGC said Indian gold ETF inflows reached a seven-month high in September and remained positive through mid-October; Jan-Sep ETF demand totalled 29t, equal to roughly 7% of imports versus about 5% a year earlier.[3]
- Digital gold and market activity also point to continued engagement. September digital gold purchases rose to INR 25.9bn (US$271mn), up 4% m/m and 83% y/y, with volumes at 1.7t; year-to-date purchases were 16.3t versus 9.2t in the same period of 2025. Average daily MCX gold futures volume was 18.3t in September.[3]
- Affordability pressure has changed how households buy rather than severing attachment to gold. WGC highlighted the importance of old-for-new exchange, while Q1 data showed outstanding Indian retail bank loans backed by gold jewellery at INR 4.3tn at end-February, up 124% y/y.[9,10]

Figure 1: Gold remains below key moving averages despite resilient Asian signals



Source: COMEX gold futures daily closes via Yahoo Finance; GoldSquawk calculations, as of 21 October 2026.

Holding up despite record prices does not mean broad scarcity

- The broader pattern across China and India is one of repricing and rotation: record prices are suppressing grams more than spending, while bars, ETFs, digital gold, old-gold exchange and tactical seasonal restocking absorb part of the lost jewellery volume.[2,3,10]
- That helps explain why local pricing can stay firm even without a broad-based boom in wholesale offtake. In China, Q3 SGE withdrawals were 234t, down 21% y/y and 44% below the 10-year average of 418t, yet September still saw a seasonal m/m pickup and WGC said Golden Week typically brings stronger sales, active restocking and firmer local premiums.[5,11]
- Supply tightness appears local and episodic rather than global. LBMA said London vault gold holdings rose to 9,821t at end-September, up 1.96% m/m, which argues against an outright global shortage even as regional prompt availability can tighten.[6]
- Gold itself remains in a softer near-term technical position, with COMEX front-month futures closing at US$4,159.5/oz on 21 October, below both the 50-day moving average of US$4,358.4/oz and the

200-day moving average of US$4,537.4/oz. That leaves traders balancing firm Asian physical signals against still-heavy price sensitivity.

Scenarios

- **Supportive physical case:** Chinese local premiums remain firm, ETF inflows continue in China and India, and India's festive demand keeps domestic discounts compressed while imports stay subdued. In that setting, Asian physical and quasi-physical demand would continue to cushion weakness in jewellery tonnage.[3,5,11]
- **Recycling and restocking fade:** If higher prices again weaken discretionary buying, while Indian recycling rises and Chinese wholesale demand stays soft, the recent tightening in local market structure could ease. That would be consistent with weak SGE withdrawals and the role of old-gold exchange in supplementing supply.[5,4,10]
- **Investment demand rotation slows:** If the drivers cited by WGC for Asian investment demand become less supportive, such as weaker need for safe-haven allocation or less support from domestic market conditions, ETF-led resilience could cool even if seasonal physical buying remains present.[3,12]

Levels to watch

- COMEX gold last close: US$4,159.5/oz
- 50-day moving average: US$4,358.4/oz
- 200-day moving average: US$4,537.4/oz
- 52-week high: US$5,318.4/oz
- 52-week low: US$3,960.5/oz

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Glossary

Import parity: The domestic price level implied by importing gold after accounting for international prices, currency and import-related costs. Trading below import parity can indicate comfortable local supply relative to demand.

SGE withdrawals: Gold taken out of the Shanghai Gold Exchange vaulting system, often used as a proxy for wholesale physical demand in China.

ETF inflows: Net investor buying into exchange-traded funds backed by gold, which can increase holdings of physical gold or gold-linked exposure.

Old-for-new exchange: A transaction in which consumers trade existing jewellery or gold items toward new purchases, reducing cash outlay and adding recycled supply to the market.

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