GoldSquawk

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Official buying cushions jewellery weakness as ETF support turns uneven

GoldSquawk Research

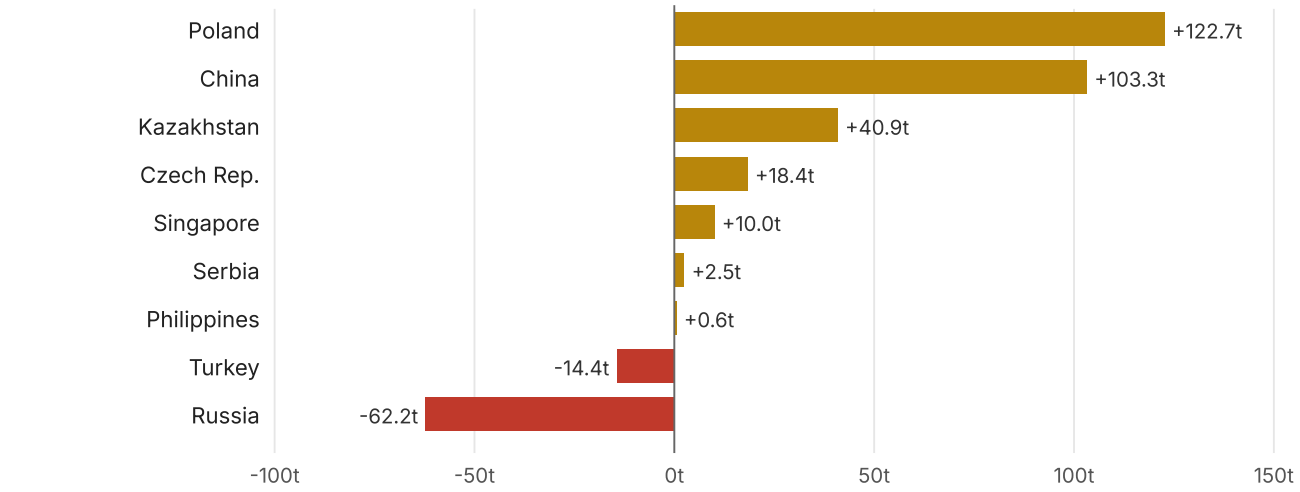
Key takeaways

- Q2 2026 provides the clearest evidence for the thesis: central banks bought 288.9t while jewellery demand fell to 278t and ETFs saw outflows of 44.8t, leaving official buying to absorb much of the softness in both consumer and ETF demand[1].
- In Q3 2026, official demand remained strong at 321.2t, up 42% y/y, while jewellery consumption fell 17% y/y to 312.9t; the rise in official buying more than offset the y/y drop in jewellery tonnage[2,3].
- The ETF picture is cyclical rather than uniformly weak. Global ETF demand rebounded to +211.2t in Q3 2026, with record quarterly inflows led by the US and UK, and global holdings rose again to 4,275t at end-October after a 19t monthly increase[4,3,5].
- Jewellery weakness remains broad-based and price-sensitive. China's Q3 jewellery demand fell 22% y/y to 65.7t and India's fell 20% y/y to 99.9t, as high prices, affordability pressure and local factors weighed on volumes[6,3].
- Official buying remains a structural pillar but is concentrated. YTD central-bank demand reached 675t through Q3, while reported Q3 buying was led by China and Poland; China's official holdings rose to 2,410t in September after 23 consecutive monthly increases[2,7,8].

Q2 showed central banks doing most of the offsetting

- Q2 2026 is the strongest quarter for the report's core angle. Jewellery demand fell to 278t, the lowest quarterly volume since the pandemic, while ETF demand swung to -44.8t from +171.1t a year earlier[1].
- Against that backdrop, central banks bought 288.9t in Q2, up 62% y/y from 177.9t. WGC also noted that the main drag in Q2 was the y/y shift to moderate ETF outflows[1,9].
- That means the cushion in Q2 came primarily from official-sector demand rather than from financial investors. It is the cleanest example in 2026 of reserve managers offsetting weakness in both jewellery and ETF demand[1].

Figure 1: Official buying stayed strong, but it was not the only support in Q3



Source: IMF International Reserves and Foreign Currency Liquidity data; GoldSquawk calculations, as of 17 November 2026.

Q3 support was shared between official demand and Western ETFs

- In Q3 2026, central banks and other official institutions bought 321.2t, up 42% y/y and above the five-year quarterly average of 227t. Over the first nine months of 2026, official demand reached 675t, up 6% y/y[2].
- Jewellery consumption fell to 312.9t in Q3, down 17% y/y and the weakest third quarter in WGC's series. The 63.5t y/y drop in jewellery was more than offset by the 94.9t y/y rise in official buying[3].
- But Q3 does not fit a simple 'weak jewellery and ETFs' narrative. ETF demand rebounded to +211.2t in Q3, while OTC and other demand added 143.5t; total demand including OTC was 1,368.6t, only 1% below a year earlier[3].
- The geographic split matters. WGC says Q3 ETF inflows were led by the US and UK, with the UK recording its strongest quarter on record, while Asia also contributed but the main marginal impulse came from Western vehicles[4].

Figure 2: ETF holdings have stabilised again, but the regional picture is mixed



Source: SPDR Gold Shares (World Gold Trust Services), as of 13 November 2026.

Jewellery is weak in volume terms; official demand is filling part of that gap

- High prices remain the main headwind for jewellery. The LBMA PM gold price averaged US$4,506.29/oz in Q2, 37% above Q2 2025, and the Q3 average was US$4,262/oz; WGC said high prices pushed consumers towards lighter-weight and lower-carat items[1,3,10].
- China's jewellery demand fell to 65.7t in Q3, down 22% y/y, while India's fell to 99.9t, down 20% y/y. WGC linked China's weakness to elevated prices, slower growth, property-sector weakness and a VAT disadvantage for jewellery relative to investment products; in India, affordability pressures were compounded by festival timing effects and concerns over rural incomes[6,3].
- The softness is more severe in tonnage than in spending value. Global jewellery consumption fell 17% y/y in Q3 to 312.9t, but jewellery demand value still rose 2% y/y to US$43bn[3].
- ETF demand has improved since Q2, but the support is uneven at the margin. Global gold ETF holdings rose to 4,275t at end-October, up 19t in the month, while GLD holdings stood at 1,044.4t on 13 November, down 9.5t over one month; this fits the view that ETF strength is not uniform across regions or products[5,11].

Scenarios

- **Supportive case:** Official buying remains firm into Q4, with reserve managers continuing to buy for diversification and risk management, while fiscal and inflation concerns keep Western ETF demand positive. In that setting, central-bank demand would continue to cushion weak jewellery volumes, and ETF inflows would amplify the support rather than leave official buying to carry it alone[12,10,4].
- **Pressure case:** Higher policy rates, higher bond yields and a firmer US dollar weigh on ETF and broader private investment demand, while jewellery affordability stays under pressure in China and India. If official buying also normalises from the strong Q2-Q3 run-rate, the cushion beneath total demand would look thinner[3,12,13].
- **Mixed or rotation case:** Jewellery demand remains soft, but the composition of support shifts further towards reserve managers and investment products rather than consumer adornment. In China especially, weak property and the VAT framework could continue to favour investment over jewellery, leaving official buying and investment flows to do more of the balancing[6,2].

Levels to watch

- COMEX gold last close: US$3,863.1/oz on 17 Nov 2026
- 50-day moving average: US$4,169.2/oz
- 200-day moving average: US$4,467.8/oz
- 52-week low: US$3,863.1/oz
- 52-week high: US$5,318.4/oz

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Glossary

ETF: Exchange-traded fund. In gold, these are listed vehicles backed by physical bullion or linked to the gold price.

OTC demand: Over-the-counter demand, covering bilateral transactions outside exchange-traded markets; in WGC demand data it can be a meaningful balancing category.

Official-sector demand: Gold bought by central banks and other official institutions for reserve-management purposes.

AUM: Assets under management, the total market value of assets held by an investment fund.

YTD: Year to date, meaning from the start of the calendar year to the latest reported point.

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