GoldSquawk

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Asian physical demand is fragmenting, not disappearing

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Key takeaways

- China's physical signal remains comparatively firm: the Shanghai benchmark showed a +US$9.40/oz premium to London spot on 20 November, while China's October unwrought gold imports rose 174.1% y/y to 155.85t, after September imports had already reached 129t.[1,2,3]
- China's demand mix has changed materially rather than vanished. Mainland jewellery demand fell 22% y/y to 65.7t in Q3, but bar-and-coin demand rose 7% y/y to 78.9t, taking year-to-date bar-and-coin demand to a record 393t.[4]
- India's discounts look less like pure demand destruction and more like a market-structure issue. WGC says domestic prices traded at a record average US$43/oz discount to import parity in Q3, citing higher unofficial inflows after the duty hike and old-gold supply.[5]
- Official Indian imports are now a less reliable read-through for end-demand. September unwrought imports were 23.2t, down 77% y/y, while WGC estimates unofficial inflows reached around 50t in Q3 and says September-October combined imports were only about 93t versus a 2021-25 average of about 180t for the period.[6,5,7]

Figure 1: Gold's macro drawdown has not stopped China's import pull



Source: COMEX gold futures and CBOE 10-year yield index via Yahoo Finance, as of 20 November 2026.

China: positive premia and strong imports point to an investment-led market

- The onshore Chinese market is still showing signs of metal pull rather than structural oversupply. The Shanghai Gold Exchange benchmark carried a +US$9.40/oz premium to London spot on 20 November, with a 7-day average of +US$8.37/oz and three consecutive rises into that print.[1]

- Import data remain strong. WGC says China's gold imports reached 129t in September, up 5t m/m and 41% y/y, likely helped by strong seasonal wholesale demand and favourable import incentives from rising local premia.[3] SCMP, citing customs data, then reported October unwrought non-monetary gold imports at 155.85t, up 174.1% y/y, with value up 183.5% y/y to US$20.73bn, making gold the third-largest import category by value that month.[2]
- The composition of Chinese demand is shifting. WGC says mainland jewellery demand fell 22% y/y to 65.7t in Q3, while bar-and-coin demand rose 7% y/y to 78.9t; year-to-date bar-and-coin demand reached a record 393t, 11% above the prior 2013 high.[4] WGC attributes support to falling government bond yields, weak local equities and continued PBoC buying.[4,8]
- The caveat is that part of the import surge may still be going into stocks or wholesale channels. SHFE gold warehouse stocks rose to 119.9t in the week to 20 November, up 1.5t w/w and the highest level in the past year, while SGE reported 5,096,337.90kg of total October gold trading volume across Au products, confirming heavy exchange activity but not final retail offtake.[9,10]

India: discounts increasingly reflect supply channels, not just weak demand

- India's domestic market still appears adequately supplied even as festive demand improves. WGC says domestic discounts narrowed from an average US$66/oz in September to US$5/oz by 12 November, but prices still remained at a modest discount to import parity.[7]
- The Q3 signal was more striking: WGC says domestic prices traded at a discount to import parity throughout the quarter, averaging US$43/oz, the highest quarterly discount on record. It links that to higher unofficial inflows after the May duty increase and to old-gold supply.[5] The import duty was raised to 15% in May, and WGC notes that historically higher duties have tended to coincide with higher unofficial inflows.[11]
- Official imports have weakened sharply, but that no longer maps cleanly to final demand. India imported 23.2t of unwrought gold in September, down 77% y/y, and all gold imports were US$1.80bn, down 81% y/y.[6,12] WGC estimates unofficial inflows at around 50t in Q3, versus 3t a year earlier, while official bullion imports including doré fell to 64t, down 70% y/y.[5]
- Demand is weak in tonnage terms, but not absent and highly price-sensitive. WGC says Q3 total demand was 162.5t, down 29% y/y, with jewellery at 99.9t and bar-and-coin at 55.0t.[5] Its November update says Dhanteras/Diwali value demand was up 15%-25% y/y, while volumes were flat to slightly higher, and Reuters reported that lower prices brought back bargain hunting during Diwali.[7,13]

Figure 2: Price weakness is testing whether Asian demand clears via new channels



Source: COMEX gold futures daily closes via Yahoo Finance; GoldSquawk calculations, as of 20 November 2026.

A new physical-demand regime would mean customs and premia matter more than before

- The clearest cross-market inference is that Asian physical demand is becoming more channel-dependent. In China, positive local premia and strong imports increasingly look tied to household investment and savings demand rather than mainly jewellery fabrication.[3,2,4]
- In India, official imports are a noisier demand gauge because more of the market appears to be clearing via recycling and unofficial inflows. WGC says September-October combined imports were only about 93t versus a 2021-25 average of about 180t, even as festive demand improved.[7]
- That means headline 'discounts' should be read carefully. In China, positive premia and import strength argue against a simple end-demand slump.[1,2] In India, persistent discounts to import parity can coexist with active consumer buying if formal landed cost is being undercut by recycled or unofficial supply.[5,7]
- The main challenge to this thesis is that both markets still show affordability stress in traditional segments. China's gold, silver and jewellery retail sales fell 28.7% y/y in October, and India's Q3 total demand was still 29% lower y/y, so the regime shift may be more about substitution within demand than outright strength in tonnage.[14,5]

Scenarios

- **Supportive physical rebalancing:** China retains positive SGE premia and elevated imports, while India's discounts stay narrow despite post-festival seasonality. That would suggest Asian physical demand is still present but being channelled through investment demand in China and recycling/unofficial supply in India.[1,2,7,5]
- **Inventory-heavy pause:** Chinese premia flatten or turn negative while exchange stocks continue to rise, and Indian discounts widen again after Diwali. That would argue that recent import strength partly reflected restocking or temporary bargain buying rather than a durable shift in final physical offtake.[9,1,7]
- **Policy-driven reset:** Any change in India's 15% import duty, or a material shift in Chinese official-sector and domestic macro conditions, would alter local market plumbing. In that case, current

discounts and premia could adjust quickly even without a large change in underlying consumer interest.[11,4,8]

Levels to watch

- COMEX gold last close: US$3,515.4/oz on 20 Nov 2026.[chart: gold_technical]
- 50-day moving average: US$4,110.9/oz.[chart: gold_technical]
- 200-day moving average: US$4,444.7/oz.[chart: gold_technical]
- 52-week low: US$3,515.4/oz.[chart: gold_technical]
- 52-week high: US$5,318.4/oz.[chart: gold_technical]

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Glossary

Import parity: The implied domestic gold price after adding the costs of importing bullion, including duty and other charges.

Premium/discount to London: The difference between a local physical gold benchmark and the London spot price, often used as a signal of local tightness or oversupply.

Bar-and-coin demand: Retail investment demand for physical bullion products, distinct from jewellery consumption.

Doré: A semi-refined gold product that is imported for further refining before sale into the domestic market.

Unofficial inflows: Gold entering the domestic market outside the formal import channel, often discussed when duties create incentives for arbitrage.

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