China Precious Metals

Gold faces near-term macro headwinds within the uptrend; Equities become more vulnerable

Equities

Hong Kong

Basic Materials

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Gold falls c.3% following Warsh's hawkish Jackson Hole remarks on Aug 28

Gold declined c.3% overnight following a more hawkish-than-expected speech by Warsh at Jackson Hole on Aug 28th. Warsh indicated that the Fed would still have more work to do unless underlying inflation moves clearly and sufficiently quickly toward its objective. He also questioned whether current financial conditions could be characterised as restrictive, pointing to an economy that continues to perform well and supportive conditions across financial markets. The comments prompted a hawkish repricing of the near-term policy outlook, with markets assigning a higher probability to a rate hike at the September FOMC meeting after expectations had fluctuated materially in the run-up to the speech (Figure 1). Prior to Jackson Hole, the US Treasury's buyback announcement had brought fiscal sustainability and the government debt trajectory back into focus, supporting another leg of the gold rally toward US$4,700/oz. However, we believe the debasement trade had become increasingly reflected in the gold price by that stage, leaving the market more vulnerable to a shift in monetary policy expectations. Warsh's remarks subsequently supported renewed US dollar buying and triggered profit-taking in gold. We expect near-term gold trading to remain data dependent. The key macro indicators will be subsequent CPI, PPI and labour-market releases, which should determine whether the recent hawkish repricing can be sustained. Our in-house economists expect non-farm payroll growth to remain in expansionary territory, while developments in the Middle East remain an additional source of volatility. From a technical perspective, we see US$4,200/oz as the key support level (Figure 3). A decisive break below this level would challenge the prevailing upward trend, while holding above it would suggest that the recent decline remains a consolidation following the strong rally toward US$4,700/oz.

Risks becoming more evident for HK/China gold equities

HK/China-listed gold equities have broadly doubled since July, supported by the recovery in investor sentiment toward gold and a c.15% increase in the gold price over the same period (Figure 9). Following this strong re-rating, we believe the sector has become increasingly vulnerable to a pause or correction in bullion prices. Gold equities typically exhibit operational and valuation leverage to the underlying commodity. In a rising gold-price environment, earnings upgrades and multiple expansion can reinforce each other, driving equity returns well above the increase in bullion. However, this relationship also works in reverse. A weaker gold price can lead to simultaneous earnings downgrades and valuation multiple compression, resulting in a disproportionately negative impact on share prices. Given the sector's strong performance since July and the possibility that gold enters a period of consolidation, we currently see a less favourable near-term risk-reward profile for HK/China gold miners. Until bullion stabilises and re-establishes a clear upward trend, we believe downside risks from both commodity-price weakness and multiple de-rating outweigh the potential upside for the sector.

Among Q2 update from our covered gold miners, we turn more cautious on Zhaojin operation

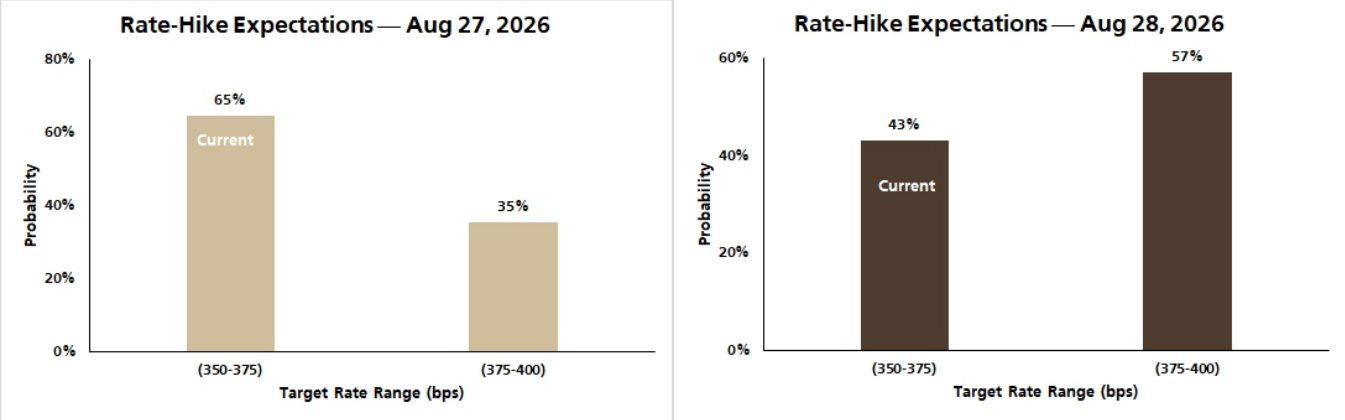
Gold miners generally reported softer 2Q26 results. Wanguo's production was modestly below expectations, with a larger sales shortfall due to logistics and sales timing, while Zijin Gold faced higher royalties and legacy accounting costs. We turn more cautious on Zhaojin after management cut its 2026 mined-gold guidance by c.40% to c.10t, citing two mine accidents and tighter nationwide safety inspections. Haiyu's expected commissioning was also delayed to mid-2028 from end-2027, reducing near-term

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ANALYST CERTIFICATION AND REQUIRED DISCLOSURES, INCLUDING INFORMATION ON THE QUANTITATIVE RESEARCH REVIEW PUBLISHED BY UBS, BEGIN ON PAGE 8.

visibility on volume recovery.

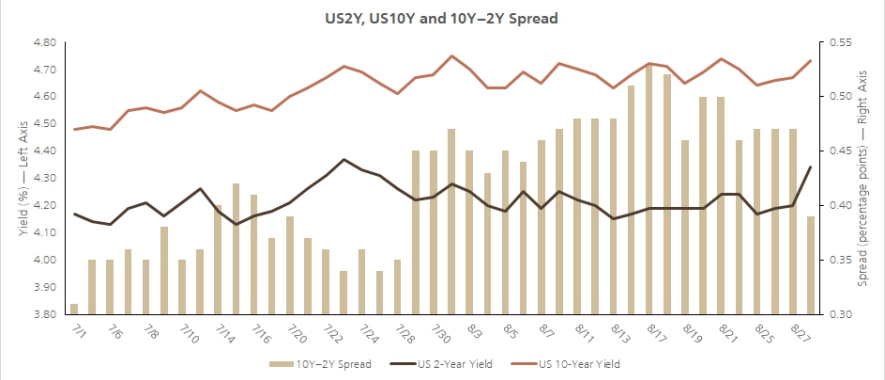


Figure 1: Rate hike expectations flip overnight after Warsh's Hawkish speech on Aug 28



Source: CME Fed Watch

Figure 2: US2Y yield rose sharply after Warsh's speech



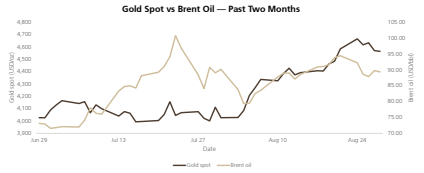
Source: Wind, UBS estimates

Figure 3: Gold pulls back from US$4600+/Oz; Near-term momentum is softening, Key support at US$4200/Oz



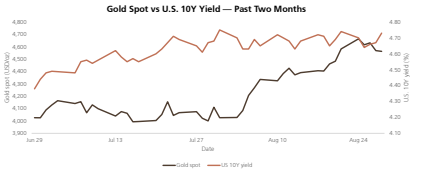
Source: Wind, UBS estimates

Figure 4: Gold price vs. oil prices



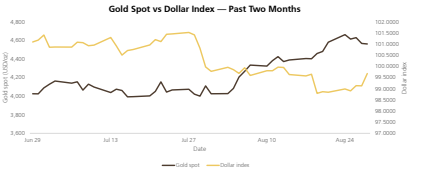
Source: Wind

Figure 5: Gold price vs. US 10Y yields



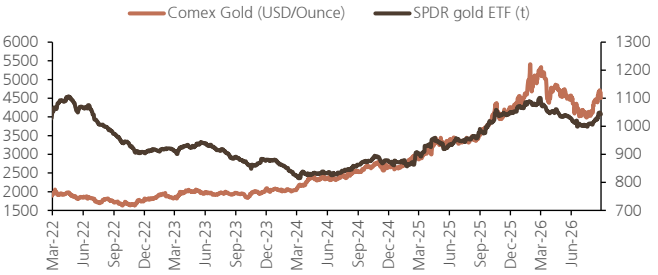
Source: Wind

Figure 6: Gold price vs. US dollar



Source: Wind

Figure 7: Gold ETF flows



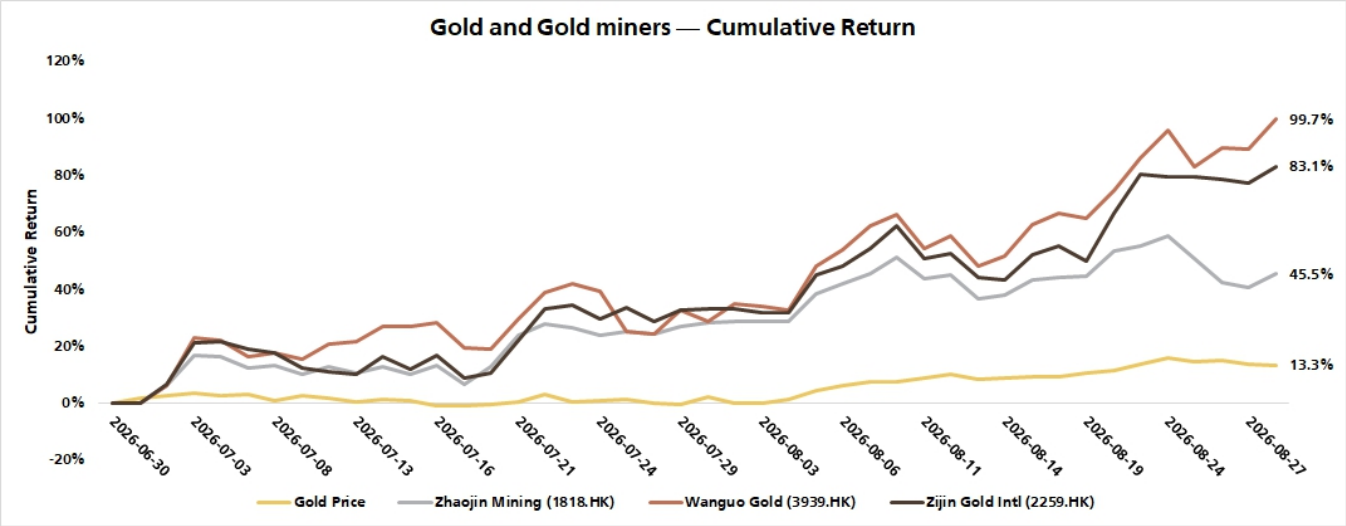
Source: Wind

Figure 8: Net long positions on Comex



Source: CFTC

Figure 9: Gold and gold miners performance since July



Source: Wind, UBS estimates

Figure 10: Zijin Gold, Wanguo, Zhaojin sensitivity analysis

Data as of 31-Aug-26

NPAT and Implied PE by Company and Year

Zijin Gold

Gold Price, US$/Oz	3500	4000	4500	5000	5500	6000	6500
2026E NPAT, Rmb mn	11,323	15,033	18,743	22,453	26,163	29,873	33,583
2026E implied PE	33.0	**24.8**	**19.9**	16.6	14.3	12.5	11.1
2027E NPAT, Rmb mn	12,272	16,385	20,498	24,611	28,724	32,837	36,950
2027E implied PE	30.4	**22.8**	**18.2**	15.2	13.0	11.4	10.1
2028E NPAT, Rmb mn	15,187	20,397	25,607	30,112	34,618	39,123	43,629
2028E implied PE	24.6	**18.3**	**14.6**	12.4	10.8	9.5	8.6
2030E NPAT, Rmb mn	17,653	23,501	29,349	35,197	41,046	46,894	52,742
2030E implied PE	17.5	**13.8**	**11.4**	9.7	9.1	8.6	8.2

Wanguo Gold

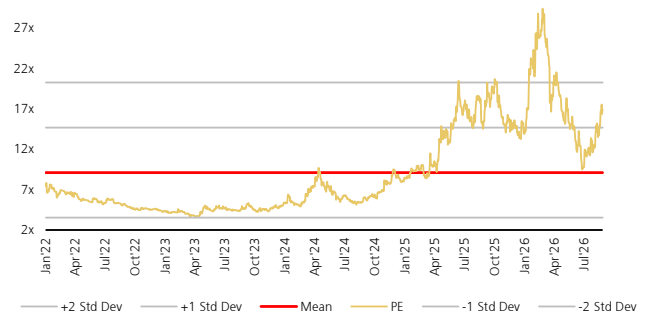
Gold Price, US$/Oz	3500	4000	4500	5000	5500	6000	6500
2026E NPAT, Rmb mn	1,550	1,787	2,024	2,261	2,499	2,736	2,973
2026E implied PE	38.5	**33.4**	**29.5**	26.4	23.9	21.8	20.1
2027E NPAT, Rmb mn	2,749	3,223	3,696	4,170	4,644	5,117	5,591
2027E implied PE	21.7	**18.5**	**16.2**	14.3	12.9	11.7	10.7
2028E NPAT, Rmb mn	4,514	5,307	6,101	6,937	7,773	8,608	9,444
2028E implied PE	13.2	**11.3**	**9.8**	8.6	7.7	6.9	6.3
2030E NPAT, Rmb mn	5,380	6,369	7,357	8,346	9,335	10,324	11,312
2030E implied PE	10.4	**8.8**	**7.6**	6.7	6.0	5.4	5.0

Zhaojin

Gold Price, US$/Oz	3500	4000	4500	5000	5500	6000	6500
2026E NPAT, Rmb mn	1,084	1,842	2,600	3,359	4,117	4,875	5,633
2026E implied PE	67.7	**39.8**	**28.2**	21.8	17.8	15.0	13.0
2027E NPAT, Rmb mn	3,426	4,499	5,571	6,644	7,716	8,789	9,861
2027E implied PE	21.4	**16.3**	**13.2**	11.0	9.5	8.3	7.4
2028E NPAT, Rmb mn	5,093	6,503	7,912	10,127	12,342	14,558	16,773
2028E implied PE	14.4	**11.3**	**9.3**	7.2	5.9	5.0	4.4
2030E NPAT, Rmb mn	7,009	8,729	10,449	17,600	18,647	19,695	20,742
2030E implied PE	7.1	**5.8**	**4.8**	4.2	3.9	3.7	3.5

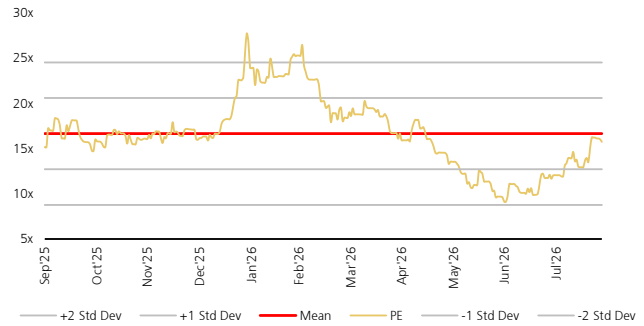
Source: UBS estimates

Figure 11: Wanguo PE band



Source: UBS estimates

Figure 12: Zijin PE band



Source: UBS estimates

Figure 13: Zhaojin PE band



Source: UBS estimates

Figure 14: Gold comps table

			(LC)	(US$ m)	2026E	2027E	2026E	2027E	2026E	2027E	2026E	2027E	2026E	2027E
A-share														
Shandong A	600547.SS	Not Rated	35.49	24,324	18.7	16.7	3.2	2.8	18.9	19.3	8.0	5.5	1.8	1.9
Zhongjin	600489.SS	Not Rated	26.68	19,228	12.0	10.4	3.5	2.9	30.6	29.2	7.4	5.8	5.2	5.5
Chifeng A	600988.SS	Not Rated	49.09	13,870	16.6	15.0	5.2	4.0	32.7	27.6	8.6	7.8	-	1.1
A-share avg.					**15.5**	**13.0**	**4.0**	**3.2**	**27.9**	**27.4**	**8.1**	**6.2**	**3.0**	**2.8**
H-share														
Wanguo	3939.HK	Buy (CBE)	15.60	8,762	28.4	14.9	9.9	7.1	39.4	55.5	16.1	8.5	1.4	2.7
Zijin Gold Intl	2259.HK	Buy (CBE)	161.20	55,033	19.2	16.8	5.3	4.4	30.6	28.7	8.9	7.6	1.7	1.9
Zhaojin	1818.HK	Buy (CBE)	23.94	10,818	25.7	11.7	3.3	2.6	13.9	25.1	15.2	8.2	0.4	0.9
Shandong H	1787.HK	Not Rated	25.52	15,007	11.2	10.7	2.0	1.8	19.1	19.8	5.7	5.1	2.9	3.1
Chifeng H	6693.HK	Not Rated	43.80	10,618	12.9	11.6	4.0	3.1	32.7	27.6	6.5	5.9	-	1.5
Lingbao - reuters	3330.HK	Not Rated	23.68	4,161	11.6	10.3	3.9	2.9	33.7	28.2	-	-		
Tongguan - reuters	0340.HK	Not Rated	3.65	2,469	11.6	9.6	3.5	2.6	32.4	28.7	-	-		
H-share avg.					**18.0**	**12.3**	**4.6**	**3.6**	**28.2**	**31.0**	**7.7**	**4.9**	**1.6**	**2.2**
Global														
Newmont	NEM.N	Buy	127.98	134,852	12.8	10.8	3.6	3.1	29.4	29.8	8.0	7.2	0.8	0.9
Agnico	AEM.N	Neutral	206.25	104,438	16.7	16.4	3.4	3.0	22.5	19.2	9.0	8.7	0.6	0.7
Barrick	B.N	Buy	45.65	75,135	12.3	9.4	2.6	2.2	21.8	25.1	6.6	5.0	1.5	1.5
SSR mining	SSRM.O	Buy	37.29	7,696	7.8	7.0	2.0	1.7	26.3	25.0	4.4	3.7	0.2	0.4
Hochschild Mining	HOCM.L	Neutral	667.50	4,648	8.1	6.5	3.6	2.8	52.5	48.4	4.3	3.3	2.2	4.4
Northern Star Resources	NST.AX	Neutral	24.78	25,276	16.1	18.9	2.1	2.1	13.2	11.5	7.4	7.8	2.4	2.0
Evolution	EVN.AX	Neutral	15.67	22,906	16.0	16.4	4.0	4.5	27.4	30.3	7.9	8.8	3.4	4.0
Genesis	GMD.AX	Buy	8.57	7,200	11.5	14.2	3.2	2.2	36.1	24.4	7.0	6.7	0.8	0.7
Perseus	PRU.AX	Buy	6.73	6,394	11.2	10.0	2.0	2.3	18.9	25.5	4.7	4.9	4.1	3.1
Gold fields	GFIJ.J	Neutral	76,207.00	42,532	8.8	8.8	4.0	3.2	49.9	40.3	4.7	4.7	6.2	5.3
AngloGold	ANGJ.J	Buy	186,235.00	58,233	11.6	10.5	6.0	5.4	55.6	54.3	5.9	5.5	5.7	6.7
Harmony	HARJ.J	Buy (UR)	33,283.00	13,143	8.1	5.0	3.2	2.2	45.4	53.0	4.6	3.3	3.4	3.8
Endeavour Mining	EDV.L	Buy	4,742.00	15,507	9.3	8.5	3.8	2.9	46.2	38.4	4.6	3.8	2.8	4.0
Global avg.					**11.6**	**10.9**	**3.4**	**2.9**	**35.2**	**33.8**	**6.1**	**5.7**	**2.7**	**2.9**

Source: Thomson Reuters, Wind, UBS estimates ; Data as of 29 Aug 2026

Valuation Method and Risk Statement

We base our price targets on a PE multiple.
Gold mining sector risks include weaker-than-expected gold prices if the Fed implements tighter-than-expected monetary policy, and disappointing progress of expansion plans. Upside risks include better-than-expected gold prices and higher-than-expected production volumes.
Wanguo Gold:
Our price target is based on 15x 2027E PE.
Downside risks include weaker-than-expected gold prices if the Fed implements tighter-than-expected monetary policy, and worse-than-expected progress of expansion plans on Gold Ridge mine delays. Upside risks include better-than-expected gold prices and higher-than-expected production volumes led by Gold Ridge mine.
Zhaojin:
Our price target is based on 10x 2027E PE.
Downside risks include weaker-than-expected gold prices if the Fed implements tighter-than-expected monetary policy or if Haiyu's expected progress is slower than expected. Upside risks include better-than-expected gold prices and higher-than-expected production volumes.
Zijin Gold:
Our price target is based on 20x 2027E PE.
Downside risks include weaker-than-expected gold prices if the Fed implements tighter-than-expected monetary policy, and worse-than-expected progress of expansion plans. Upside risks include better-than-expected gold prices and higher-than-expected production volumes.
China Coal Sector: Key risks to our coal sector coverage include economic conditions and government policies that affect coal prices and the balance of China's coal supply and demand. Examples include: 1) higher-than-expected growth of FAI into the coal sector; 2) looser government policies to cut coal consumption; 3) higher-than-expected growth of industry inventory levels; and 4) lower-than-expected growth in infrastructure projects. Upside risks include: 1) supply constraint due to more strict safety inspection and environmental inspection; and 2) stronger-than-expected power demand.