China Precious Metals

Bad news for gold has largely been priced in, the next upswing is taking shape

Equities

Hong Kong

Basic Materials

Sharon Ding
Analyst
sharon.ding@ubs.com
+852-2971 6284

Suxi Zheng, PhD
Analyst
suxi.zheng@ubs.com
+852-3712 2601

Gold falls c.5% as markets reprice renewed Fed tightening risks

Gold has fallen c.5% since early September as stronger-than-expected data and persistent inflation concerns revived expectations of further Fed tightening. Over this period, the US 10-year Treasury yield rose from c.4.8% to 5.3%+, the dollar index strengthened from c.100 to 102+, and gold declined from c.US$4,400+/oz to c.US $4,140/oz (Figure 1). The move echoes the hawkish repricing following Warsh's Jackson Hole remarks in late August, a risk we flagged in our August 31 note. Resilient growth and labour-market conditions have challenged expectations of continued easing, increasing the perceived likelihood of another rate hike by year-end and weighing on gold.

Much of the bad news appears priced in; early buying signals are emerging

We believe much of the recent hawkish repricing is now reflected in the gold price, with early signs of a more constructive entry point emerging. Following the correction, gold is consolidating around US$4,140–4,200/oz, while softer labour-market data released toward month-end and easing expectations of an October Fed rate hike suggest that the monetary-policy headwind may be starting to moderate. This does not yet confirm a durable bottom, but it supports our view that the balance of risks is becoming less negative. As we highlighted in our August risk note, gold had become vulnerable to hawkish policy surprises following its strong rally. After the subsequent pullback, we see greater scope for stabilisation if incoming data no longer justify further upward revisions to the expected policy path. Looking ahead, a sustained retreat in US Treasury yields from elevated levels would strengthen the case for a recovery in gold. In the past three episodes, gold gained c. 5.9%, 11.4% and 14.4% as 10-year Treasury yields declined from their October 2023, April 2024 and January 2025 highs to subsequent troughs, over 69, 144 and 81 calendar days, respectively (Figure 3). The catalysts differed across the three episodes. The late-2023 decline followed softer economic data and a reversal of the higher-for-longer repricing; the 2024 episode reflected labour-market cooling and growing confidence that policy easing was approaching; and the early-2025 decline coincided with moderating growth expectations and heightened policy uncertainty. The common feature was a reassessment of how restrictive monetary policy needed to remain, allowing Treasury yields to retreat and gold to recover. These observations illustrate the potential for gold to recover alongside lower yields. If labour-market cooling continues and oil prices stabilise, we would expect the case for additional tightening to weaken. A sustained easing in rate-hike expectations and Treasury yields would therefore provide stronger confirmation of the emerging buying opportunity, while renewed upside surprises in inflation or employment remain the key risk to our view. From a technical perspective, we see US$3,990–4,030/oz as the key near-term support zone (Figure 5). While gold remains below its short-term moving averages, much of the recent hawkish repricing appears reflected in the price. A decisive break below US$4,000/oz would suggest a deeper correction, while a sustained move above US$4,280–4,320/oz would represent a meaningful improvement in technical momentum and strengthen the case that the recent decline remains a consolidation within the broader uptrend.

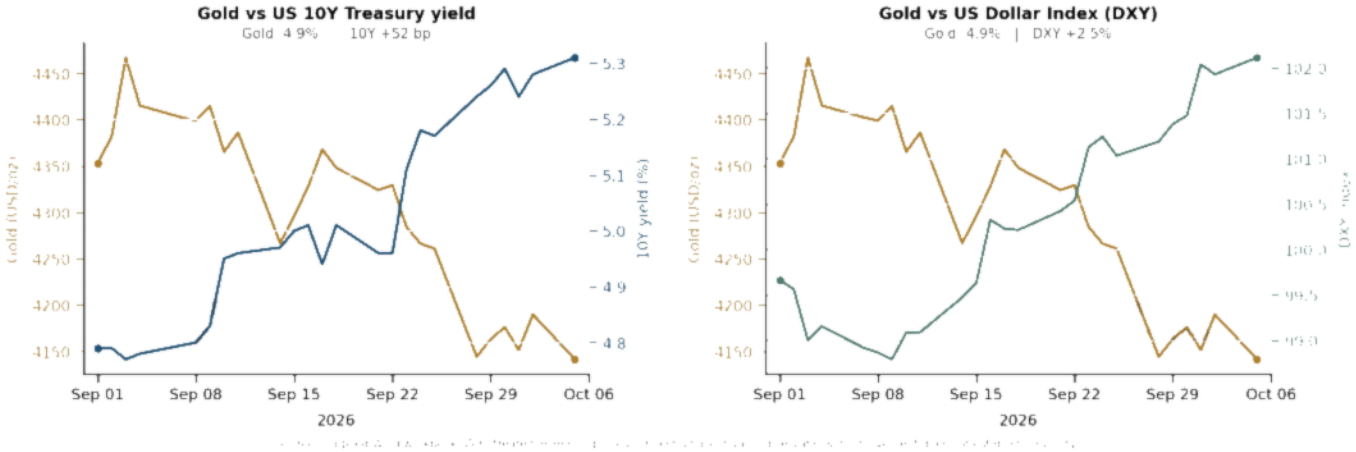
Risk-reward has become less compelling; stay selective on gold miners

Gold miners have declined by c.4–18% since early-Sep, and we do not yet see uniformly attractive risk-reward across the sector. We therefore remain selective, with a preference for Wanguo > Zijin Gold > Zhaojin. Wanguo remains our preferred exposure, as robust

This report has been prepared by UBS Securities Asia Limited. * Exception to core rating bands; See Required Disclosures section.
ANALYST CERTIFICATION AND REQUIRED DISCLOSURES, INCLUDING INFORMATION ON THE QUANTITATIVE RESEARCH REVIEW PUBLISHED BY UBS, BEGIN ON PAGE 10.

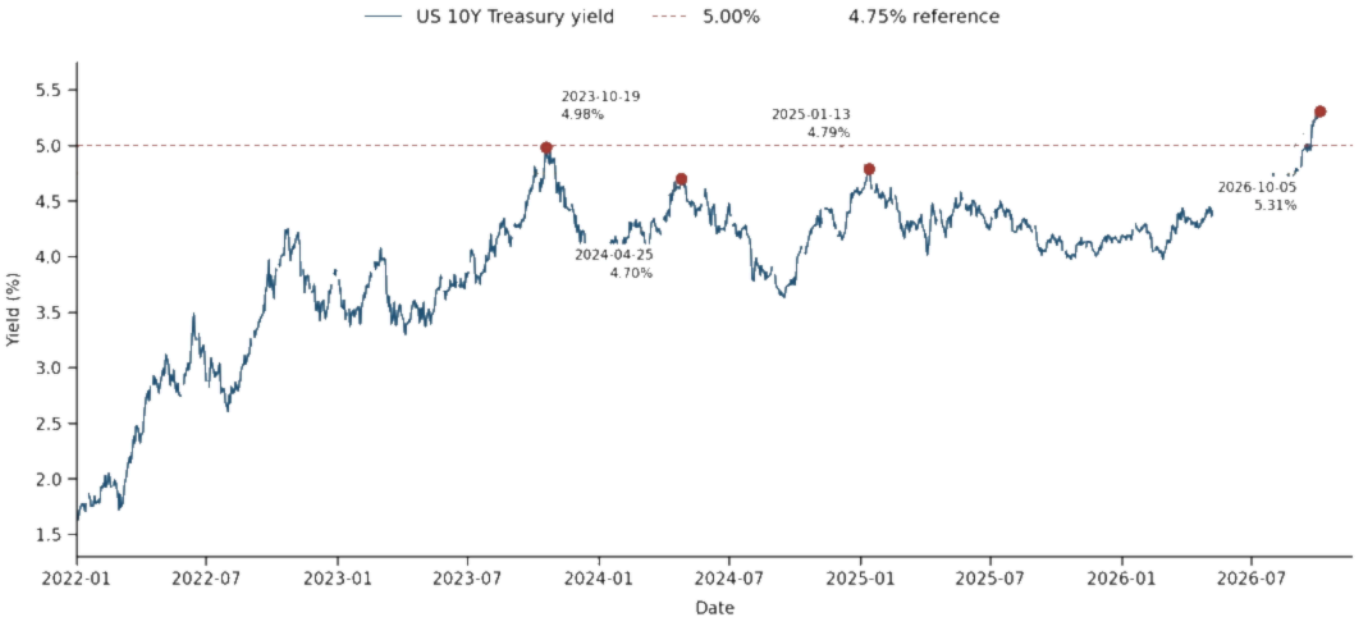
volume growth should provide company-specific earnings support and help offset the impact of near-term gold price consolidation. We believe Zijin Gold continues to offer relatively high-quality operational delivery, although we remain watchful of cost inflation and production execution over the coming quarters, particularly given concerns around higher royalties and legacy accounting costs. For Zhaojin, the key near-term variable remains production recovery, with greater visibility needed on the pace of mine restarts following the recent accidents.

Figure 1: Gold prices hurt by hawkish US bond yield and strong US dollar



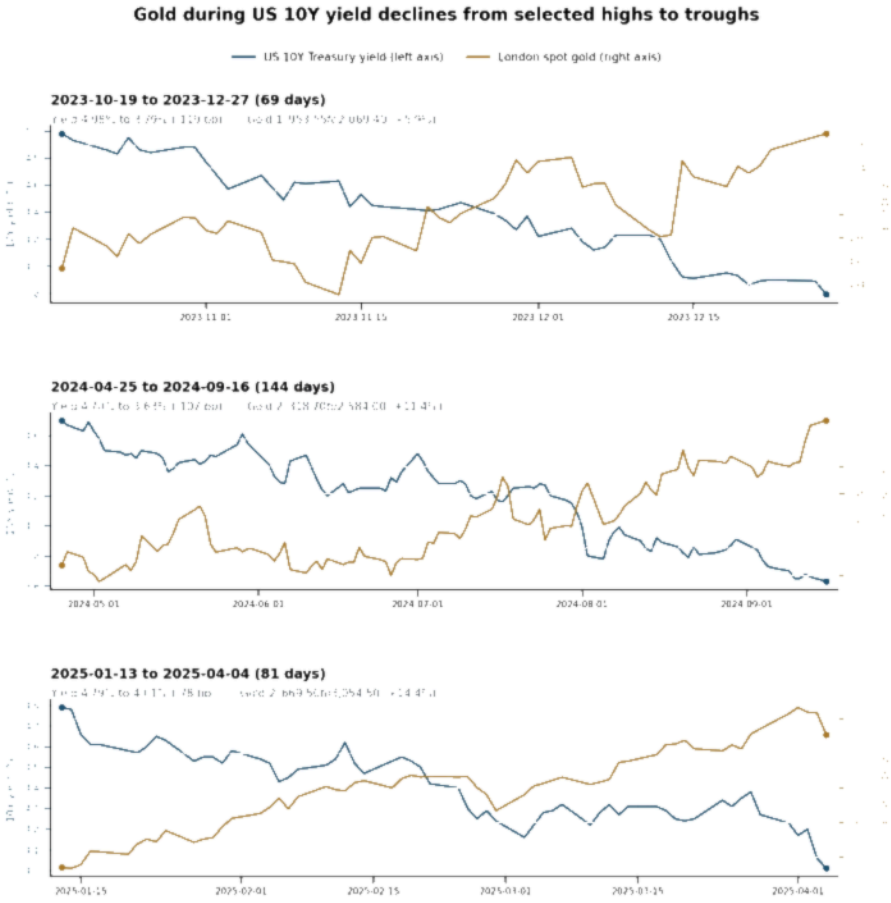
Source: Wind, UBS estimates

Figure 2: US 10-year treasury yield



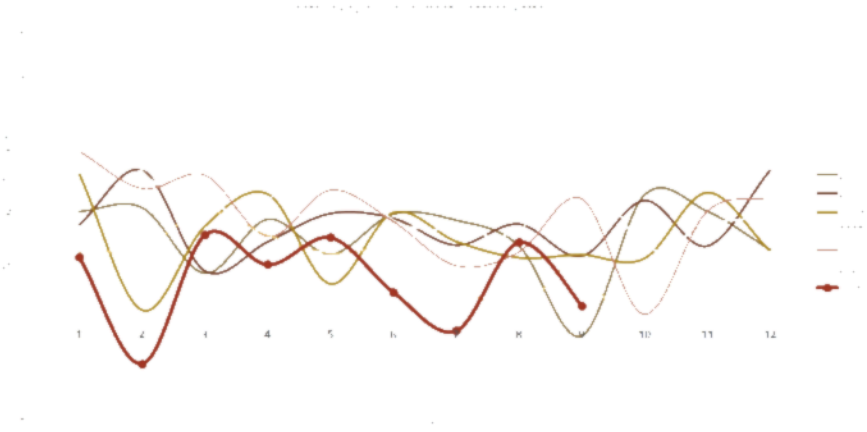
Source: Wind, UBS estimates

Figure 3: Historical gold performance after coming back from high yields



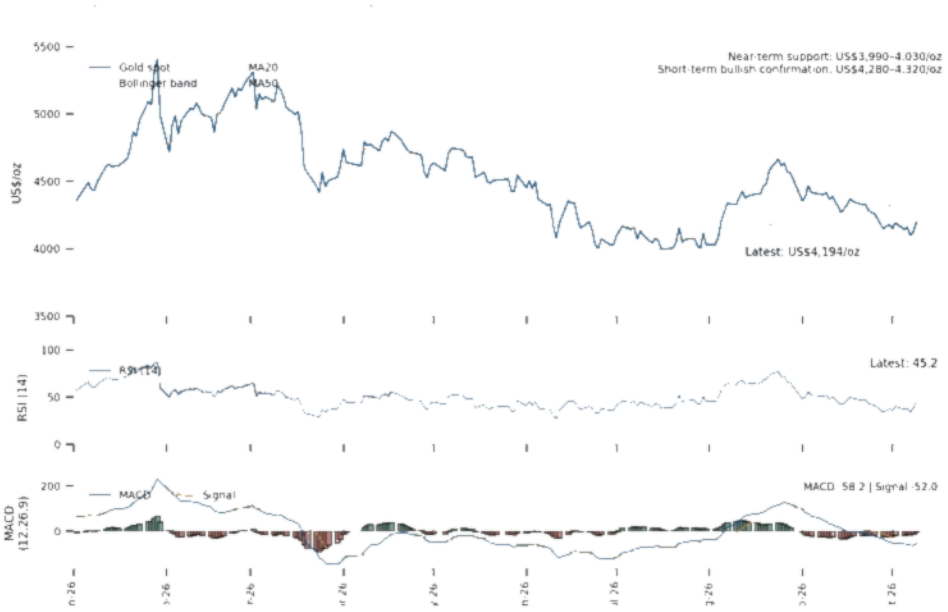
Source: Wind, UBS estimates

Figure 4: Weak nonfarm payroll comes back to spot



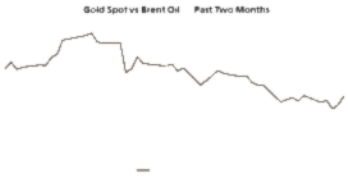
Source: Wind, UBS estimates

Figure 5: Gold supports at US$4,000/oz; near-term momentum remains soft, with buying signals taking the shape



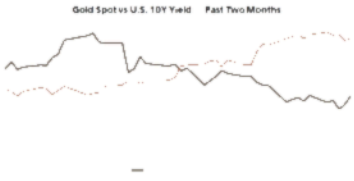
Source: Wind, UBS estimates

Figure 6: Gold price vs. oil prices



Source: Wind

Figure 7: Gold price vs. US 10Y yields



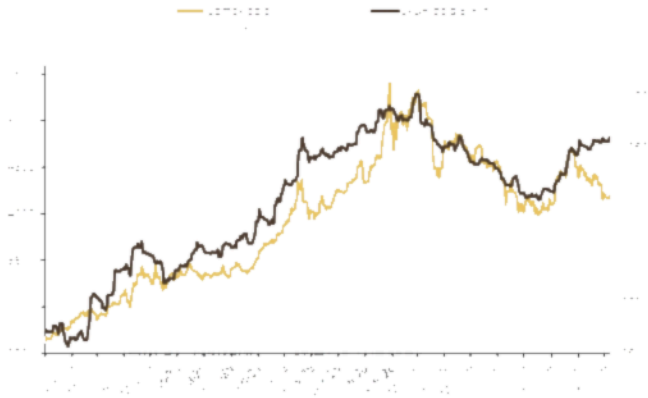
Source: Wind

Figure 8: Gold price vs. US dollar



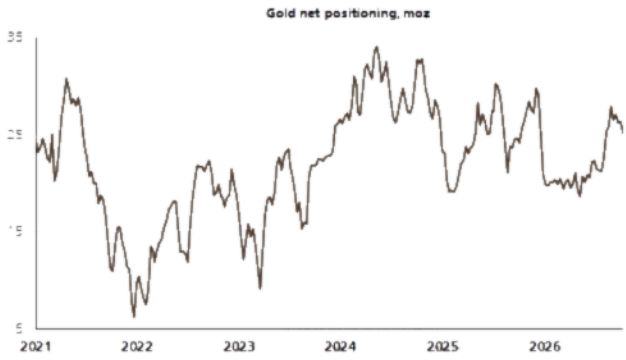
Source: Wind

Figure 9: Gold ETF flows firm



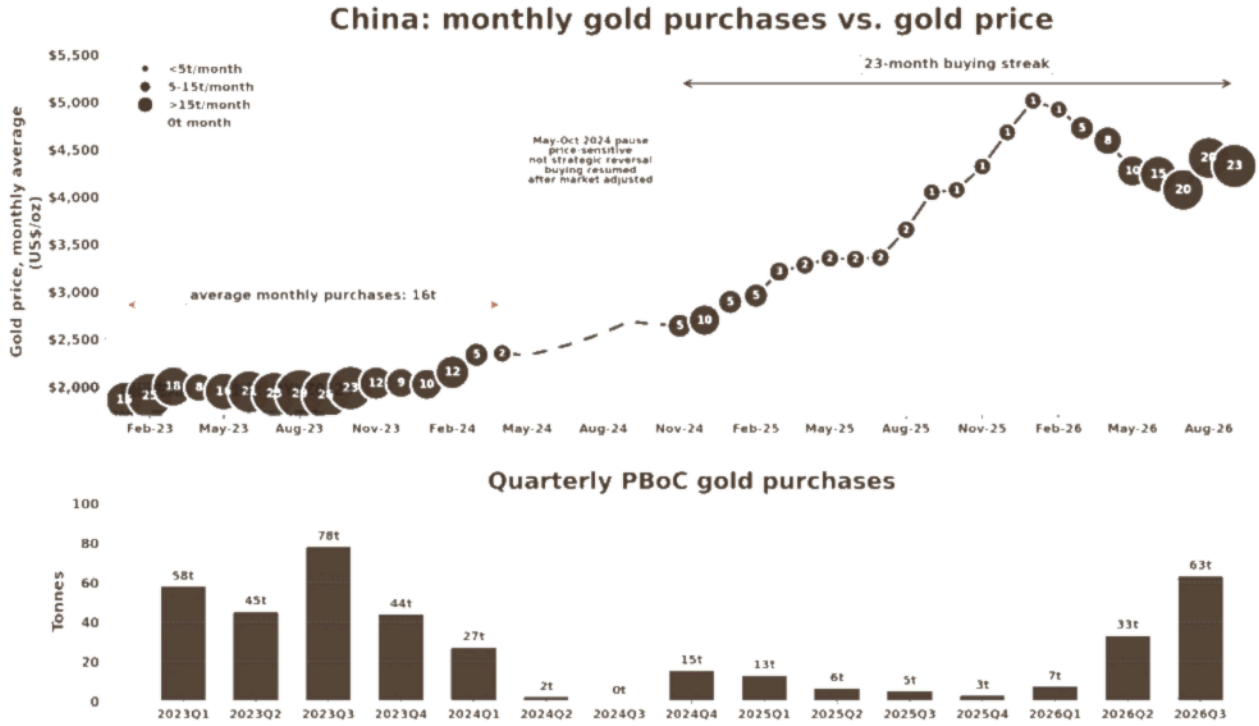
Source: Wind

Figure 10: Net long positions on Comex



Source: CFTC

Figure 11: PBoC buying remains firm



Source basis: user-provided monthly PBoC purchase and monthly average gold price data. Purchase labels are rounded to the nearest tonne.

Source: Wind, UBS estimates

Figure 12: Zijin Gold, Wanguo, Zhaojin sensitivity analysis

Data as of 11-Oct-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	29.8	**22.4**	**18.0**	15.0	12.9	11.3	10.0
2027E NPAT, Rmb mn	12,272	16,385	20,498	24,611	28,724	32,837	36,950
2027E implied PE	27.4	**20.6**	**16.4**	13.7	11.7	10.3	9.1
2028E NPAT, Rmb mn	15,187	20,397	25,607	30,112	34,618	39,123	43,629
2028E implied PE	22.2	**16.5**	**13.2**	11.2	9.7	8.6	7.7
2030E NPAT, Rmb mn	17,653	23,501	29,349	35,197	41,046	46,894	52,742
2030E implied PE	15.8	**12.5**	**10.3**	8.8	8.3	7.8	7.4

Wanguo Gold

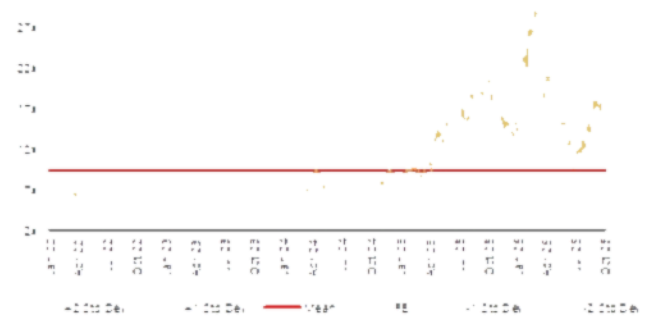
Gold Price, US$/Oz	3500	4000	4500	5000	5500	6000	6500
2026E NPAT, Rmb mn	1,550	1,787	2,024	2,261	2,499	2,736	2,973
2026E implied PE	32.6	**28.3**	**25.0**	22.4	20.2	18.5	17.0
2027E NPAT, Rmb mn	2,749	3,223	3,696	4,170	4,644	5,117	5,591
2027E implied PE	18.4	**15.7**	**13.7**	12.1	10.9	9.9	9.0
2028E NPAT, Rmb mn	4,514	5,307	6,101	6,937	7,773	8,608	9,444
2028E implied PE	11.2	**9.5**	**8.3**	7.3	6.5	5.9	5.4
2030E NPAT, Rmb mn	5,380	6,369	7,357	8,346	9,335	10,324	11,312
2030E implied PE	8.8	**7.4**	**6.4**	5.7	5.1	4.6	4.2

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	51.1	**30.1**	**21.3**	16.5	13.5	11.4	9.8
2027E NPAT, Rmb mn	3,426	4,499	5,571	6,644	7,716	8,789	9,861
2027E implied PE	16.2	**12.3**	**10.0**	8.3	7.2	6.3	5.6
2028E NPAT, Rmb mn	5,093	6,503	7,912	10,127	12,342	14,558	16,773
2028E implied PE	10.9	**8.5**	**7.0**	5.5	4.5	3.8	3.3
2030E NPAT, Rmb mn	7,009	8,729	10,449	17,600	18,647	19,695	20,742
2030E implied PE	5.4	**4.4**	**3.7**	3.1	3.0	2.8	2.7

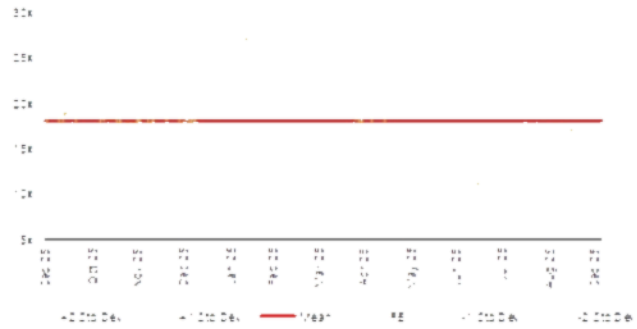
Source: UBS estimates

Figure 13: Wanguo PE band



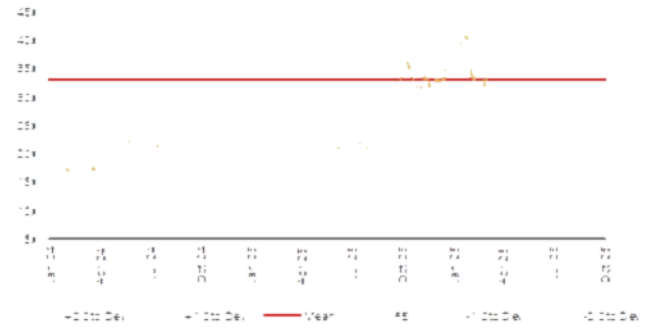
Source: UBS estimates

Figure 14: Zijin Gold PE band



Source: UBS estimates

Figure 15: Zhaojin PE band



Source: UBS estimates

Figure 16: Gold comps table

As of 10-Oct-26	Ticker	Rating	Price (today close) (LC)	Market cap (US$ m)	PE (x) 2026E	PE (x) 2027E	PB (x) 2026E	PB (x) 2027E	ROE 2026E	ROE 2027E	EV/EBITDA (x) 2026E	EV/EBITDA (x) 2027E	Div. yield 2026E	Div. yield 2027E
A-share														
Shandong A	600547.SS	Not Rated	27.17	18,717	16.7	12.6	2.6	2.2	16.0	19.1	7.2	4.2	1.9	2.5
Zhongjin	600489.SS	Not Rated	22.95	16,624	11.3	9.5	3.1	2.6	29.2	28.2	6.5	5.1	5.2	5.7
Chifeng A	600988.SS	Not Rated	41.38	11,751	15.4	13.6	4.4	3.5	30.7	26.7	7.7	7.3	-	1.4
A-share avg.					**14.1**	**11.3**	**3.4**	**2.8**	**26.0**	**26.4**	**7.4**	**5.6**	**3.1**	**3.1**
H-share														
Wanguo	3939.HK	Buy (CBE)	13.32	7,474	24.6	12.8	8.4	6.0	38.9	54.9	13.8	7.3	1.6	3.1
Zijin Gold Intl	2259.HK	Buy (CBE)	146.70	50,032	18.4	15.3	4.9	4.0	29.3	28.9	8.4	6.9	1.8	2.1
Zhaojin	1818.HK	Neutral (CBE)	18.24	8,234	21.1	8.9	2.5	2.0	12.9	25.3	13.2	6.8	0.5	1.2
Shandong H	1787.HK	Not Rated	19.55	11,485	10.8	8.3	1.5	1.3	15.8	19.2	5.4	4.5	2.9	4.0
Chifeng H	6693.HK	Not Rated	36.14	8,752	11.5	10.2	3.3	2.6	30.7	26.7	5.6	5.3	-	1.8
Tingbao - reuters	3330.HK	Not Rated	18.73	3,288	10.1	8.6	3.3	2.5	32.3	28.9	-	-		
Tongguan - reuters	0340.HK	Not Rated	2.61	1,764	8.6	6.9	2.5	1.9	32.4	28.7	-	-		
H-share avg.					**15.6**	**10.1**	**3.9**	**3.0**	**26.9**	**31.0**	**6.8**	**4.3**	**1.7**	**2.6**
Global														
Newmont	NEM.N	Buy	117.84	124,167	12.2	10.8	3.4	3.0	28.6	28.4	7.5	6.9	0.9	0.9
Agnico	AEM.N	Neutral	189.02	95,815	16.0	15.3	3.1	2.8	21.5	19.1	8.6	8.1	0.7	0.7
Barrick	B.N	Buy	41.06	67,580	11.4	8.9	2.4	2.0	21.2	24.7	6.3	4.9	1.7	1.7
SSR mining	SSRM.O	Buy	35.51	7,155	8.7	6.8	2.0	1.7	23.6	26.6	4.5	3.6	0.3	0.5
Hochschild Mining	HOCM.L	Neutral	521.50	3,550	8.0	6.0	2.9	2.2	41.8	41.6	3.8	3.0	2.2	4.1
Northern Star Resources	NST.AX	Buy	24.39	24,263	16.1	20.7	2.1	2.1	13.2	10.4	7.4	8.2	2.4	1.9
Evolution	EVN.AX	Buy	13.15	18,776	16.0	14.2	4.0	3.8	27.4	29.4	7.9	7.6	3.4	4.7
Genesis	GMD.AX	Buy	7.37	6,046	11.5	12.9	3.2	1.9	36.1	23.1	7.0	6.0	0.8	0.8
Perseus	PRU.AX	Buy	6.38	5,907	11.2	9.3	2.0	2.2	18.9	25.2	4.7	4.5	4.1	3.3
Gold fields	GFI.J	Neutral (CBE)	59,507.00	32,797	8.2	6.8	3.2	2.5	42.7	42.0	4.1	3.7	6.3	7.4
AngloGold	ANGJ.J	Buy (CBE)	149,779.00	47,668	9.8	8.2	4.6	3.8	52.1	50.8	4.8	4.3	6.1	6.2
Harmony	HARJ.J	Buy (CBE)	27,492.00	10,645	5.1	5.1	2.5	1.7	59.3	38.8	3.9	3.1	4.3	5.2
Endeavour Mining	EDV.L	Buy	4,126.00	13,192	9.0	8.0	3.3	2.6	42.4	36.3	4.3	3.7	3.3	3.7
Global avg.					**11.0**	**10.2**	**3.0**	**2.5**	**34.0**	**31.4**	**5.8**	**5.2**	**2.8**	**3.2**

Source: Thomson Reuters, Wind, UBS estimates

Source: Thomson Reuters, Wind, UBS estimates ; Data as of 10 Oct 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.