

Sudden Scramble for Gold In China Sends Premiums to Three Year High

By [Zero Hedge](#)

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Region: [Asia](#)

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While paper gold traders can't seem to dump the precious metal fast enough, **physical gold demand is soaring around the world**. [India retail premiums are spiking \(amid demonetization\)](#), local **China premiums soar to a 3-year-high (as capital controls loom)**, and coin sales from the US Mint have **risen for the 4th straight month**, accelerating post-election to the **highest since July 2015** since Trump's victory at the election.

[Following the initial panic-buying](#) across India after Modi's demonetization effort shook the nation's faith in fiat currency (sending local gold premiums soaring), news of **reported gold import curbs in China (and looming capital controls) has sent gold premiums in China near three-year highs** amid limited supply of the precious metal (as Reuters reports)...



The import curbs may be part of China's efforts to limit outflows of the yuan after the currency's slide to its weakest in more than eight years, traders say. China allows only 15 banks to import gold, including three foreign lenders.

"There is severe restriction on the banks' quota to import gold into China. Each one of them have to justify their need," a Hong Kong-based banker said.

Gold was sold in China at about \$24 an ounce above the international spot benchmark this week. Premiums went as high as \$30 last week, the most since January 2014, according to Thomson Reuters data.



"Supply has been limited and so the premiums have held firm," said Cameron Alexander, analyst with Thomson Reuters-owned metals consultancy GFMS.

[And as Jesse's Cafe Americain notes,](#) yesterday saw over 28 tonnes of physical gold taken off the Shanghai Gold Exchange (in one day), easily the biggest day this year for physical gold withdrawals in Shanghai...



But it's not just Asia.

In the US, **physical gold demand has soared post-election in The United States as the paper prices was pummeled...**



This is the **4th month in a row of rising physical gold demand**, to the highest level since July 2015 (as China turmoil began to ripple through the world)...



So unlike with stocks where higher prices create higher demand, some level of economic rationality remains in precious metals as physical bullion demand reacts to take advantage of low prices to buy more.

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