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WS Global CIO Office
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Market Watch

The silver surge

Summary

Event: Silver prices have risen dramatically since the start of 2025. The move has driven the gold-silver ratio down to 56, its lowest since 2013 and below its long-term average.

Market drivers: Precious metals have accelerated since 2025 on haven demand amid rising geopolitical uncertainty and a weaker USD. Silver has been the top-performing precious metal. Our gold mining equities opportunistic idea has gained 27% since initiation on 30-Oct-25.

Investment strategy: Silver faces short-term headwinds from stretched investor positions, with key resistance at USD 82-84. Medium-term tailwinds include strong momentum and lift from higher gold prices. As a 'catch-up trade' we prefer gold mining equities. We also remain bullish on gold.

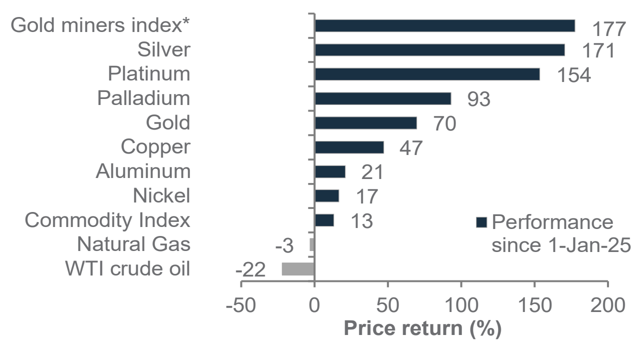
Background

Silver has gained approximately 171% since the start of 2025, with the rally accelerating in December. Prices reached an intraday high of USD 80 on 26 December before ending 2025 at approximately USD 72. Gold mining equities – our preferred route to benefit from precious metal gains – has risen 177% since the start of 2025, outperforming silver. The gold-silver ratio has fallen to approximately 56, its lowest since 2013 and below its long-term average.

Silver's gains have been attributed to the 'catch-up trade' with gold, a rise in ETF holdings, safe-haven demand and China's policy changes. Total known silver ETF holdings increased by 2.5% in December 2025. Elevated geopolitical tensions this year have continued to support safe havens, while China recently imposed export restrictions on silver.

Silver has dominated commodity performance since Jan 2025, leading the Bloomberg Commodity Index

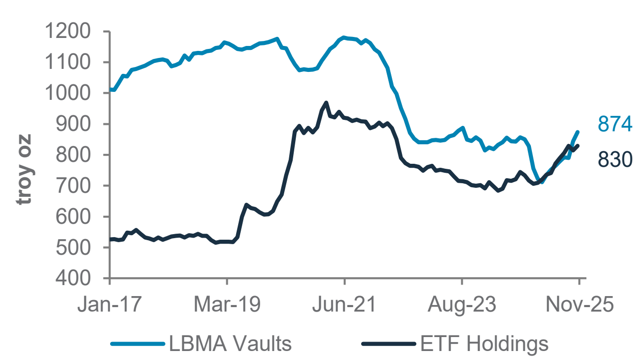
Return since 1-Jan-2025, as of 7-Jan-2026 close



Source: Bloomberg, Standard Chartered; bullish opportunistic idea initiated on 30 October, 2025

Sustained drawdown in vault inventories of silver and rising ETF holdings suggest reduced market slack

LBMA* vault inventories, silver ETF Holdings



Source: Bloomberg, Standard Chartered; *London Bullion Market

What does this mean for investors?

Fundamental: Silver's industrial demand and a 'catch-up' with gold amid rising geopolitical tensions are positive drivers, though both are increasingly well-priced.

A tight demand-supply balance, rising lease rates and growing industrial demand from AI and electronics currently offer fundamental support to silver. Nevertheless, demand from the solar industry, a key contributor to silver demand in recent years, is moderating. Higher prices are also accelerating innovations and substitutions aimed at reducing silver usage. We see fundamentals offering a still-supportive backdrop, albeit one that is increasingly priced in.

The gold 'catch-up trade' is best illustrated by the gold/silver ratio, which has rapidly fallen from its most recent peak to 56, well below its long-term average of 68. Based on our 12-month gold forecast of USD 4800/oz, a reversion to the 30-year average ratio implies a silver price of USD 71, while a fall in the ratio to its 2011 low of 31.71 implies a silver price of USD 151. 'Mean-reversion' with gold, thus, is now more than priced and further gains in silver would rely on either a surge in gold prices beyond our current 12-month forecast and/or a fall in the gold/silver ratio closer to range lows.

Technicals: From a technical perspective, silver is trading above rising short- and medium-term moving averages. Investor positioning remains extremely bullish, raising the risk of short-term consolidation or a pullback. We see key support between USD 69-70 per ounce and key resistance between USD 82-84 per ounce. Silver also looks overbought based on momentum indicators, raising the risk of consolidation or a pullback to key support in the short term. However, a persistence of bullish momentum that triggers a break above USD 85 per ounce is likely to result in an extension of the rally towards USD 90 per ounce.

Action: Consider adding silver on pullbacks. Strong momentum remains a positive medium-term driver, although demand-supply fundamentals and the boost from gold are well-priced. Our preferred 'catch-up trade' is gold mining equities, which have performed strongly since we initiated our bullish idea in October, 2025.

Risks: A key risk to watch is the rebalancing of major commodity benchmark indices in January, which risks triggering investor outflows from precious metals. Technicals, stretched investor positions and silver's historically high volatility also point to elevated risk of significant short-term pullbacks.

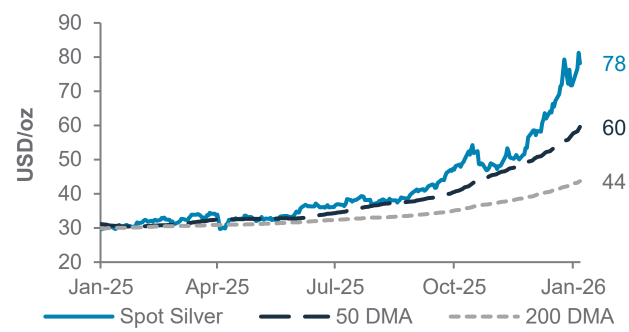
Gold-silver ratio is currently below its long-term average

Gold-silver ratio vs. long term average

Source: Bloomberg, Standard Chartered

Spot silver is trading significantly above major moving averages, signaling a strong momentum-driven trend

Spot Silver and key technical levels



Source: Bloomberg, Standard Chartered

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