

Commodity Outlook



Tale of the Trailblazing Twins

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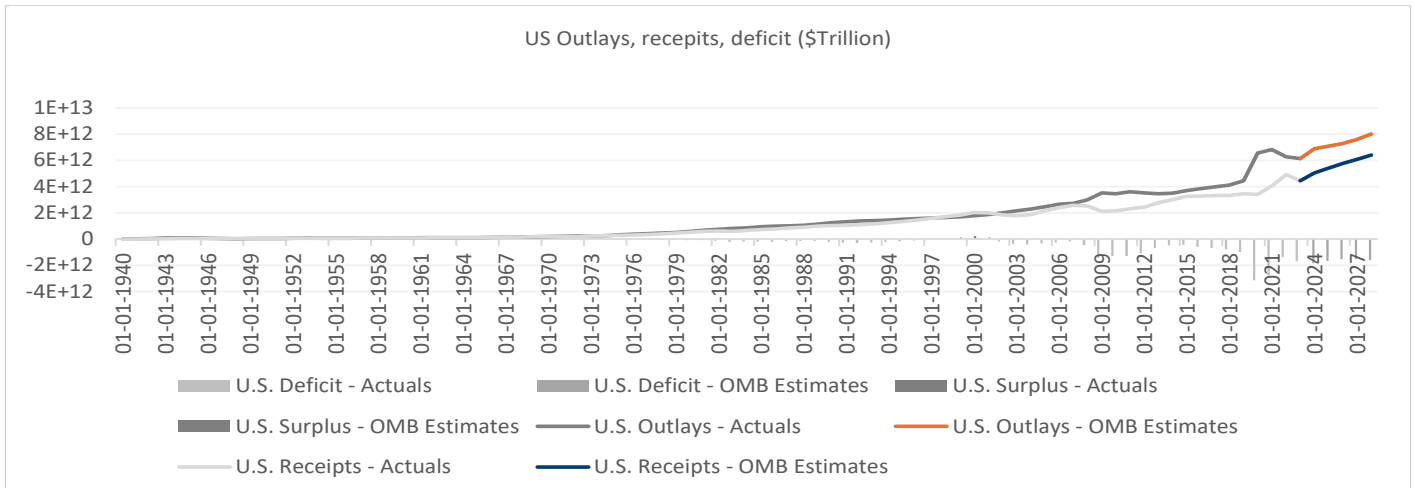
Summary

- ◆ Gold and silver had a blockbuster 2025 with spot gold prices, rising to an all-time high of \$4550, up ~65%, while spot silver surged to \$84, up 148%.
- ◆ Looking ahead, strong fundamentals and deep-rooted structural forces, could prolong the rally for several years.
- ◆ The current rally closely echoes the boom of the 1970s—a period of intense geopolitical tensions, runaway inflation, and the emergence of a new monetary and financial order following the collapse of the Bretton Woods system in 1971. The Collapse of the Bretton Woods system gave rise to a new monetary order, which anchored the role of US Dollar in the global monetary system.
- ◆ The ongoing rally is powered by - geopolitical & macroeconomic woes, doubts on the US Dollar's reserve currency status, heavy central bank buying and inflation hedging. Surging global debt and reckless fiscal spending are leading to a fiscal-dominant policy that debases fiat currencies, in turn boding well for precious metals.
- ◆ Thus, mounting risks to the US Dollar mean that US treasuries aren't a safe haven anymore, breaking both their links with gold. Silver, having built on gold's rally, is being sure led by tight global supply amid green energy transition.
- ◆ It is also worth highlighting that despite the stellar performance of the metals, both gold and silver remain underowned - Gold ETFs' share of total global ETF AUMs is just 2.8%, while that of silver ETF is merely 0.25%; this in itself may serve as a catalyst.
- ◆ We see gold at \$5000-\$5500 in 2026, while silver is expected to touch \$100.
- ◆ For detailed discussion on gold fundamentals, please refer to our gold report 'Gold to gallop as world order, monetary systems change' released on June 2, 2025.

Gold: The Great Reset

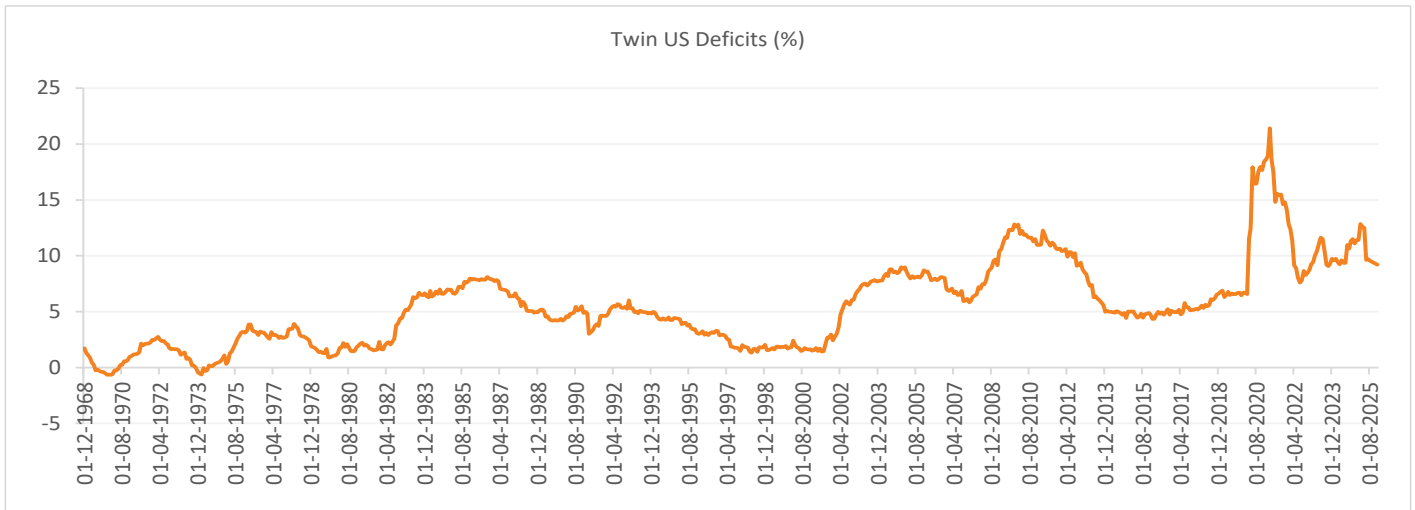
Key Drivers

- 1. Extreme political divisiveness:** Recent years have been marked by a series of events across regions that reflected intense economic insecurity, political turbulence, inequality, lower trust and social fragmentation. As these conditions persist, leading to recurrent crises, they bode well for the gold run. As per the World Social 2025 report by UN, global assessments show that staggering inequality, eroding social trust, and economic precarity are destabilizing communities, with nearly 40% of people believing life is worse than it was 50 years ago and over half reporting little or no trust in their governments. This fraying social cohesion is compounded by rising polarization, violent unrest, and institutional fragility, pushing global political and social risk to record highs in 2025. Analysts highlight that conflict, social unrest, and dissatisfaction with governing institutions are now persistent features rather than temporary shocks, creating a new global norm of instability.
- 2. US economic concerns**
 - a. US's fiscal issues:** The US's fiscal deficit, presently quite elevated at 6.1% (\$1 .9 trillion) as compared to fifty-year average of 3.8%, amid unhinged government borrowing puts fiscal trajectory on an unsustainable path. The net interest payment (NIP) load amid unhinged government borrowing is also at \$1 trillion. Current debt/GDP ratio is expected to surge to 118% in 2035 from 100% now. Enormous net interest payment (NIP) load for 2025 exceeds defence spending. The sharply growing gap between revenues and outlays will lead to a cumulative fiscal deficit of around \$22 trillion in 2025-2035 period. NIP/primary deficit ratio rising to nearly 200% by then is a huge potential risk to its economic stability. The US fiscal and debt profiles will deteriorate further in case of a recession, pick-up in inflation and economic slowdown.

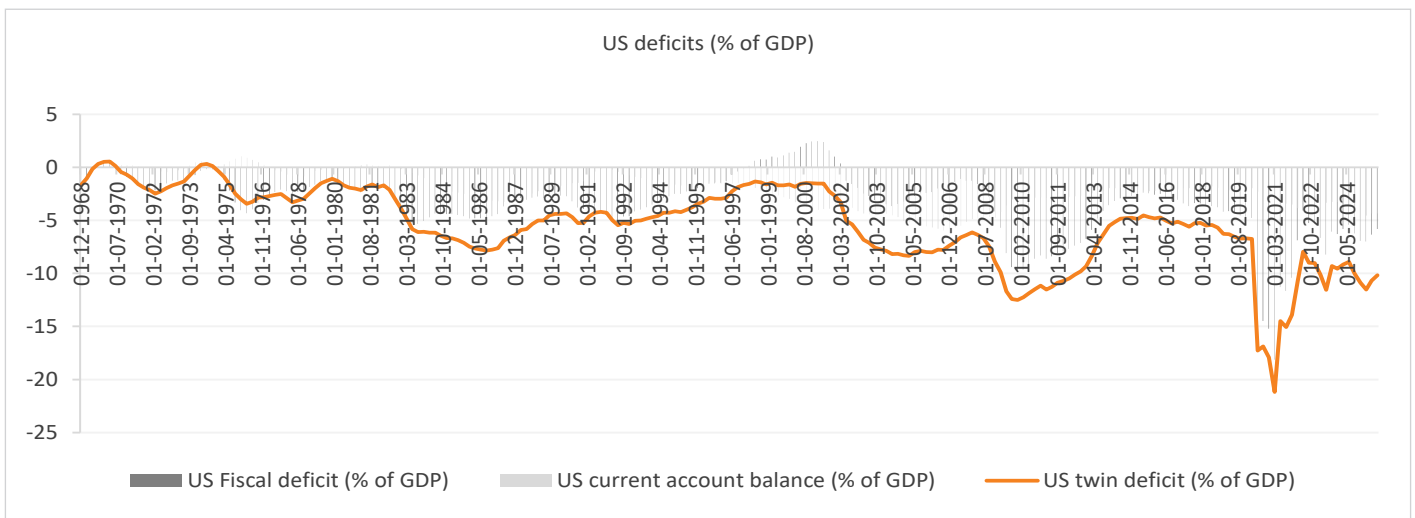


Source: Bloomberg

b. Twin deficits – Both the fiscal and current account deficit would stay high, stressing the US Dollar and the Dollar Index. The twin deficit is now at 8.57% versus the 50-year average of 6.1%.



Source: Bloomberg



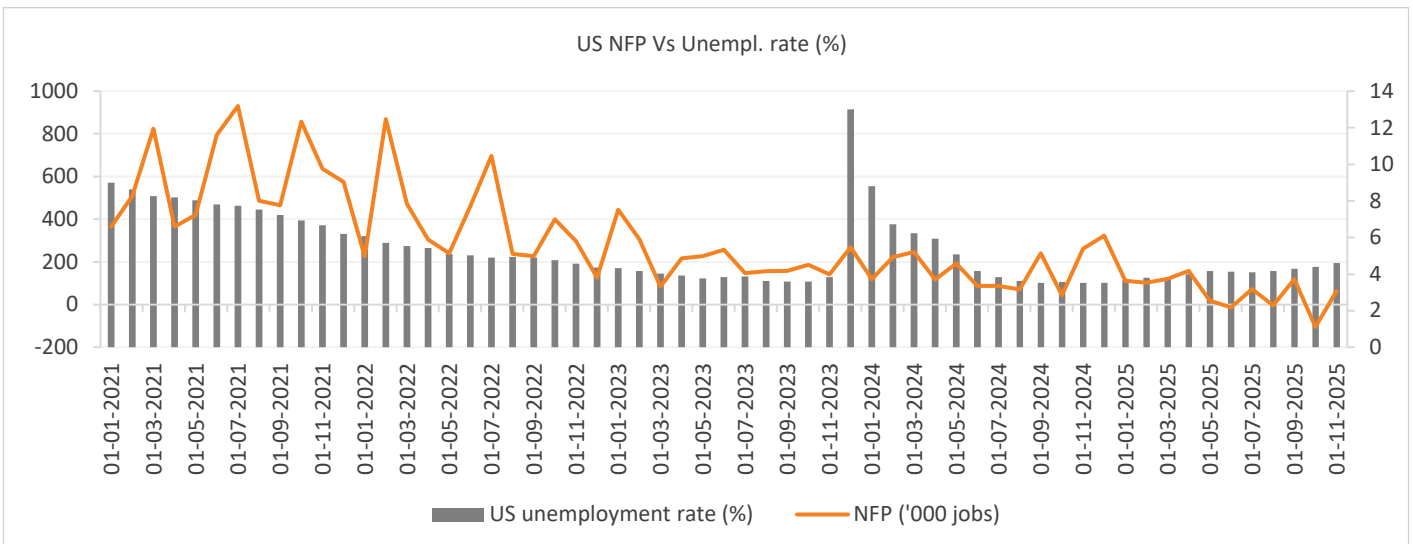
Source: Bloomberg

c. Triffin’s dilemma: The Triffin Dilemma highlights a paradox: to fuel global trade, the US must run deficits to provide liquidity. However, persistent “dollar gluts” undermine confidence in the currency’s value. This creates a trap where the world either faces a liquidity shortage (deflation) or a loss of trust in the dollar (instability).



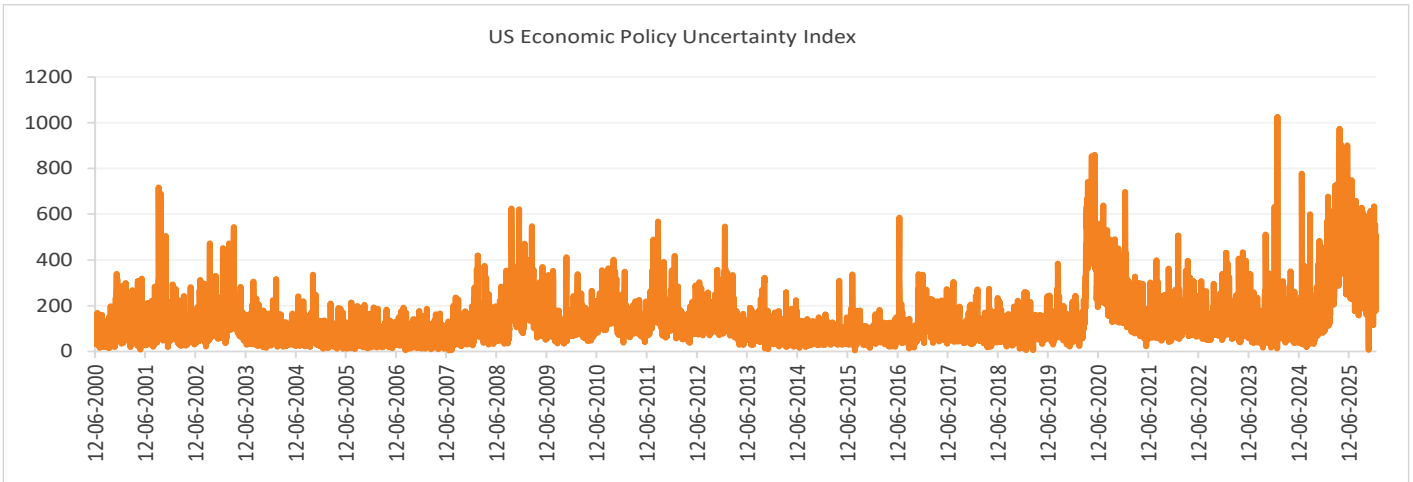
Source: Bloomberg

d. US job market slowing down - Recent data signals a cooling US labor market, with November’s unemployment rate hitting a four-year high of 4.60%. Despite a 64,000 payroll increase in November, the seven-month average of 21,700 jobs falls short of the 30,000–86,000 needed to keep unemployment steady. Furthermore, Fed Chair Powell cautioned that nonfarm payrolls may be overstated by 60,000 monthly since April. This slowdown, driven by demographic shifts and declining immigration, suggests actual job losses may be masked by inflated reporting.



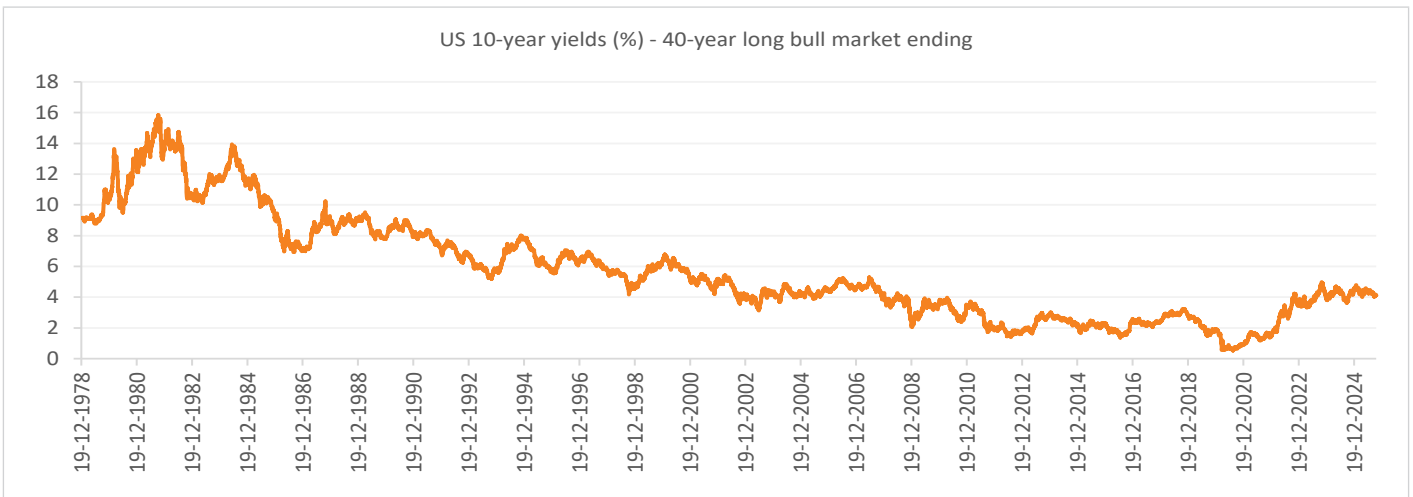
Source: Bloomberg

e. US economic policy uncertainty index – The index is currently at 484.90 is far above 128.81, the average since 2000, while the 40-year average is 116.



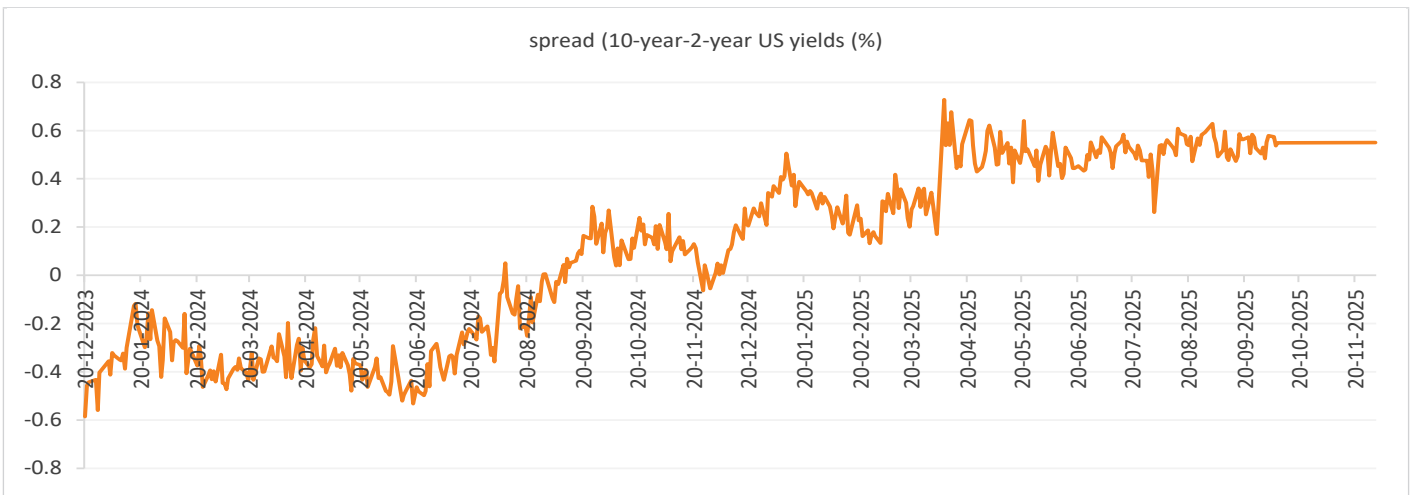
Source: Bloomberg

f. Forty-year bond bull market ending



Source: Bloomberg

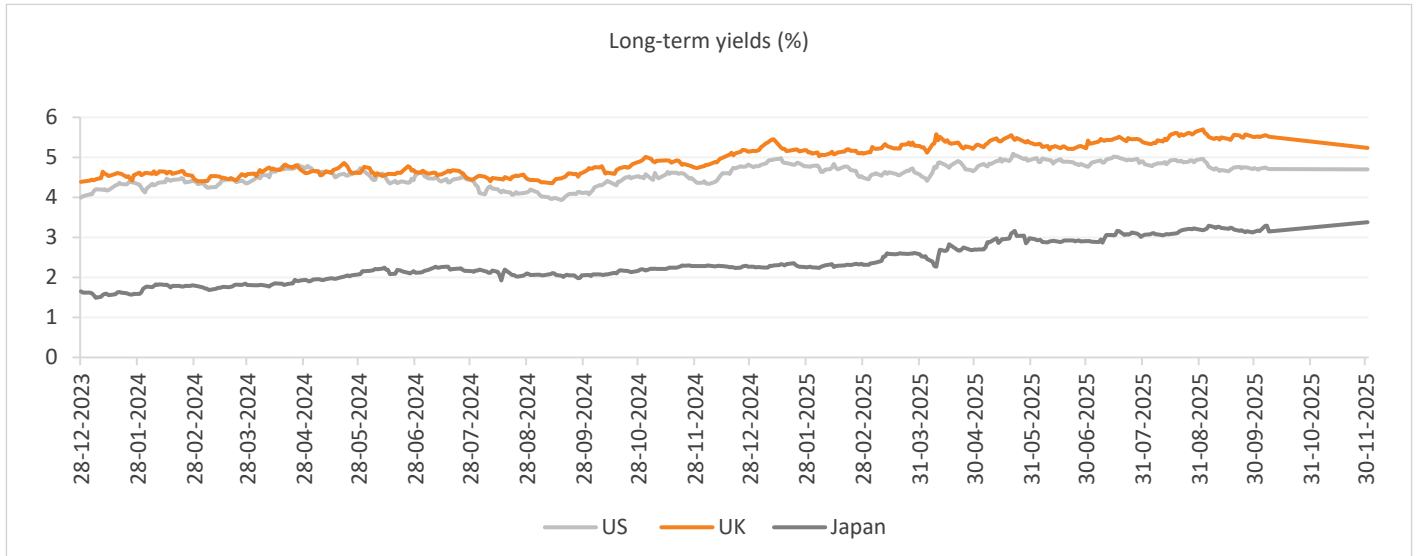
Surging yields - Despite rate cuts, long-term yields are surging globally on fiscal concerns and inflationary outlook as fiat currencies steadily lose value, reducing purchasing power.



Source: Bloomberg

Yield curve control – To curb rising yields the US Fed may opt for yield curve control (YCC)/quantitative easing (QE), reducing interest costs by engaging into financial repression that will bode well for gold and silver.

Fiscal concerns and inflation worry abound in other key economies too

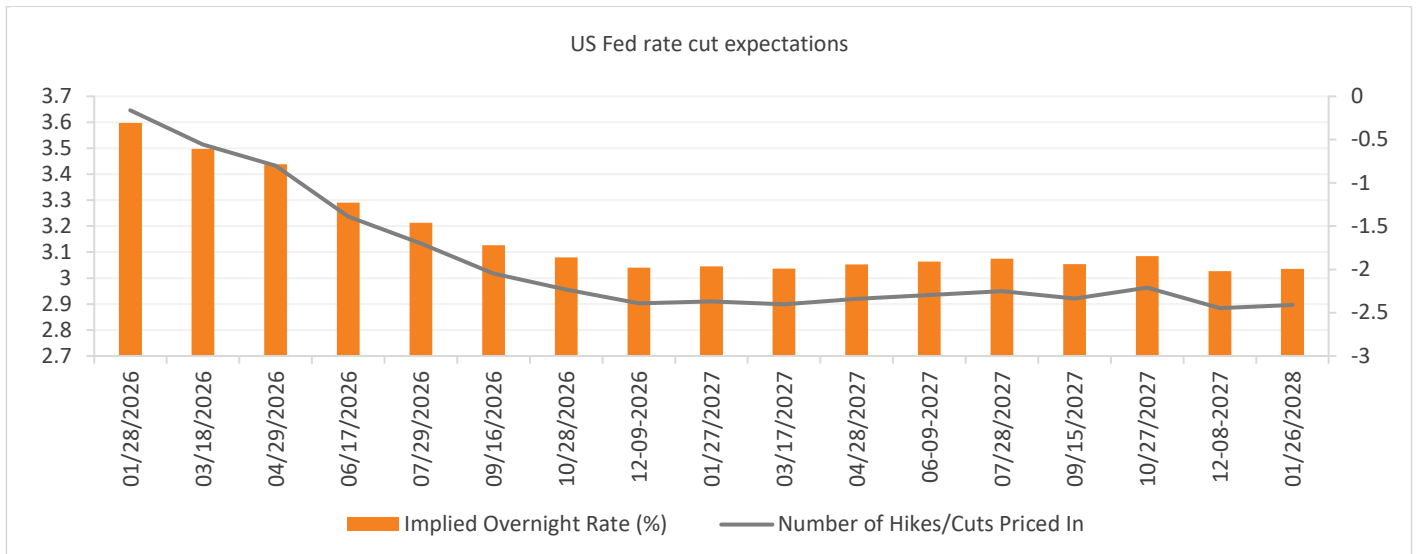


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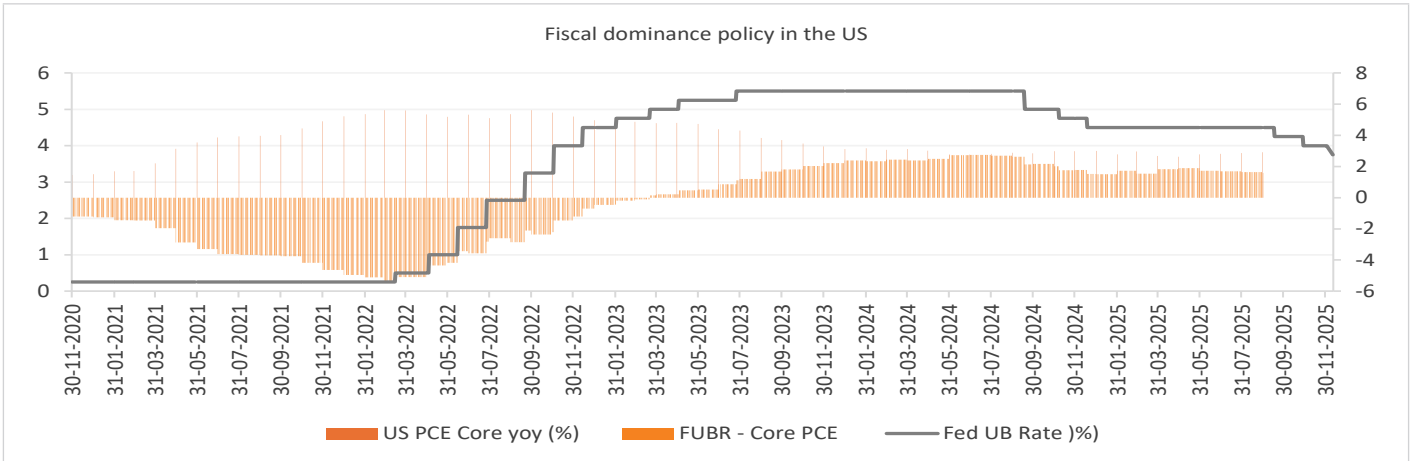
Rethinking the 60:40 mix – Making space for the bullion twins

With fiscal and inflation woes being widespread beyond the US, bonds would stay stressed leading to a change in the traditional 60:40 portfolio to accommodate precious metals also.

3. US Federal Reserve: Credibility and independence being questioned: The central bank projects just one rate cut in 2026 despite a sluggish jobs market; we foresee more than two cuts. Yet, with a fiscal dominant policy, rate cuts translate into high inflation and thus the Fed's credibility to contain inflation is being questioned, even as its independence faces political threat.

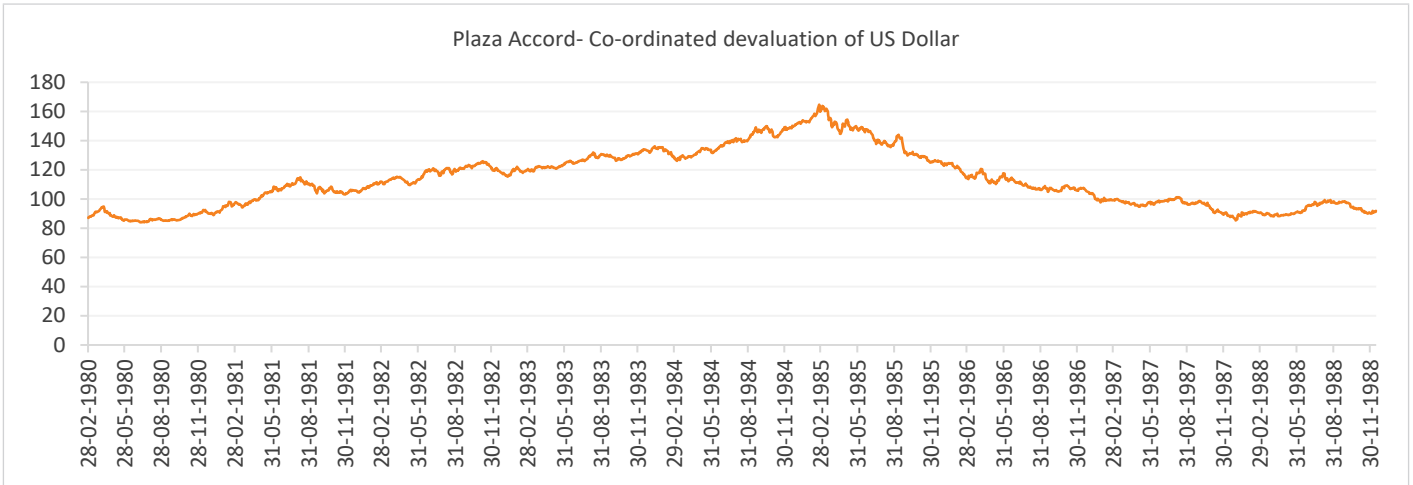


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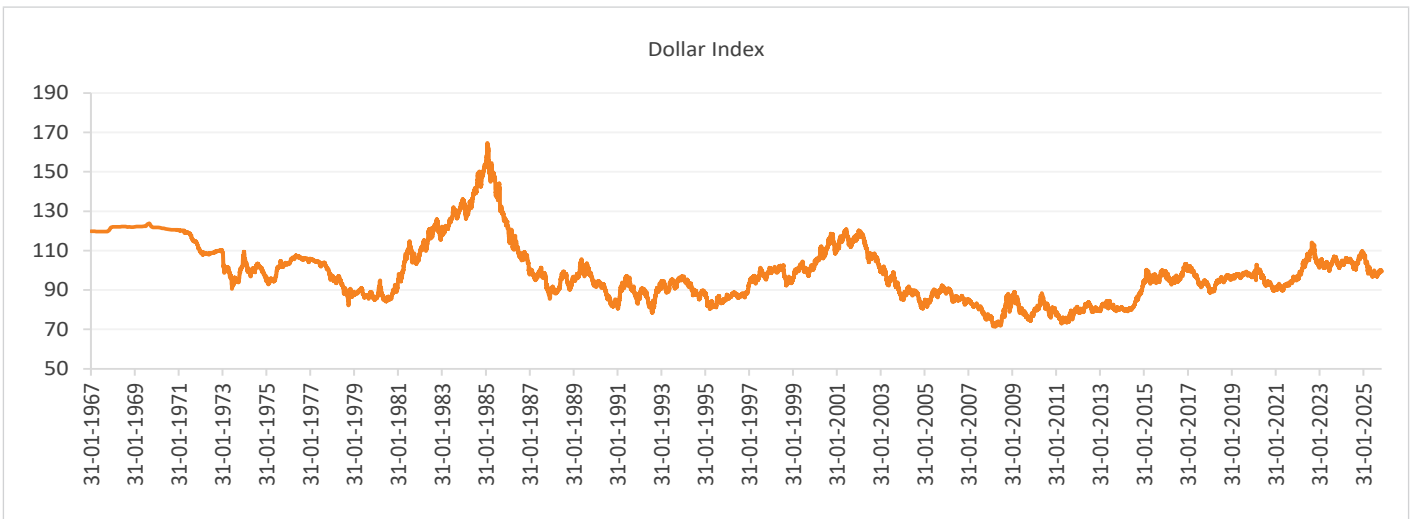
Source: Bloomberg

4. Will the Dollar retain its throne? Proposed by Stephen Miran, the Mar-a-Lago Accord seeks to revive US manufacturing and slash trade deficits by weakening the dollar. It leverages tariffs as a primary tool to incentivize domestic production, generate revenue, and negotiate security goals like increased defense spending from allies.

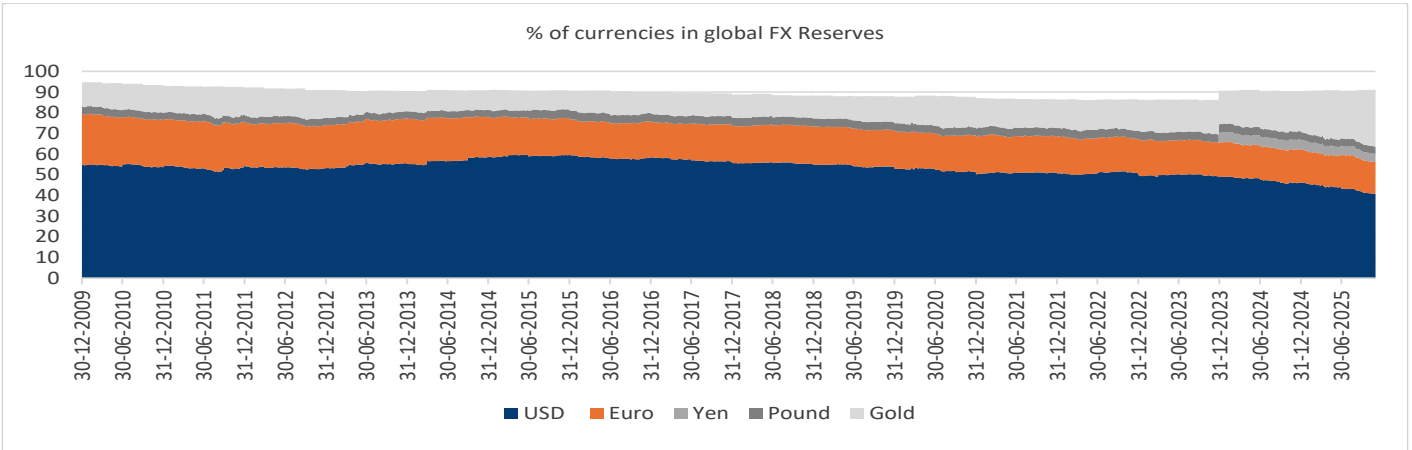


Source: Bloomberg

By trading the US security umbrella for lower interest on Treasuries and a weaker currency, the plan aims to protect blue-collar jobs and reduce fiscal deficits while maintaining the US Dollar's reserve status through strategic economic leverage.



Source: Bloomberg



Source: Bloomberg

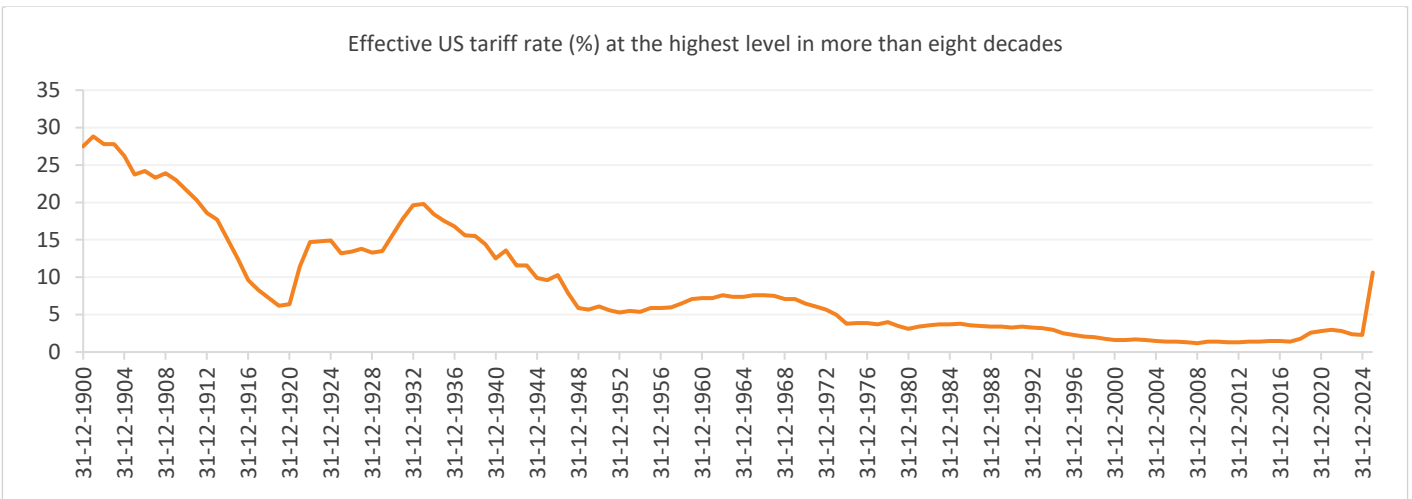
China and Europe, sensing an opportunity, continue to promote their currencies. We are also seeing increased biparty regional trade deals, which will further erode the US Dollar's role global trade. China's holdings of US treasuries are down by 46% since peak in 2013.



Source: Bloomberg

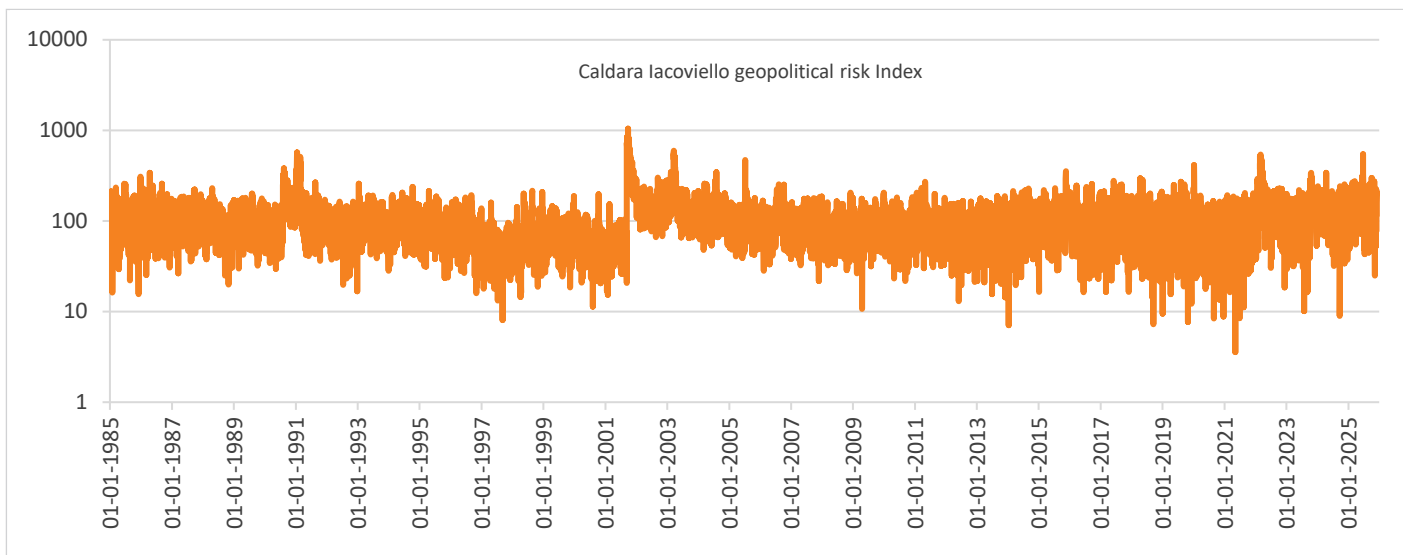
5. Geopolitics Watch:

- ♦ Trump's tariff wars and 'US first' agendas make geopolitical situation quite volatile, prompting a geopolitical reset. The US and China caught up in a struggle for global supremacy will continue to support precious metals.



Source: Bloomberg

- ◆ Conflicts including the Russia-Ukraine war, volatility in the Middle East and tensions in the Caribbean due to the US-Venezuela standoff will keep huge geopolitical risk premiums embedded in gold prices.
- ◆ Although Caldara Iacoviello geopolitical risk Index currently stands at 78, much less than forty-year average reading of Caldara Iacoviello geopolitical risk Index is 102, the Index surged to 543 in May, highest since 2003, as trade tensions flared.

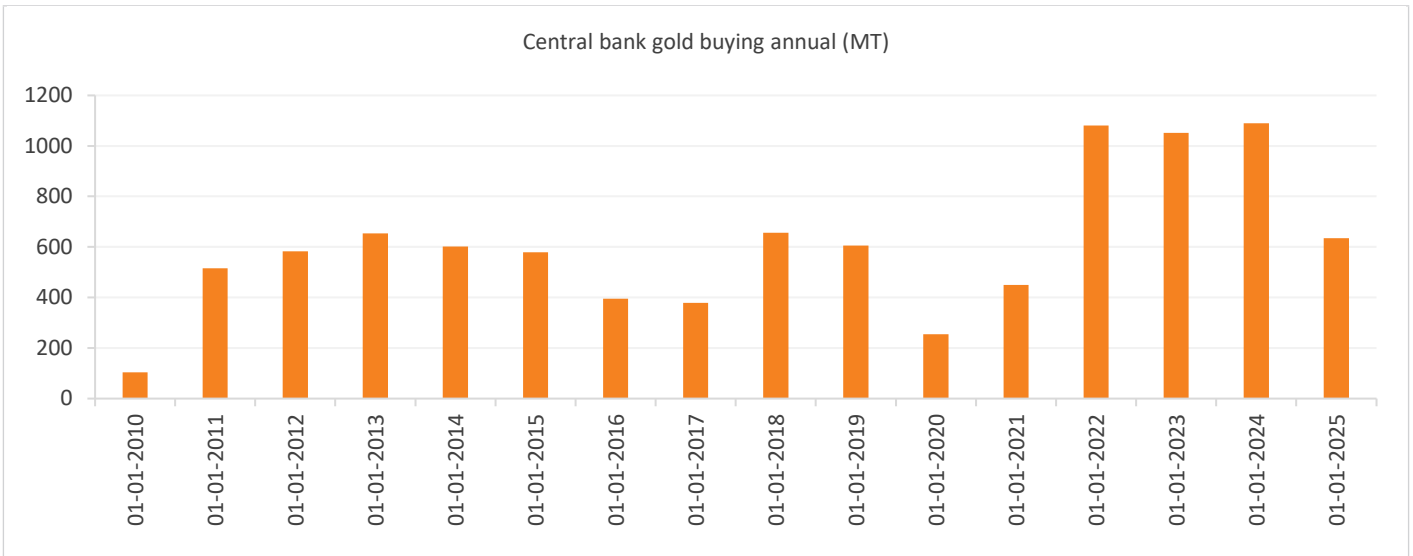


Source: Bloomberg

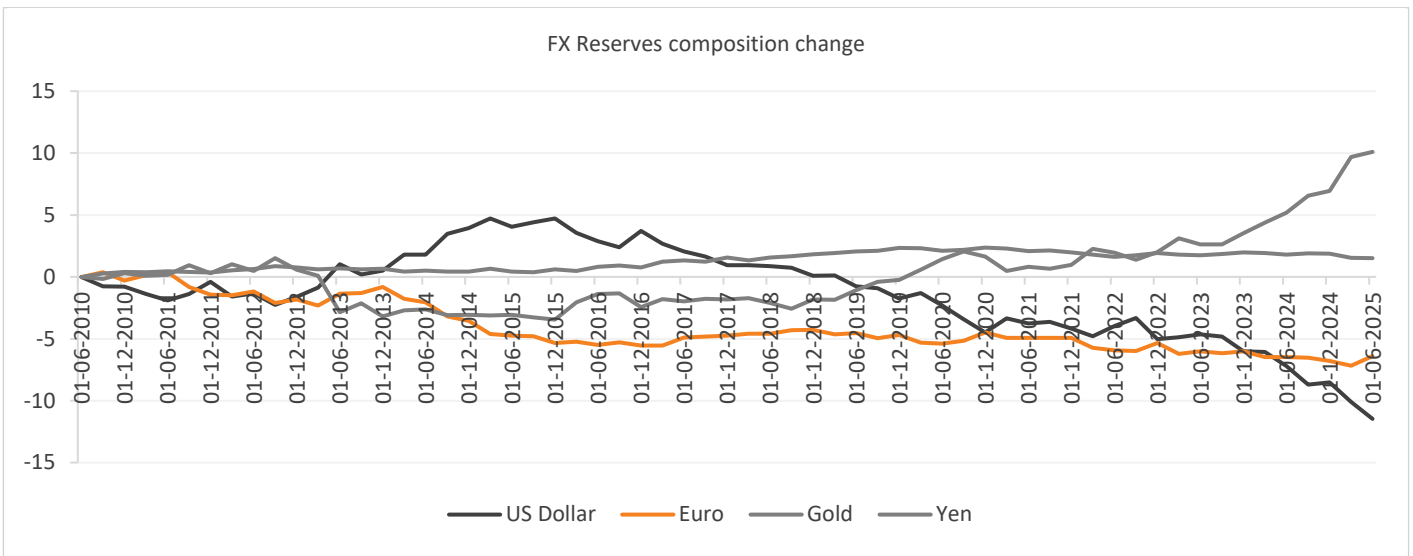
6. China-US rare earth deal: A Tactical Pause: The US's heavy reliance on Chinese rare earth resources remains a critical vulnerability, with 77% of 2024 imports originating from China. Despite local mining efforts, the U.S. faces a massive hurdle: China controls 90% of global processing and 70% of rare earths mining. This allows Beijing to dictate the supply of high-tech magnets and specialized minerals vital for national defence and electric vehicle production.

A late 2025 "supply truce" between Presidents Trump and Xi offered only superficial relief. While new export bans were paused, restrictive April 2025 policies regarding raw materials and magnet components stayed in effect. By increasing exports of finished goods while withholding the raw inputs necessary for American refineries, China has effectively neutralized U.S. industrial strategy. This tactical manoeuvre provides a brief diplomatic reprieve but fails to resolve the underlying structural dependency, keeping the US tethered to Chinese-controlled manufacturing.

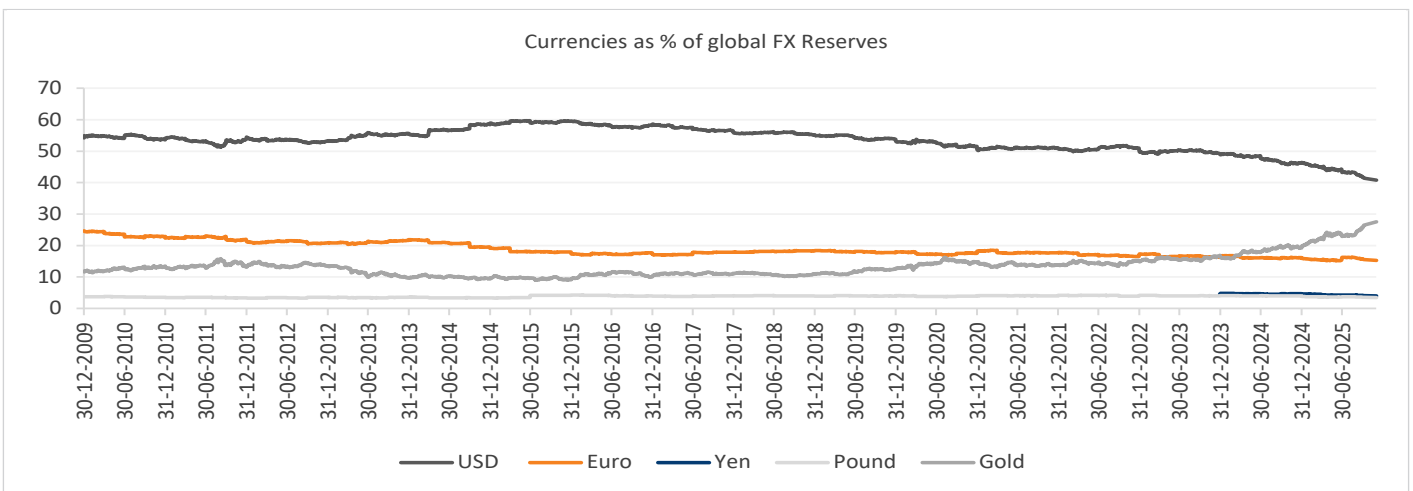
7. Heavy central bank purchases: Central banks' holdings have risen sharply higher since 2010 as there US Dollar holdings declined, though the rise in gold prices is also instrumental in driving purchases. Bloomberg data reveals that the share of central banks' forex reserves has risen to 27% from 10% in 2010, while the Dollar's share has plummeted from 54% to 41% in the same period. Gold's share started accelerating from the global financial crisis in 2007-08 and gathered pace after Russia's invasion of Ukraine as the West froze nearly \$300 billion worth of Russian assets.



Source: Bloomberg

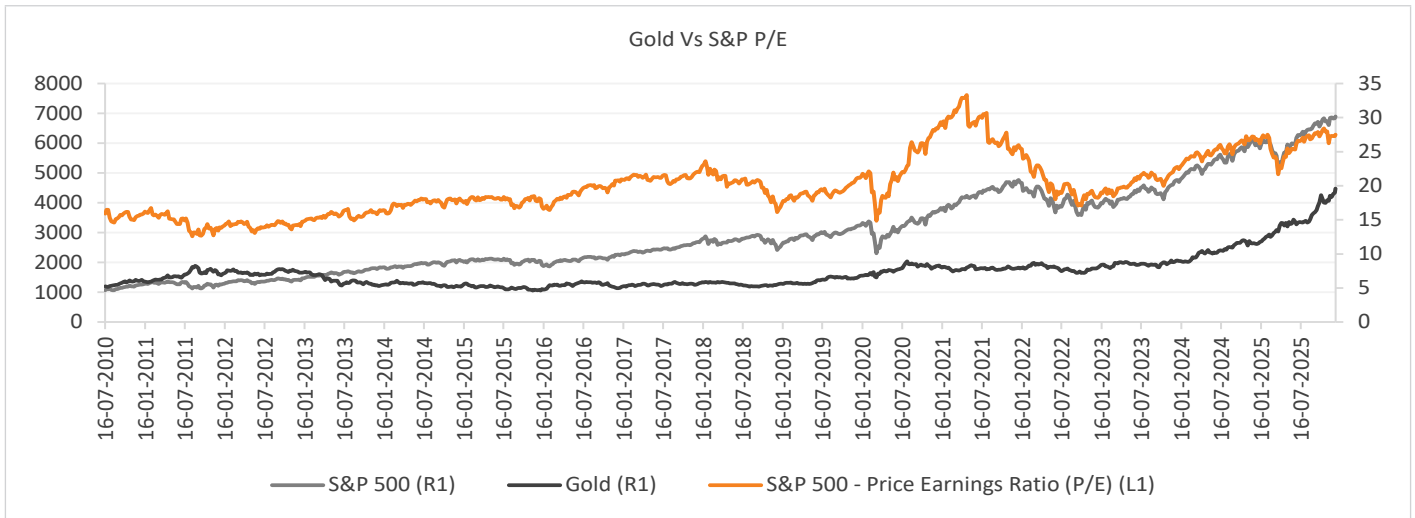


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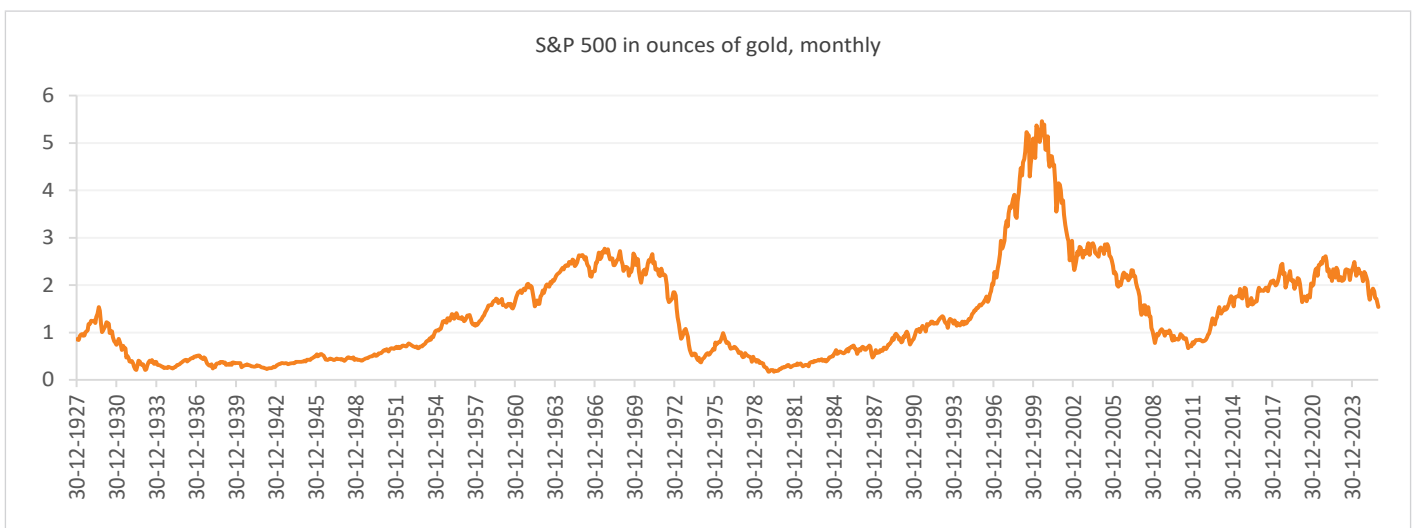


Source: Bloomberg

8. Gold Vs US equities: Gold has had a positive correlation with the rising S&P 500 P/E ratio since Russia's invasion of Ukraine, so an equity-market correction could disrupt gold's positive price momentum. However, any resultant sell-off would lead to liquidity stress for investors but this is expected to be short-lived as seen in 'Libertaion Day' selloff in April 2025.



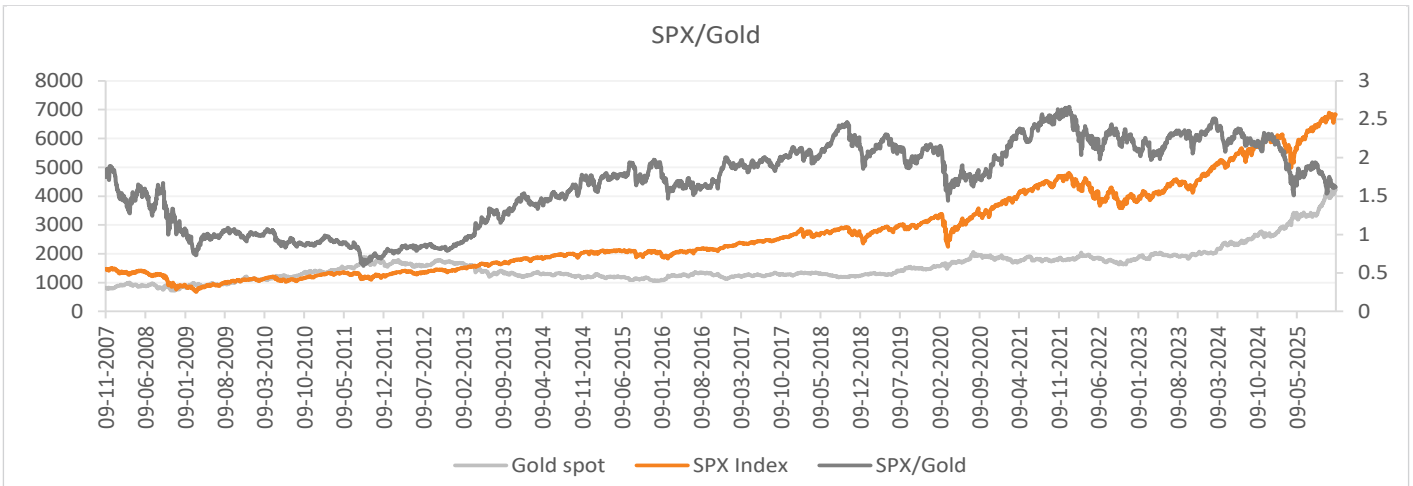
Source: Bloomberg



Source: Bloomberg

SPX/Gold	Ratio
Ratio in 1980	0.131926
Ratio in 2011	0.81
Current	1.6
Low since 2010	0.59
Avg since 2010	1.67
High	2.62

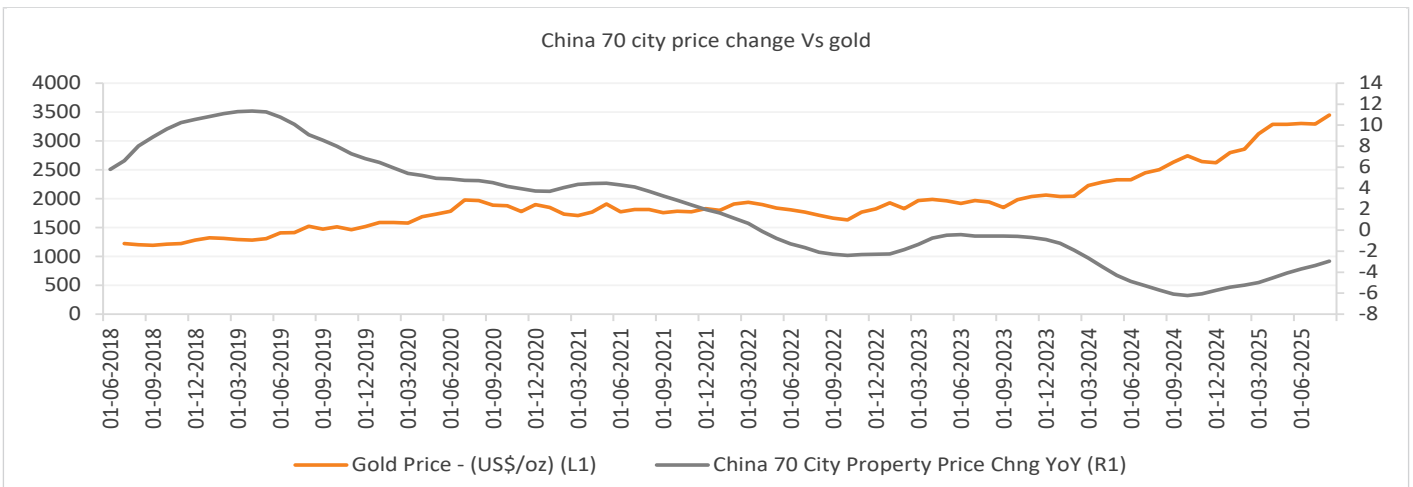
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Source: Bloomberg

SPX/gold ratio falling below 1.55x has often indicated an economic contraction.

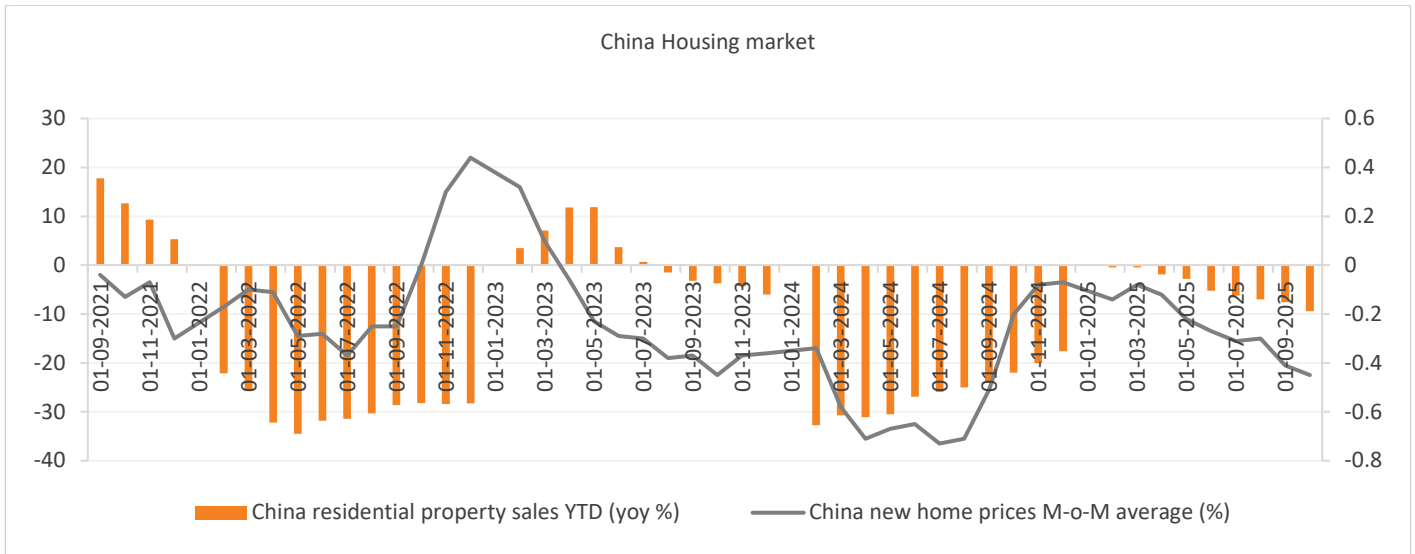
9. The China Story: The US concerns are not alone in fueling the gold rally. Worries due to China’s shaky property market - forming ~25% of the nation’s GDP - also lead to safe haven demand for the yellow metal. At the heart of the issue are China’s local government financing vehicles (LGFVs), are now hit by a heavy debt load. The LGFVs are traditionally the largest landbuyers and the debt burden reduces such purchases, which in turn lowers government revenue. LGFVs’ debt reached RMB 61 trillion in 2024, i.e. estimated to be 50%–80% of China’s GDP. The loss of LGFVs’ landbuying power shrinks local governments’ fiscal base, which drags property prices.



Source: Bloomberg

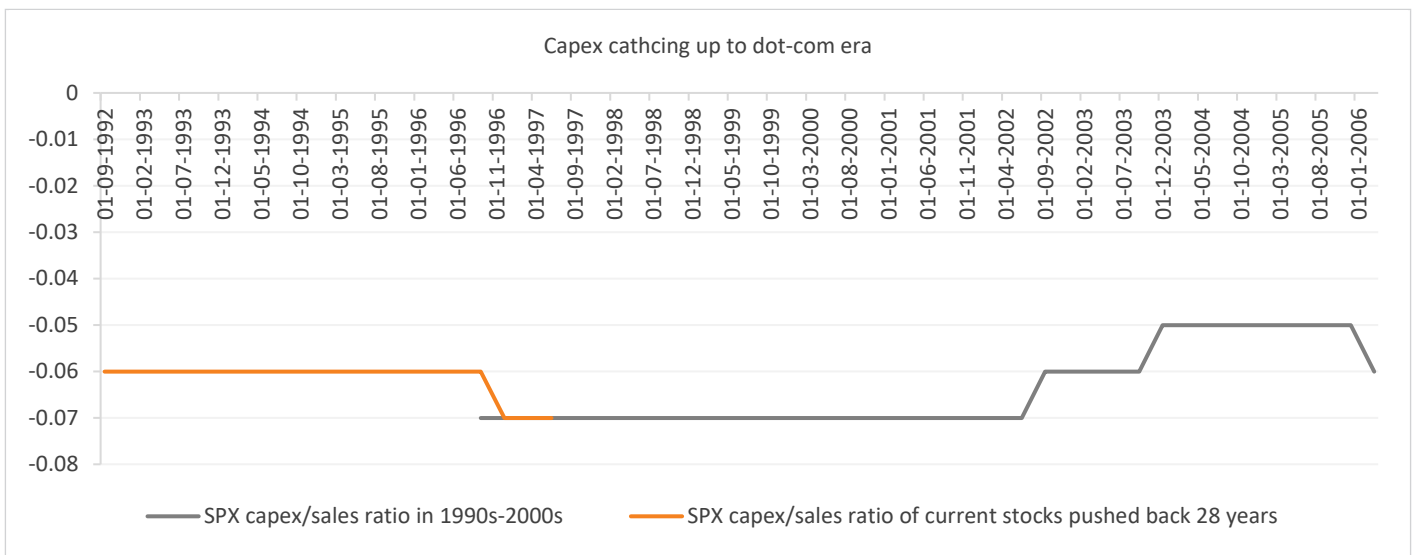


Source: Bloomberg



Source: Bloomberg

10. AI bubble concerns



Source: Bloomberg

In what could be a Deja-vu moment from the dotcom bubble era, the gush of investments on artificial intelligence (AI) could be a major tailwind for precious metals. Even as major tech giants’ revenues look promising, the rapid capex push and resultant rise in their debt levels raises questions. Meta, for example, generated \$51.2 billion in Q3 revenue but simultaneously guided to “notably larger” capex in 2026.

Surveys indicate over \$1 trillion in cumulative debt has been accumulated to finance AI initiatives, despite an MIT finding that 95% of firms currently report zero measurable RoI. Thus, will the AI spending sustain? Any disruption could threaten the stability of the AI story, in turn driving investors back to the eternal safe haven – Gold.

Silver: Moving out of gold's shadow

Silver, once a distant bystander, as gold galloped, is now building on its yellow cousin's momentum. The white metal, surged 148% to above \$80 mark in 2025. Let's take a deep dive into the forces driving silver -

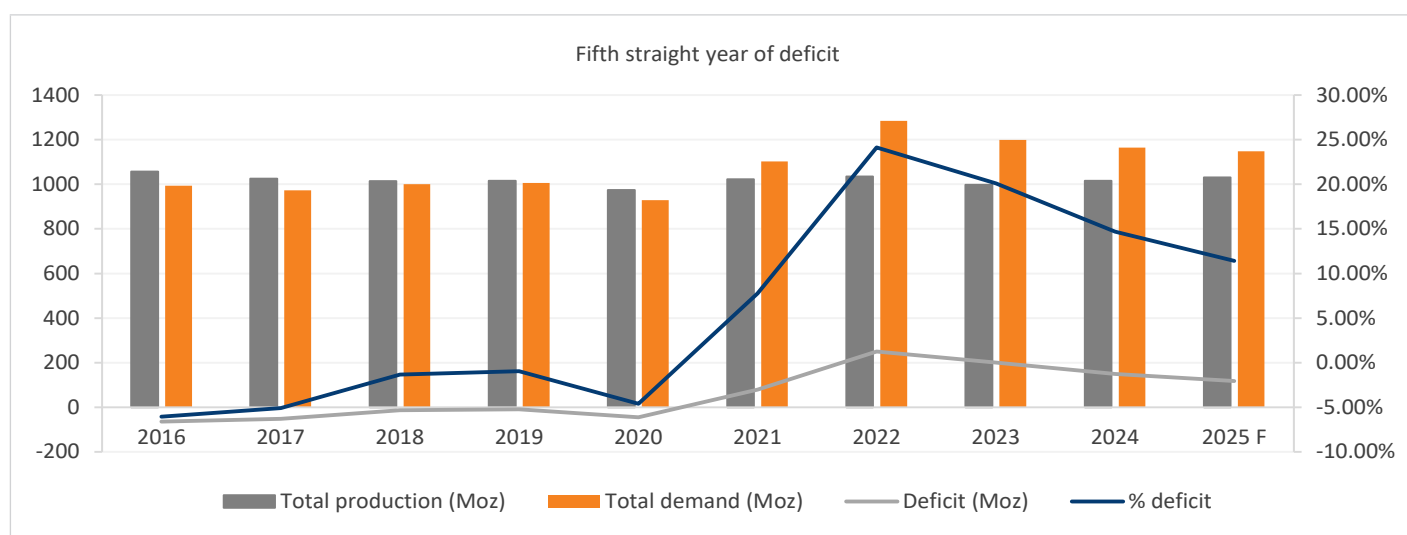
1. Supply & Demand: Silver's rally has strong bullish underpinnings – the move to green energy, the AI push, new demand sources such as nuclear reactors, medical devices, defence technologies, etc.

Silver supply and demand

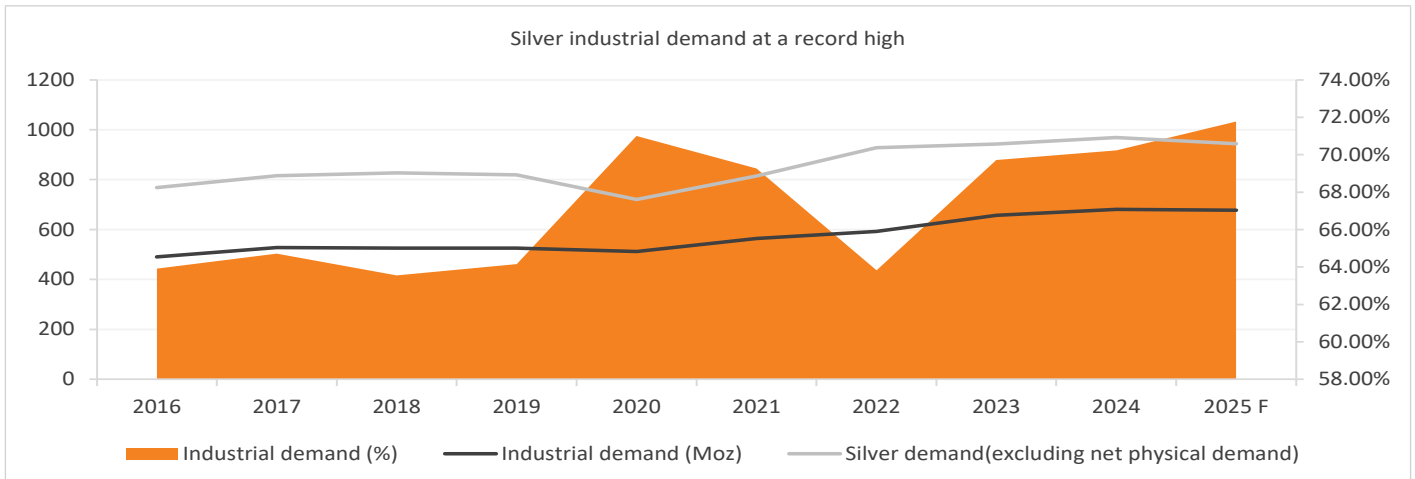
Million Ounces	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 F	Y-o-Y
Mine production	900.10	863.90	850.8	837.40	783.80	830.80	839.4	812.70	819.70	835	2%
Recycling	156.30	160.20	162.30	163.80	180.50	190.70	193.50	183.50	193.70	193.20	0%
Net hedging supply	0.0	0.0	0	13.90	8.50	0	0	0	0	0.90	-
Net official sector sales	1.1	1.0	1.2	1	1.2	1.50	1.70	1.6	1.5	1.5	4%
Total Supply	1057.4	1025.1	1014.3	1016.20	974	1023.1	1034.60	997.80	1015.1	1030.60	2%
Demand											
Industrial (Total)	491	528	525.80	525.40	511.90	564.10	592.30	657.10	680.50	677.40	0%
Electrical and electronics	309	339.10	330.40	326.60	321.40	350.70	370.70	444.40	460.50	465.60	1%
~ of which photovoltaics	81.60	99.30	87	74.90	82.80	88.90	118.10	192.70	197.60	195.70	-1%
Brazing alloys and solders	49.10	50.90	52	52.40	47.50	50.50	49.20	50.20	51.60	52.90	3%
Other industrials	132.90	138	143.50	146.40	142.90	162.90	172.40	162.60	168.40	158.90	-6%
Photography	34.70	32.40	31.40	30.70	26.90	27.70	27.70	27.3	25.50	24.20	-5%
Jewelry	189.10	196.20	203.20	201.60	150.90	182	234.50	203.10	208.70	196.20	-6%
Silverware	53.5	59.40	67.10	61.30	31.20	40.70	73.50	55.10	54.20	204.40	-15%
Net physical demand	212.90	155.80	165.90	187.40	208.10	284.30	338.30	244.30	190.90	243.1	7%
Net hedging demand	12	1.1	7.40	0	0	3.50	17.90	11.50	4.30	0	
Total demand	993.30	972.90	1000.80	1006.40	929	1102.40	1284.20	1198.50	1164.10	1148.30	-1%
Market Balance	64.10	52.20	13.50	9.80	45.10	-79.30	-249.60	-200.60	-148.90	-117.60	-21%
Net investment in ETPs	53.90	7.20	-21.40	83.30	331.10	64.90	-117.40	-37.60	61.60	-70	14%
Market balance less ETPs	10.20	45.10	34.90	-73.50	-286.10	-144.30	--132.20	--163	-210.50	-187.60	-11%
Silver price (US \$/Oz)	17.14	17.05	15.71	16.21	20.55	25.14	21.73	23.35	28.27	-	

Source: Silver Institute/Metal Focus

The year 2025 was the fifth straight year of deficit for the grey metal. The deficit is expected to continue in 2026 and coming years.

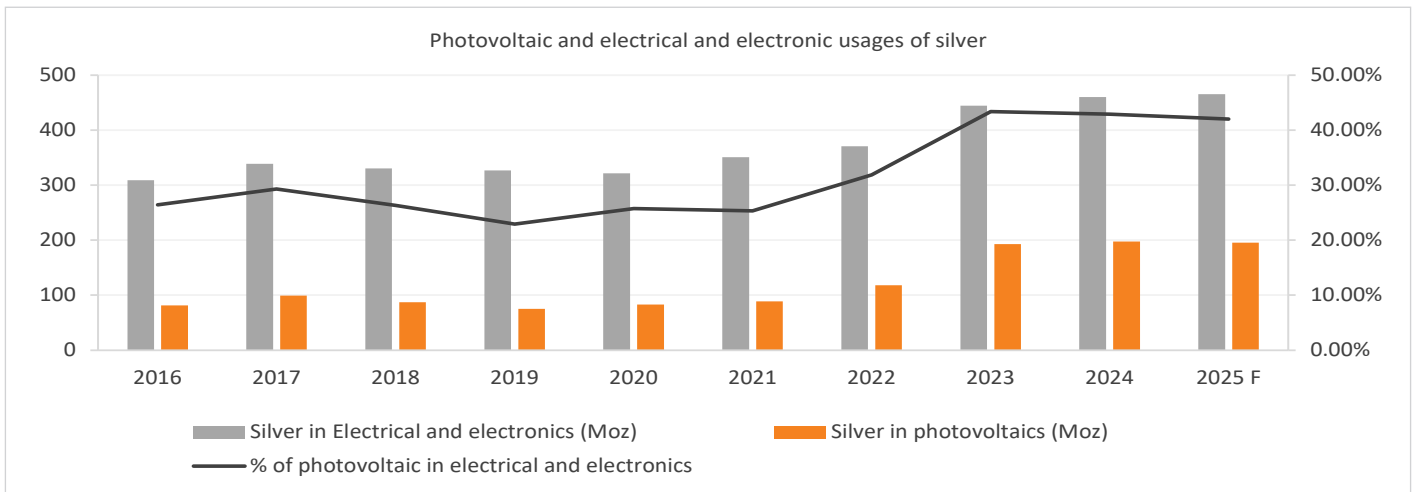


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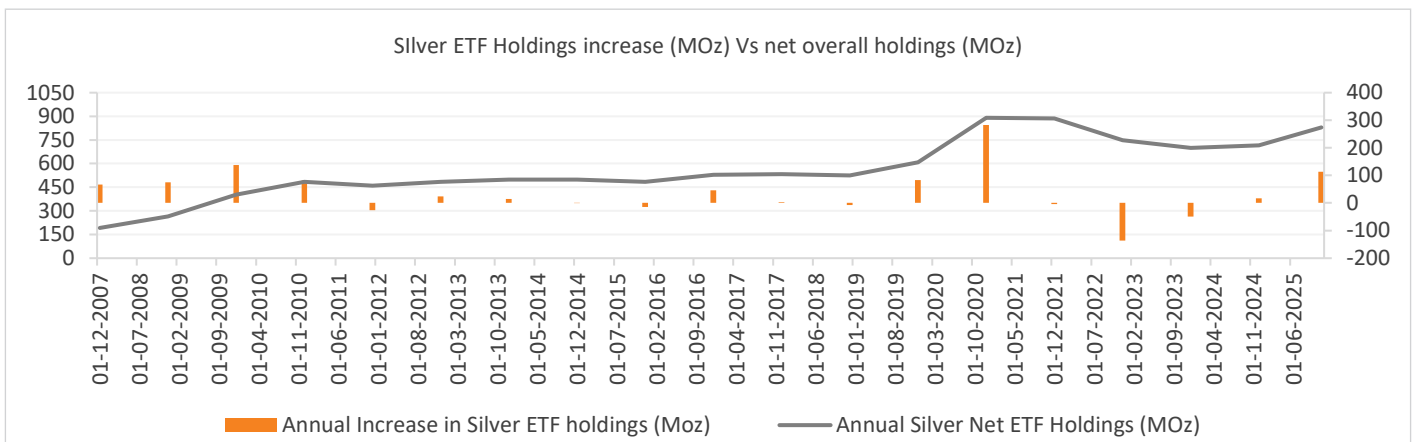
Source: Bloomberg

Electrical and electronic usages of silver



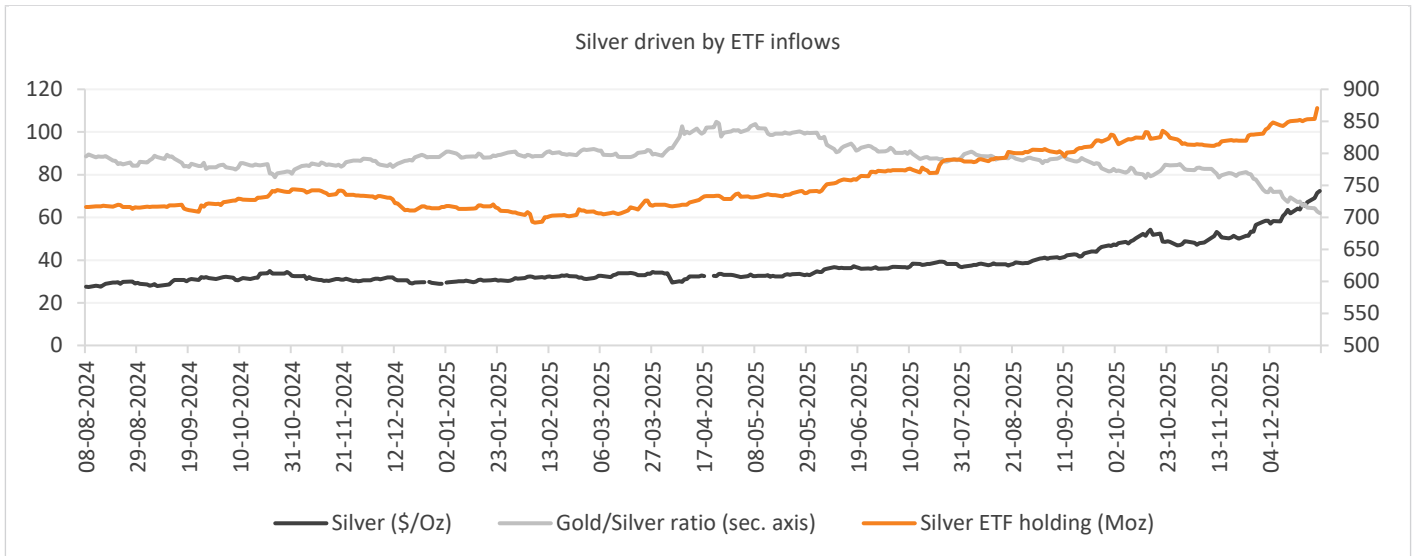
Source: Bloomberg

2. Huge ETF inflows: Silver is also deriving strength from tight supply too as investors pile onto the metal, given its cheaper valuation versus gold. Strong offtake by ETFs is also limiting supply -

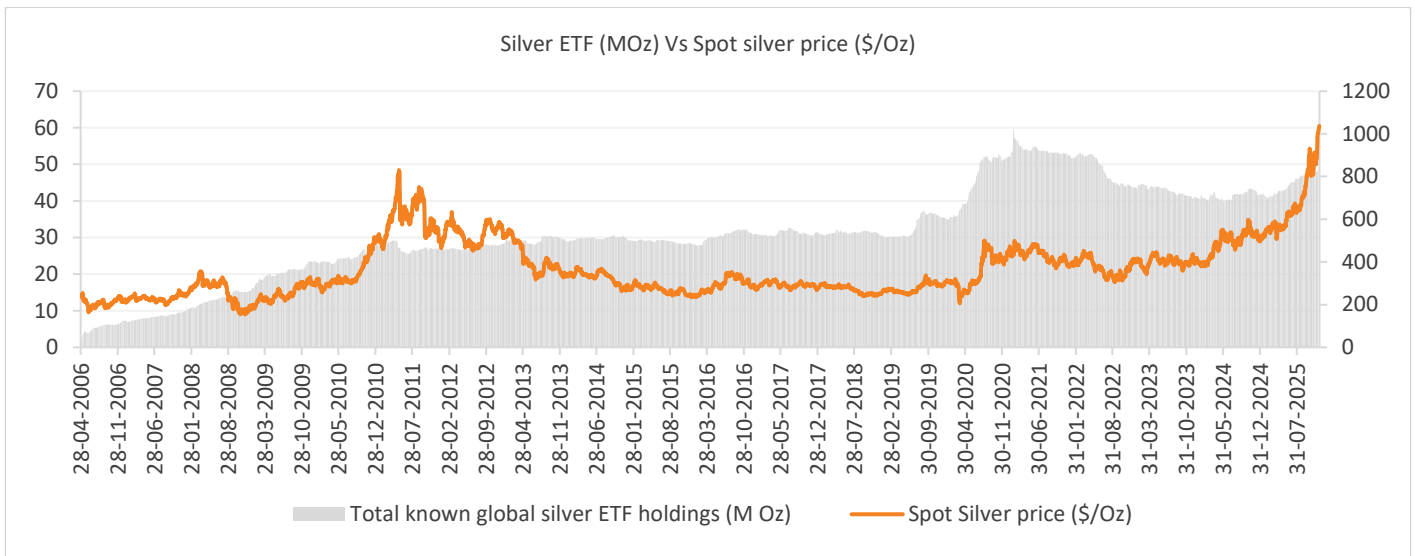


Source: Bloomberg

- ◆ Silver ETF holdings of ~863 Moz were up ~20% in 2025, the highest since June 2022.
- ◆ Net inflows of ~4600 tons were the strongest since 2020 (8,802t). ETF holdings are expected to rise sharply in 2026 and could surpass the 2021 peak (~1.02B oz).

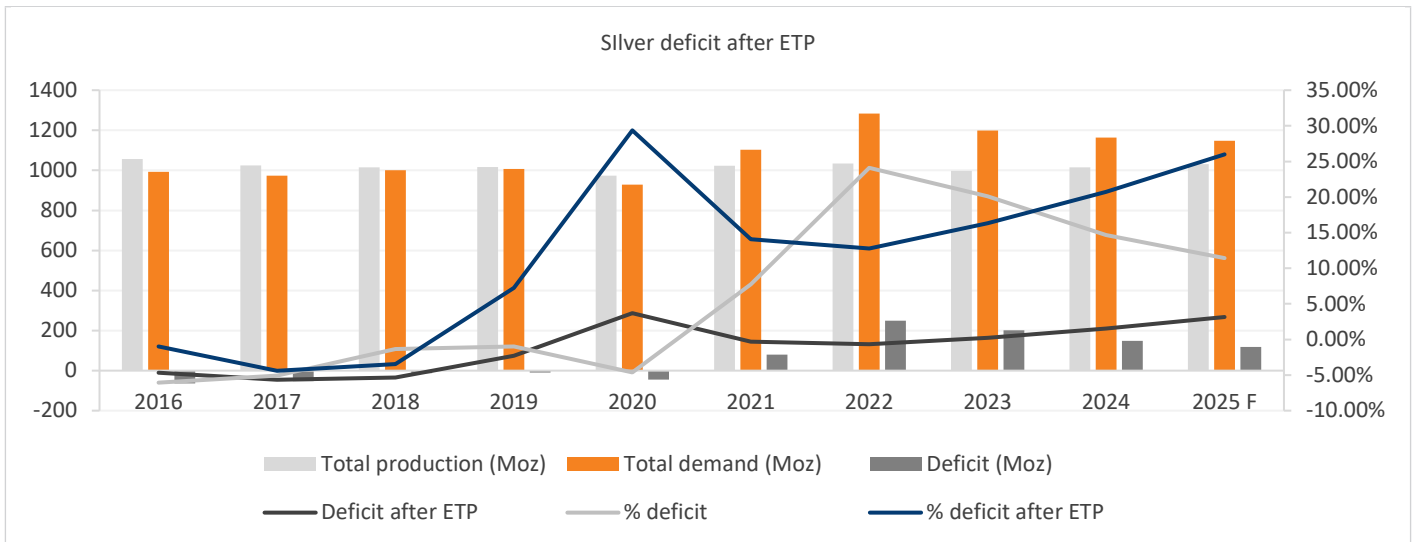


Source: Bloomberg



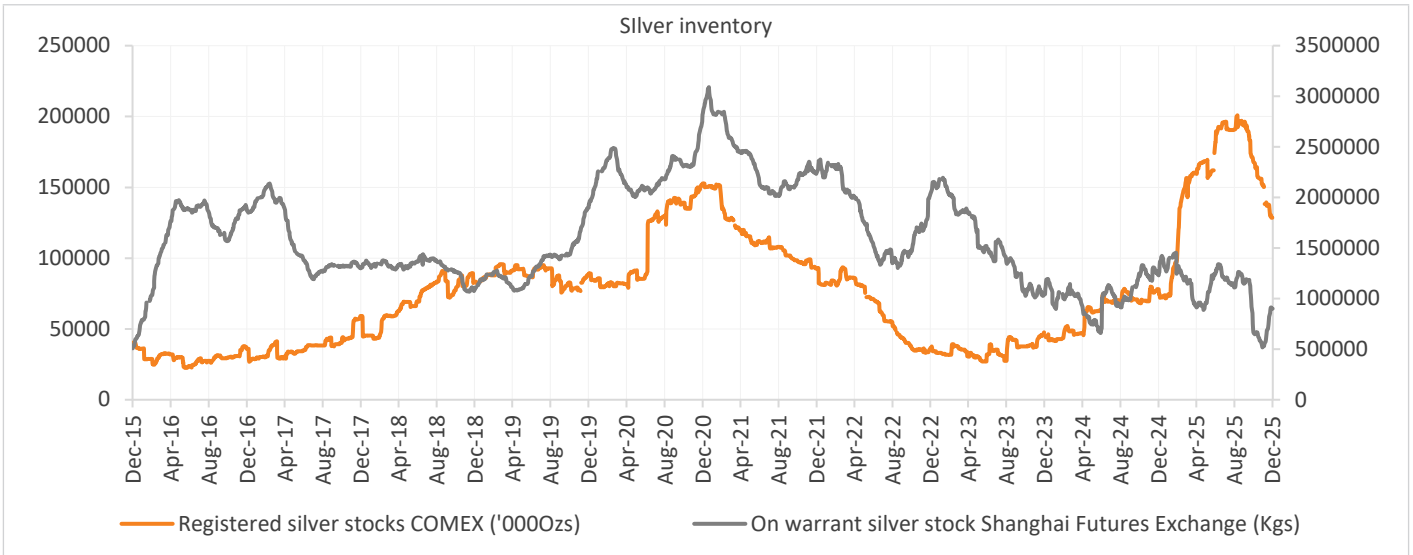
Source: Bloomberg

Huge ETF demand to worsen deficit



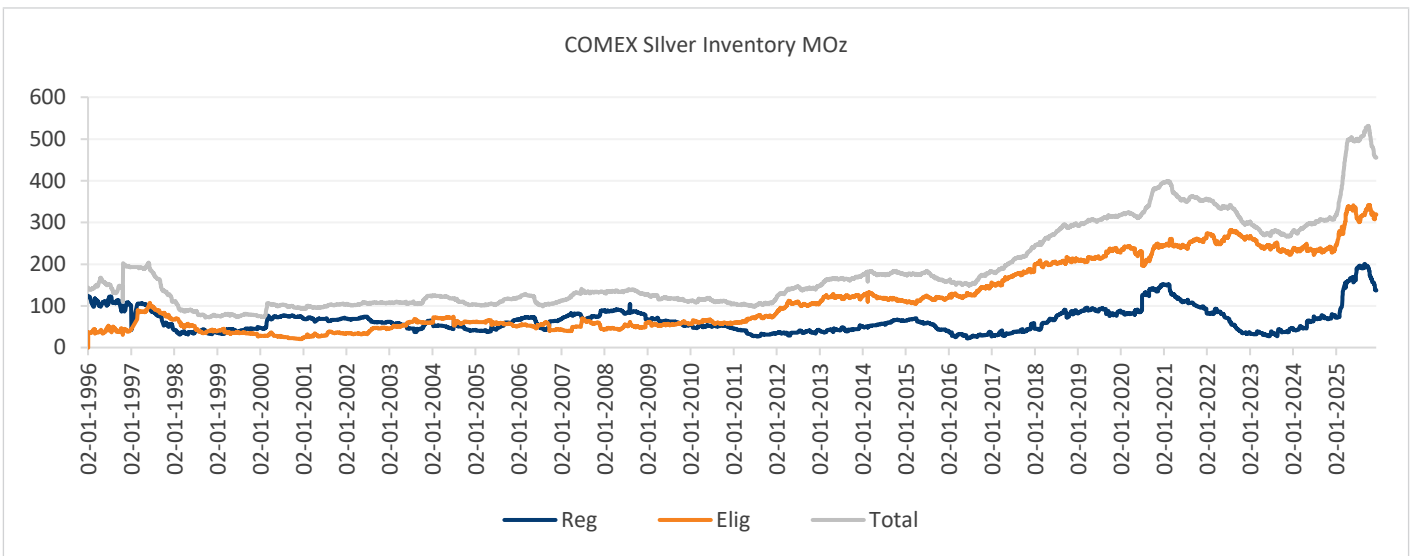
Source: Bloomberg

3. Silver inventory: Global inventory situation tight: SHFE silver stocks on warrants fell to a decadal low in December. Even SGE silver stocks fell to a nine-year low. On the Comex, registered silver inventories stood at 127 MOz - down 36% from a record high of 201 MOz - at the lowest level since April 2023. Eligible COMEX silver inventory stood at 321 MOz - down over 6% from the historic high of 342 MOz seen on October 3, 2025. Total COMEX silver inventory is at 448 Moz, down over 15% from record highs of 532 MOz noted on October 3, 2025.

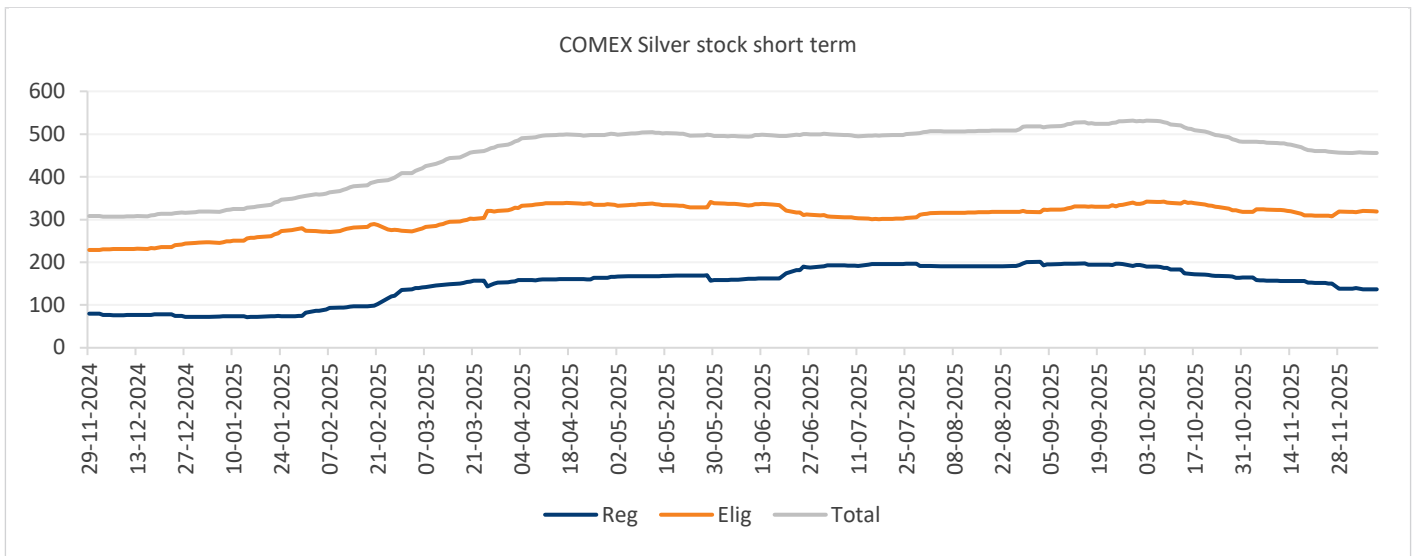


Source: Bloomberg

COMEX Silver stocks: Short term and long term



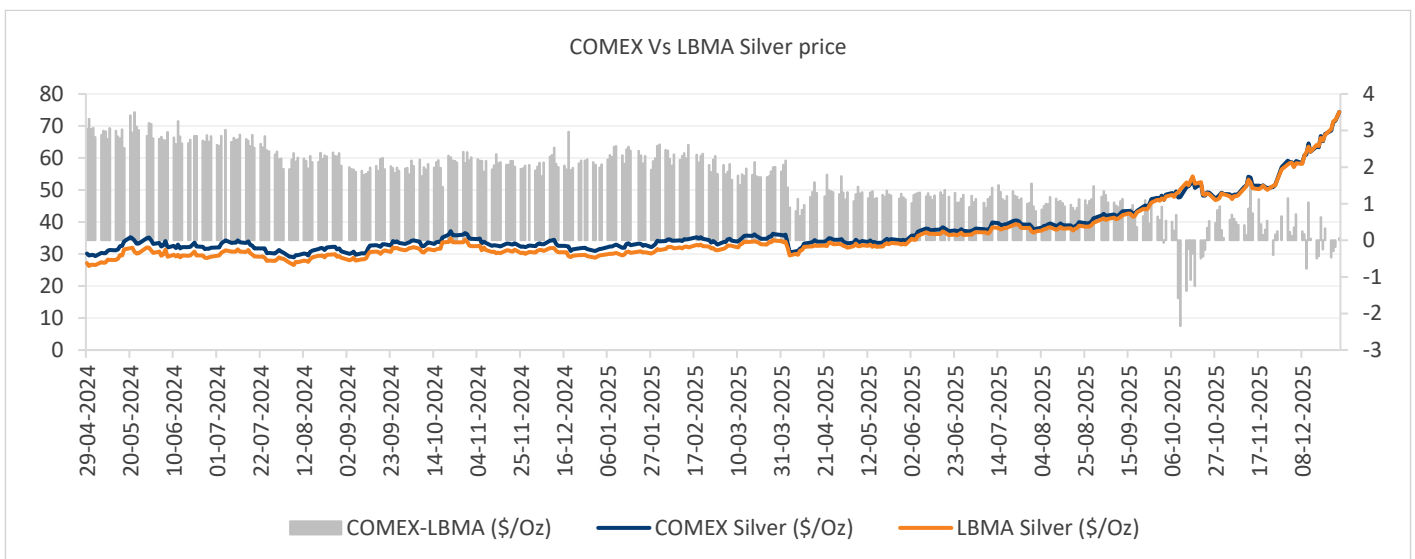
Source: Bloomberg



Source: Bloomberg

4. Spot silver prices beat COMEX prices

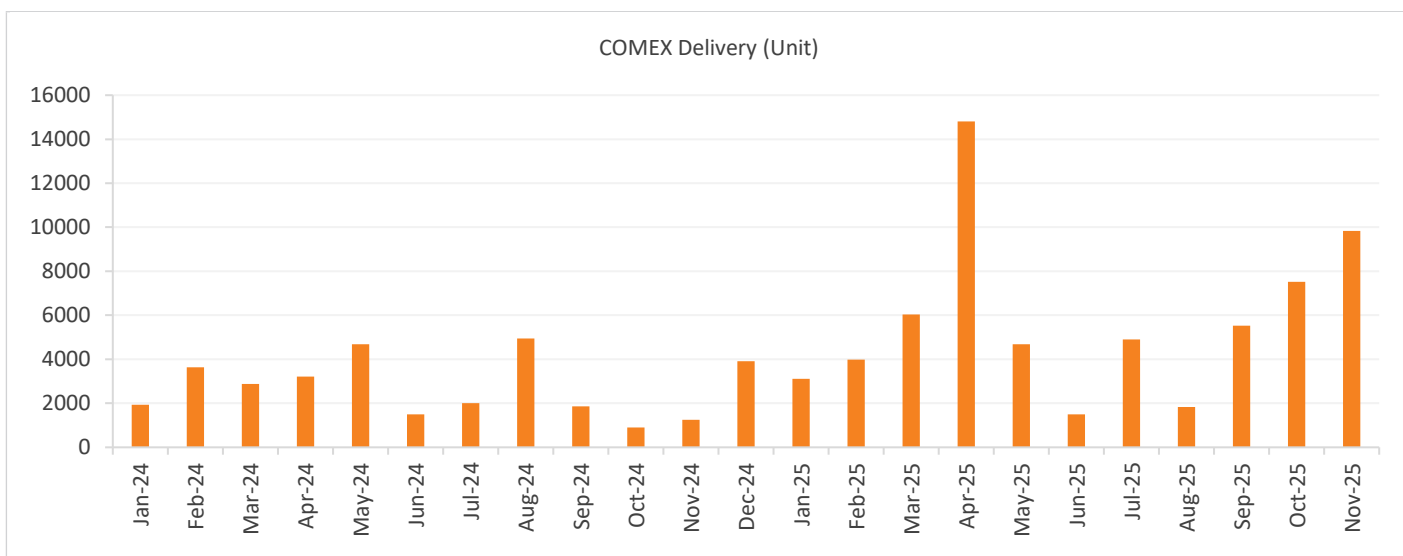
Spot silver Vs COMEX Near month



Source: Bloomberg

In a rare occurrence, spot silver prices in London moved above Comex silver prices in October due to tight inventory situation at LBMA. A sizeable chunk of LBMA inventories got tied up in ETF investments. In India, supply crunch worsened in October with China on holidays amid soaring ETF demand that saw Zaveri Bazar prices soar to trade at a premium of as much as 20%. LBMA silver inventory is down nearly 24% to 27187 tons in November-end from 35,667 tonnes in April.

5. COMEX silver delivery



Source: Bloomberg

COMEX silver delivery spiked higher in April in the wake of the US President Trump’s ‘Liberation Day’, driving up physical demand. COMEX Silver delivery volume YTD in has risen nearly 100% over 2024 volume and 186% over 2023 volumes. Aggregate COMEX Silver delivery in 2025 so far is the highest since 1995.

Year	COMEX Delivery (Unit)
2023	22936
2024	32691
2025	63716

Source: Bloomberg

6. China’s silver play: China has introduced strict new export controls starting January 2026. Only large, state-approved producers which have an annual output of over 80 TPA and a \$30 million credit line with proven export track records will be allowed to export silver under a licensing regime. Although more details may emerge with time, as of now, what is known is likely to restrict China’s silver exports tightening the global silver market further; thus, boosting prices.

China’s New Export Policy (2026–2027)

Aspect	Details
Policy Type	Export restrictions (not a full ban)
Effective Date	January 1, 2026
Duration	As per current announcement
Eligibility Criteria	Only large, state-owned firms producing more than 80 tons of silver per annum can export
Licensing requirement	Exporters must obtain government licenses
State rationale	Protecting national resources and enhancing national resource security

Source: Bloomberg

Implications for Global Silver Markets:

Tighter supply: China is the world’s largest silver producer and exporter. These curbs could significantly tighten global silver supply, especially for industrial users and bullion importers. It is being estimated that nearly 50% of China’s silver exports could be affected by these restrictions, which amounts to around 7-10% of global supply.

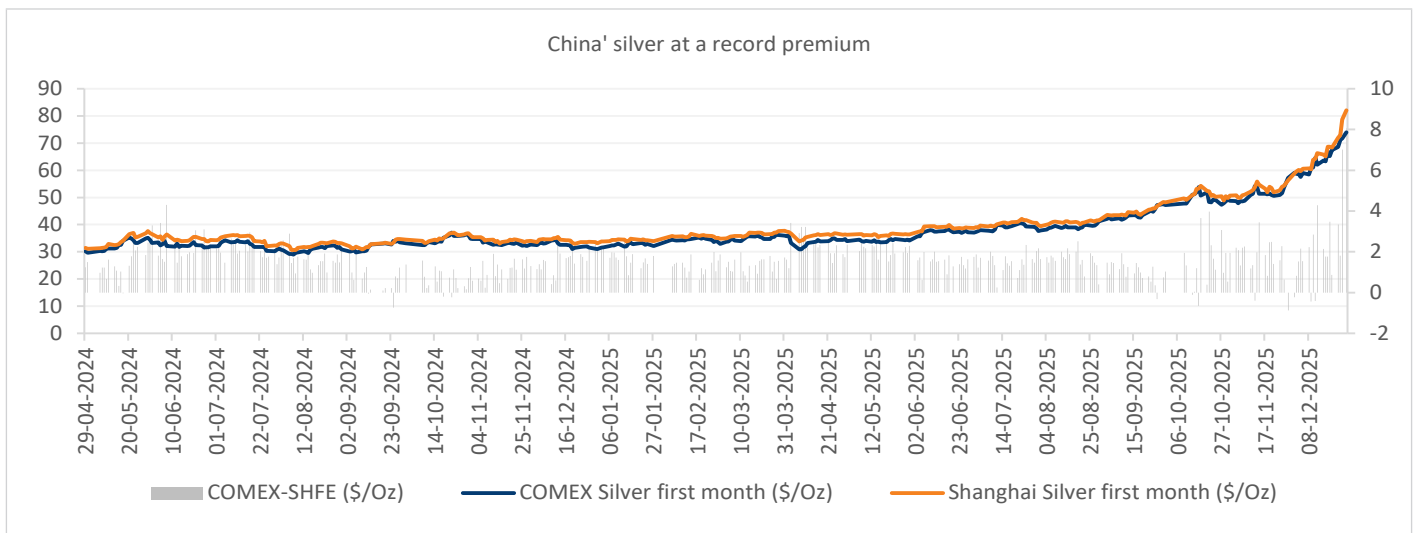
Price impact: Silver prices could soar due to constrained exports and already tight global inventories.

India’s response: India imported over 2,600 tonnes of silver in just September–October 2025, likely in anticipation of these restrictions.

Strategic shift: The move aligns with China’s broader strategy to secure critical resources amid global geopolitical and economic uncertainty.

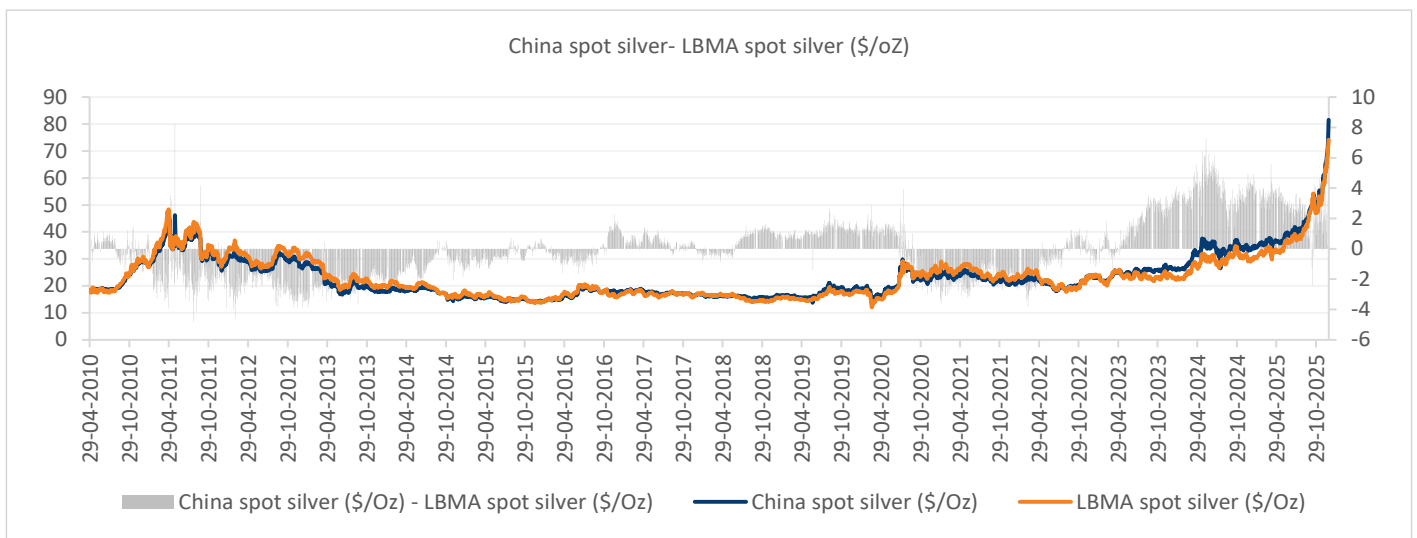
Industrial ripple effects: Potential disruptions in electronics, solar, and EV sectors reliant on silver inputs.

China’s silver prices v/s LBMA & COMEX prices



Source: Bloomberg

China’s silver prices are trading at a record premium to those of the COMEX and LBMA prices as markets interpret the export restriction as a strategic move to secure physical silver supply to drive China’s green energy transition. China’s futures at a record premium to COMEX futures.



Source: Bloomberg

- ◆ China's spot silver price premium over LBMA spot silver price surges to nearly \$8. As international prices should be trading at a premium to China's silver prices, the reverse spread, i.e., Chinese silver at a record premium is somewhat puzzling. Reason being cited is that China is more into physical silver than the West where paper trading dominates.
- ◆ We note that China's USB SDIR Pure Play Silver Fund is slumping sharply after its prices rose to a record 62% premium over silver prices. The Fund managers have been repeatedly warning of an overextended valuation. As subscriptions to the Fund has been restricted, it is quite possible that some of the flows to this Fund is being redirected to silver futures and spot markets through ETFs and other schemes.
- ◆ Nonetheless, China's silver export restrictions will tighten the global silver market.

7. Gold -silver ratio:



Source: Bloomberg

- ◆ Gold/silver ratio that rose above 105 in April on global economic concerns due to heightened tariff wars has fallen sharply to 60 since then.
- ◆ If gold hits our target of \$5000 in 2026, silver can rise to \$100 in case the ratio falls to 50. However, we suspect that gold/silver ratio may decline below 50 unless the global economy crumbles. By that calculation, gold rising to \$5500 will take silver to \$110/Oz.

Gold/ Silver prices – Price rise scenarios

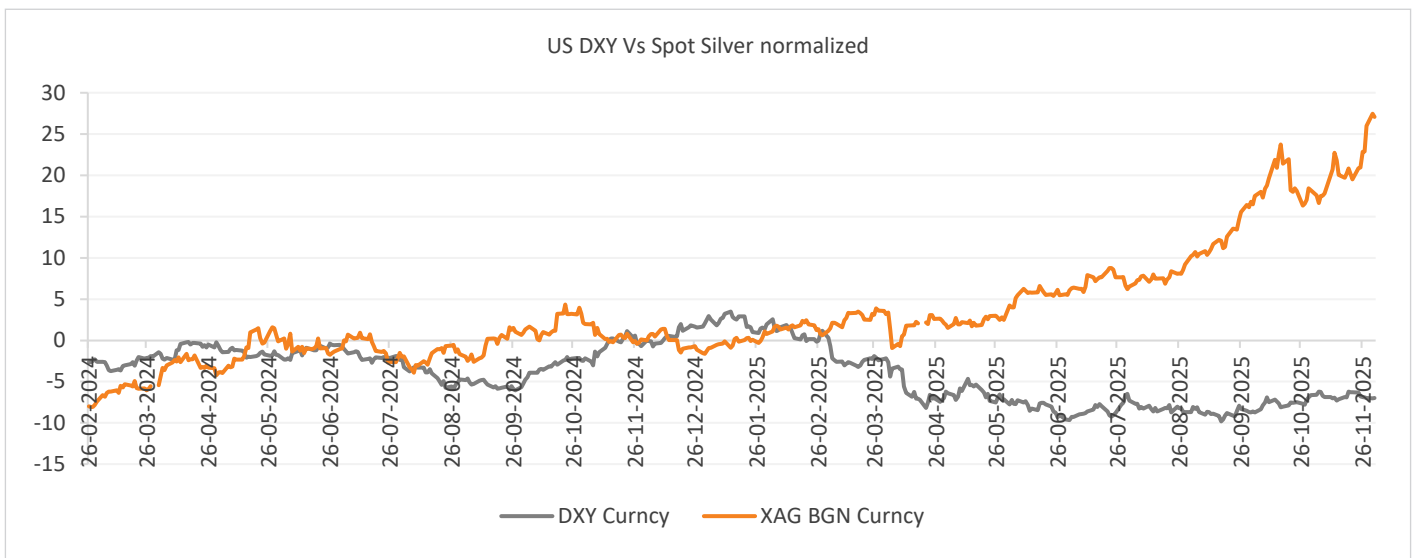
Gold/Silver ratio	Gold (\$/Oz)	Silver (\$/Oz)
30	\$5000	\$166/Oz
50	\$5000	\$100
60 (long-term average)	\$5000	\$84
50	\$5500	\$110
40	\$5500	\$137

Source: Bloomberg

8. US tariffs: The US is signalling potential follow-up measures—including stockpiling, incentives, or tariffs—with silver being designated as a critical mineral. With a 64% import dependence, the US’s supply-chain looks weak, especially as global demand has outpaced supply for five consecutive years. Silver’s new status places it under Section 232 of the Trade Expansion Act, allowing investigations into whether imports threaten national security. This could lead to trade actions or tariffs reaching 50%, mirroring precedents for steel and aluminium.

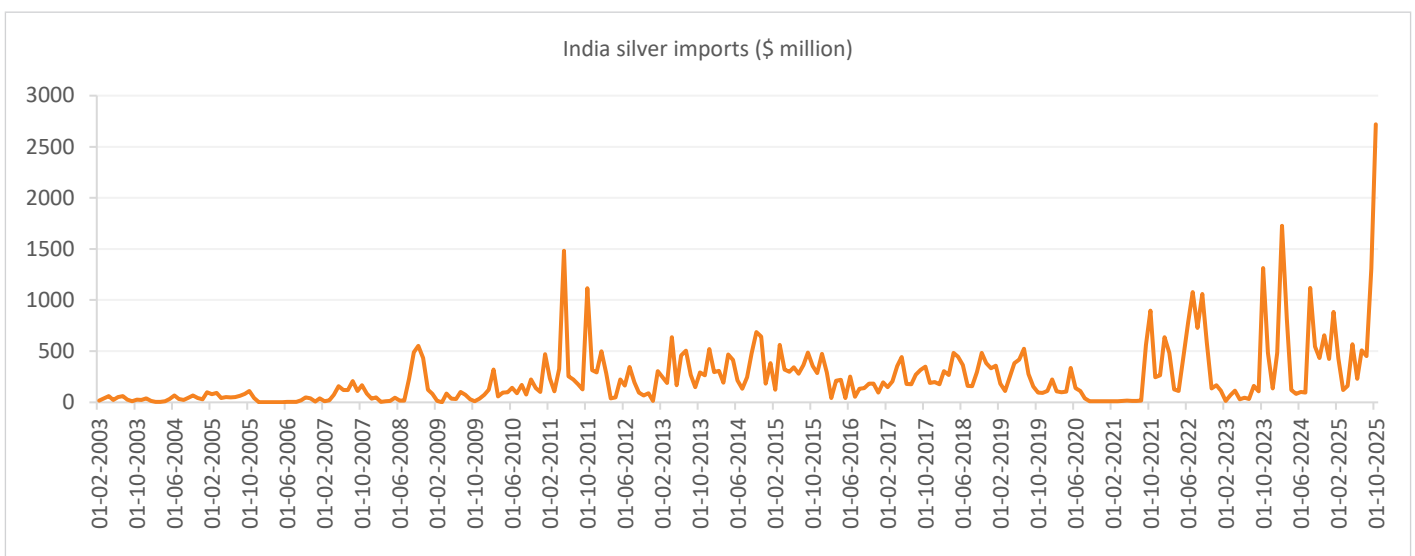
Strategically, silver is vital for electronics, medical devices, defense, and clean energy (Solar PV, EVs). This designation unlocks federal funding, streamlined permitting, and tax incentives to bolster domestic production and reduce reliance on sources like Mexico. While no official announcement has been made, anticipation of mid-January 2026 measures is fueling a market rally.

9. Silver Vs Dollar: A weakening U.S. Dollar, driven by trade deficits, inflation, and fiscal dominance, supports rising silver prices. To revive manufacturing, the U.S. favors a weaker currency. While a coordinated “Plaza Accord” is unlikely today, bilateral deals to engineer a dollar decline remain possible as central banks shift toward gold over Treasuries.



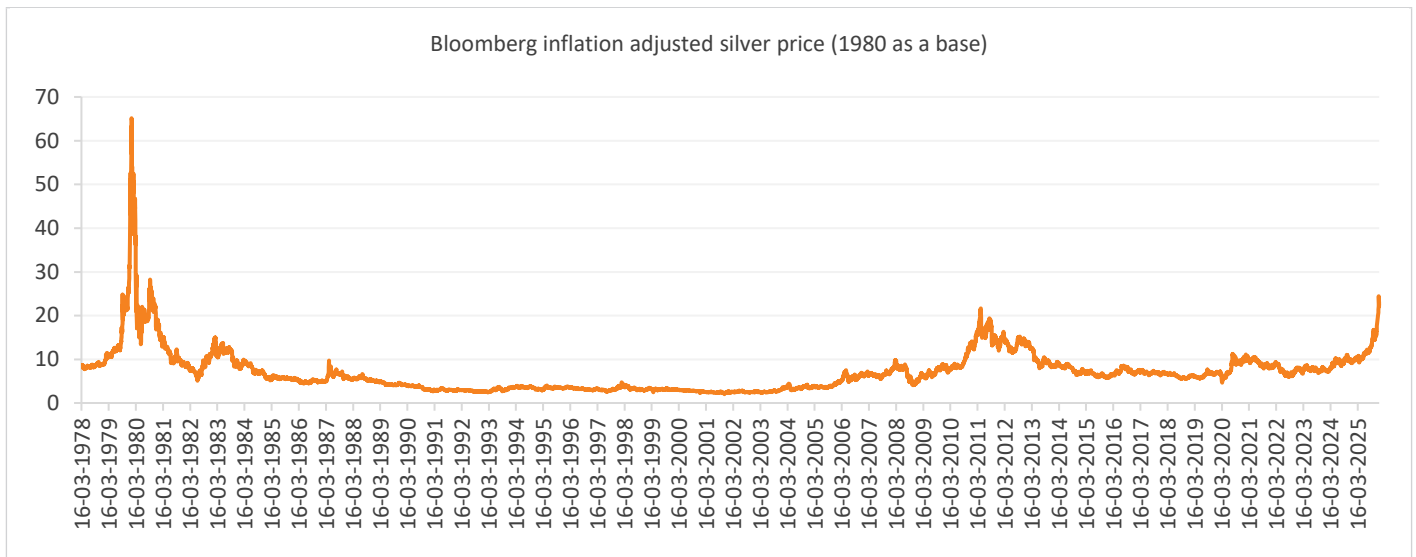
Source: Bloomberg

10. India’s silver imports: India’s silver imports in 2025 YTD have risen to all-time high on investment demand.



Source: Bloomberg

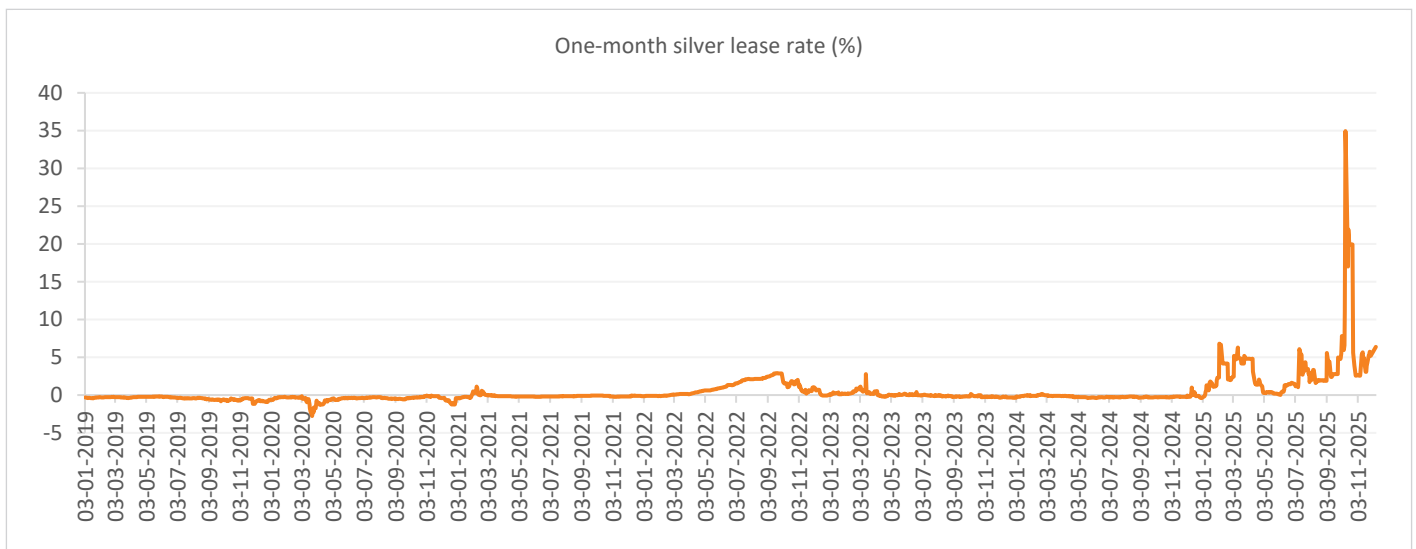
11. Bloomberg silver inflation adjusted price



Source: Bloomberg

- ◆ Bloomberg data shows that silver inflation adjusted high in the recent period with year 1980 as the base period is \$65. Current inflation adjusted price is \$22. If spot silver prices to their all-time inflation adjusted price of \$65 reached on January 21, 1980, it will rise to \$216.

12. **Silver lease rate:** One-month silver lease rate spiked to nearly 35% in October due to supply crunch. Presently, the rate is at ~7%, much lower than the October peak. However, the lease rate remains elevated as compared to the historical range of 0.3-0.5%.



Source: Bloomberg

13. **PFRDA Allows NPS to Invest in Precious Metals:** On December 10, 2025, India’s PFRDA authorized the NPS, UPS, and APY to invest in gold and silver ETFs to enhance portfolio diversification and hedge market stress. For government-sector schemes, exposure to each metal is capped at 1% of AUM. In the private sector, precious metal ETFs are categorized under Asset Class E (Equity), with a combined limit of 5%. While initial flows from the \$177 billion pension pool will be modest, this structural change could eventually unlock \$1.7 billion in new demand, strengthening long-term support for gold and silver as pension assets expand.

14. Policy tailwinds to be supportive: Possibility of quantitative easing/yield curve control in the US and stimulus in Germany, China, and the US should reinforce the demand for the metal.

15. Sovereign buying: Saudi Arabia’s Public Investment Fund (PIF) allocated \$40 million into silver funds in 2025—a notable move contributing to a surge in global silver investment sentiment.

Watchlist: scenario-based likelihood tiers

High	Abu Dhabi Investment Authority (ADIA)
Medium-high	Qatar Investment Authority (QIA)
Medium	Kuwait Investment Authority (KIA), Singapore Investment Authority (SIA)
Low-medium	China Investment Corporation (CIC)
Low	Norway Government Pension Fund Global

Source: Bloomberg

16. New avenues for silver consumption

- ◆ 5G - Demand for silver in 5G technology like IoT and semiconductors will be reaching 23 million ounces by 2030, almost double the demand seen in 2020.
- ◆ Medical applications - Medical bandages reinforced with silver stop bacteria build-up.
- ◆ Novel applications: In the unmanned aerial vehicles market, silver plating technology is critical especially in space applications and silver ink in automobiles.

Our Call

- ◆ We expect gold to rise to \$5000 in 2026, with levels of \$5500 looking plausible in the best-case scenario.
- ◆ We remain constructive on the grey metal expecting it to reach ~\$98 in 2026. At the same time, given that ~70% of silver demand is industrial, price action at times may be volatile—sensitive to monetary policy, broader market corrections, and macro shifts. The metal may surge to \$125 in the best-case scenario.
- ◆ Despite their strong performance, gold is eventually expected to rise to \$6,500–\$7,000 range, while silver could advance toward \$150 by the end of the decade.

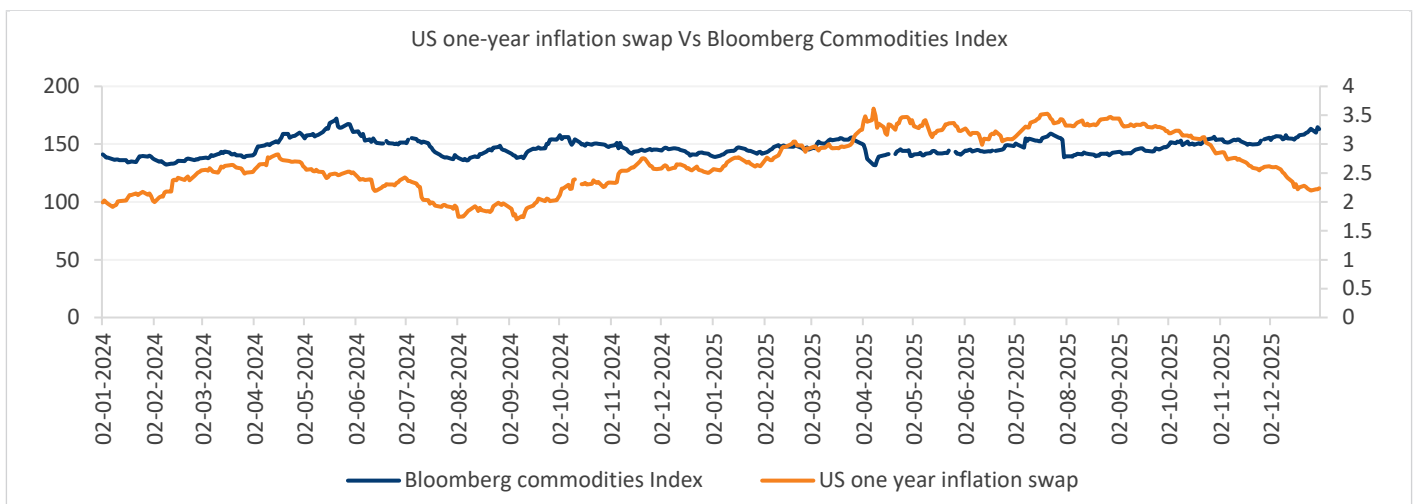
Risks to our Calls

- ◆ If US inflation climbs while the job market remains strong, the Fed may pivot to fewer rate cuts or even interest rate hikes.
- ◆ A peace breakthrough in the Russia-Ukraine conflict would sharply reduce the “risk premium” currently supporting gold and silver prices.
- ◆ A 2025 Court of Appeals ruling declared Trump’s sweeping IEEPA-based tariffs unconstitutional, as tariff power resides with Congress. While enforcement was paused for appeal, a final decision against these tariffs would dismantle a central pillar of his economic and trade strategy.

Trump’s possible ways out of an anti-tariff ruling

- ◆ Trump is appealing the IEEPA ruling to the Supreme Court (6–3 conservative majority). If unsuccessful, he may pivot to Section 232 (national security) or Section 301 (unfair trade), which offer firmer legal ground for sector-specific duties, including critical minerals like silver.
- ◆ The administration is leveraging modified deals (e.g., with the EU, UK, and Japan) and narrower emergency declarations—linked to border security—to preserve executive tariff power.
- ◆ Following Democrat gains in 2025, Trump has adopted a “hands-on” role to protect GOP control. His economic agenda, centered on domestic manufacturing and silver’s strategic status, is designed to reverse declining approval among independents and Hispanic voters before November.

- ◆ **Inflation swaps signal a risk to inflation hedge buying** - In recent months, the correlation between commodities and one-year inflation swaps has become inversed as commodities like copper, aluminum and silver have rallied hard on supply concerns rather than demand growth.



Source: Bloomberg

- ◆ **Possible US-China alliance** - The escalating U.S.-China rivalry across trade, technology, and critical minerals currently supports high prices for gold, silver, and copper due to persistent risk premia. However, a shift toward a pragmatic, accommodation-driven posture—reducing tariffs and integrating supply chains—would fundamentally alter the landscape. Such a thaw would compress geopolitical risk premia and ease fragmentation concerns, likely pressuring these safe-haven commodities as markets recalibrate toward a more stable, coordinated global economic environment.
- ◆ **Reversal in the US Dollar Index:** The Dollar Index can reverse and climb if the US shows economic resilience, the Fed turns hawkish, foreign economies weaken or ease policy first, risk aversion rises, or structural dollar demand remains firm. In short, anything that widens interest rate or growth advantages in favour of the US, or pushes investors toward safe assets, helps the dollar regain strength.

Conclusion:

We maintain a constructive outlook on precious metals for 2026, driven by structural factors: an unsustainable U.S. fiscal trajectory, global sovereign debt stress, and eroding confidence in the dollar’s reserve status. De-globalization, supply-chain restructuring, and socio-political polarization further support the strategic bid for gold and silver. While risks like coordinated global easing or reduced geopolitical tensions could compress demand, the overall risk-reward profile remains favorable. Persistent macro drivers, constrained supply, and the need for portfolio insurance amid uncertainty reinforce the multi-year investment case.

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