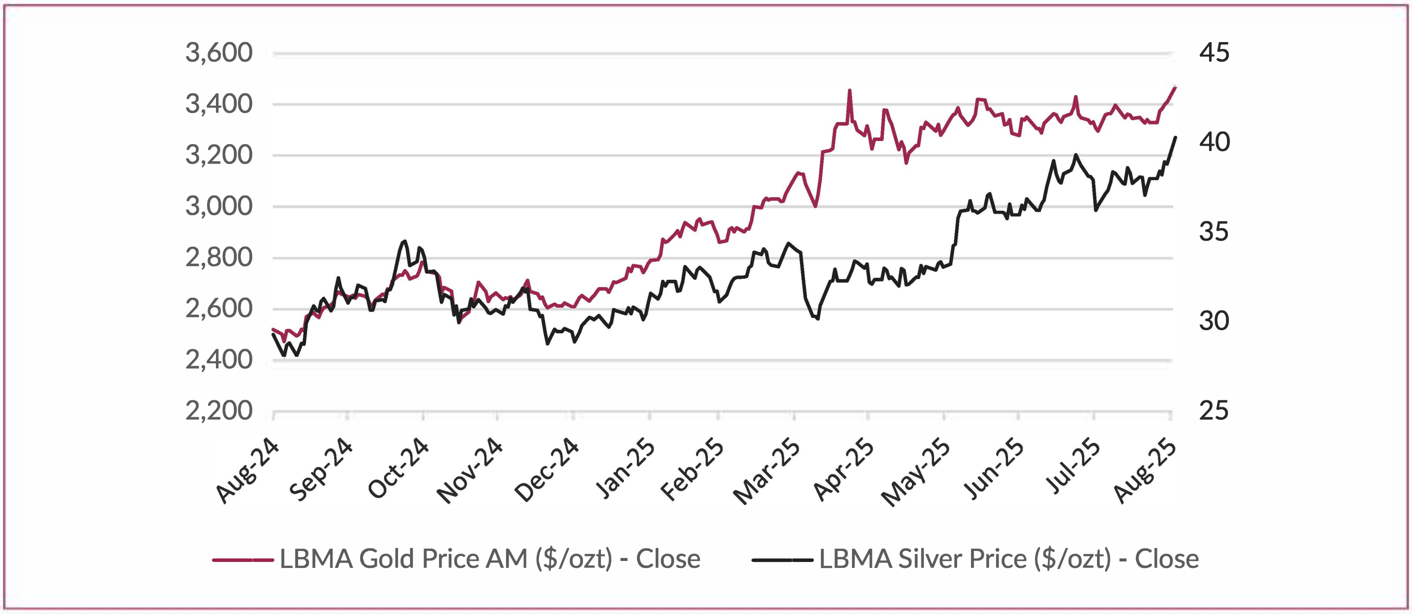

# Gold & Silver continue to shine

So far in 2025, Gold and Silver have seen significant rallies. Gold prices are near all-time highs at $3,475/oz, up 35–40% year-on-year. Silver prices have reached $40/oz, the highest in 13 years, up 40–45% year-on-year.




*This note elaborates on the key price drivers, demand-supply dynamics and our house view.*

## Gold Outlook

**Recent surge in gold prices has been fuelled by:**

- **Weaker US Dollar:** Currently the Dollar index is ~97.7, down from ~110 in February 2025 . Weaker U.S. jobs data is further dragging down the dollar index - July 2025 non-farm payroll figures came in much lower than expected – 73,000 jobs added vs the forecast of 125,000 – with a significant downward revision for previous months.
- **Expectations of easing policy rates:** U.S. consumer inflation in July went up a little – roughly 2.7% (YoY), in line with forecasts, and importantly, the inflation impact of new tariffs has been limited so far. Softer macro data has led markets to anticipate Federal Reserve interest rate cuts. By mid-August, futures markets were pricing in around an 80% chance of a Fed rate cut in September and a total of ~60 basis points of easing by year-end.
- **Political Pressure on Fed to cut rates:** US President has been pushing the Fed to cut rates faster and has criticized Fed for not acting sooner.
- **Geopolitical Uncertainties:** Global factors including regional conflicts and trade wars have further enhanced gold's safe-haven status.

## Global Gold Demand

In Q2 2025, global gold demand (including private investments) rose 3% year-on-year to 1,249 tonnes.

- **Strong demand for Gold-backed ETFs:** Uncertain global trade, political tensions, and the rising gold prices are helping to uphold the gold demand.
- **Robust demand for bars and coins:** Bar and coin investment has also jumped as buyers sought a safe haven.
- **Central Bank purchases:** Central banks are diversifying reserves away from the U.S. dollar, adding a net 166 tonnes to their gold reserves in Q2 2025 – though this pace was slightly slower than the record-breaking purchases seen in 2022–24.
- **Jewellery demand:** Higher prices have led to a subdued demand for gold jewellery compared to last year. In Q2 2025, jewellery demand dropped about 14% YoY to ~357 tonnes (nearly as low as during the 2020 pandemic shutdowns) as buyers, particularly in price-sensitive markets like India and China, delayed purchases or bought lighter pieces.

| Gold Market Metric | Value (2025) |
|---|---|
| Price (Aug 14, 2025) | $3,360 per ounce |
| Price Change vs. 1 Year Ago | ~+34% |
| Q2 2025 Global Gold Demand | 1,249 tonnes (+3% YoY) |
| Q2 2025 Central Bank Gold Purchases | 166 tonnes (net addition) |
| H1 2025 Gold ETF Net Inflows | ~400+ tonnes (approx., Q1+Q2 combined) |
| Q2 2025 Gold Jewellery Demand | Near 2020 levels – 357 tonnes (-14% YoY) |

## Domestic Market

- In India, retail profit-taking has happened – people selling old jewellery to cash in on high prices, with plans to buy back later if prices dip. However, physical demand will be clear in the next quarter as the festive season approaches. There's some worry in financial markets with a significant volatility in USDINR currency pair, which is helping to keep the gold afloat.
- The Indian market has also seen adaptation: gold in India crossed a psychological milestone of ₹100,000 per 10 grams this year, prompting authorities to expand hallmarking standards to include 9-carat gold (37% purity) jewellery, down from the previous 14-carat minimum, to offer more affordable options.

## Our View

The gold-silver ratio currently stands at 88, which is close to post covid average of ~90.; historic range (pre-COVID) being 65-70.

We expect gold prices to be in the range of 3400$ to 3600$/oz this year.

Gold prices are unlikely to see steep correction unless:

- The US government stops criticizing the Federal Reserve or its members.
- There's a big breakthrough in solving global trade and tariff problems. So far, the government is dealing with trade issues one country at a time, instead of looking for broader solutions. This approach hasn't been very successful.

# Silver Outlook

## Key factors currentlyworking in favour of Silver Prices

- **Monetary Policy:** Silver doesn't earn interest or pay dividends, so it looks more attractive to investors when interest rates are low or even negative.
- **US Dollar:** Silver is priced in US dollars, so when the dollar weakens, silver tends to become relatively cheaper for buyers using other currencies, which usually increases demand and pushes silver prices up.
- **Industrial Demand:** Over half of total silver demand now comes from industrial uses. Silver has extensive industrial uses, especially in sectors like electronics and solar energy.

## Global Investment Flows

- **Silver-backed ETPs:** Silver-backed ETFs/ETPs have seen record inflows – about 95 million ounces of net additions in the first half of 2025 (January–June). This H1 inflow has already exceeded the total silver ETF inflows of the entire year 2024. As a result, by mid-2025, global silver ETF holdings hit - 1.13 billion ounces, valued at over **$40 billion** - a record high.
- **Futures trading:** In the futures market, institutional positioning underscores bullish sentiment: by end of June, net long positions in silver futures were up 163% compared to the end of 2024, reaching their highest level since early 2021.

| Silver Market Metric | Value (2025) |
|---|---|
| Price (Aug 14, 2025) | $38.59 per ounce |
| Price Change vs. 1 Year Ago | ~+28% |
| H1 2025 Silver ETF Net Inflows | 95 million ounces (Jan–Jun 2025) |
| Total Silver ETF Holdings (Jun 2025) | 1.13 billion ounces (~$40+ billion) |
| COMEX Net Long Positions (Jun 2025) | +163% vs. Dec 2024 levels |
| Industrial Demand (2024 record) | ~680 million ounces (highest ever) |

## Demand & Supply

2025 is expected to be the fifth consecutive year where silver demand outstrips supply, leading to a supply deficit.

### Drivers of demand:

- Industrial demand for silver is at an all-time high: Silver is a critical component in solar panels; with the global acceleration of renewable energy projects, silver usage in PV hit records in 2024 and continues strong in 2025.
- Tech and electronics (from semiconductors to 5G infrastructure to electric vehicles) are steadily consuming more silver.

## Demand & Supply

### Supply Constraints:

Supply remains tight since global silver mine production hasn't grown much, which is positive for silver prices. Notably, less than 30% of silver comes from exclusive silver mines, rest all is by product of base metal and Gold. With high prices of Gold, Silver and Copper the supply will increase, and we expect the supply deficit to narrow in 2026.

### Our View

We expect Silver to remain in range of 40$-42$/oz in this year.

### Investment Relevance of Gold and Silver in Current Conditions

- Both metals have shown strong performance in 2025, supported by macroeconomic and geopolitical factors
- Continued relevance of both metals in portfolio strategies, especially amid global uncertainties
- Gold remains a preferred safe-haven asset, backed by central bank buying and ETF flows
- Silver offers dual exposure: safe-haven and industrial growth (solar, electronics)

Sources: RBI, World Gold Council, Silver Institute, Bloomberg, FactSet, Reuters, Axis MF Research.

This note is prepared dated Sep 05th 2025; the note reflects current market conditions and fund manager's views. All price data and forecasts are based on verified sources and should be considered alongside individual investment objectives and risk tolerance.

**Past performance may or may not be sustained in future.**

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