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2030

Silver

IT'S DIFFERENT THIS TIME

PRESENTED BY

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Commodity
Research

Silver and its Story of Unprecedented Rise – Why it seems different this time?

"There are decades where nothing happens; and there are weeks where decades happen"

-Vladimir Ilyich Lenin

Strategic Outlook: The Dual Identity Bull Thesis and Price Vectors

Executive Summary:

The Confluence of Industrial Acceleration and Investment Momentum

Silver market is currently exhibiting dynamics consistent with a major structural revaluation, distinguishing current rally from previous speculative cycles. The primary driver is silver's dual identity as both a critical industrial commodity, accounting for 59% of total usage, and a safe-haven asset sought during geopolitical instability. This convergence has fuelled an unprecedented surge in 2025, with prices exceeding $51.30 per ounce by October, representing gains upwards of 70% year-to-date.

This appreciation is fundamentally supported by persistent market dynamics. Global silver supply has failed to keep pace with demand for seven consecutive years, leading to a structural market deficit, which is forecast to continue for a fifth consecutive year in 2025. This structural shortfall creates a unique floor for prices. Simultaneously, geopolitical risk, persistent inflationary concerns, and renewed investor interest, evidenced by significant inflows into exchange-traded products (ETFs)—reaching 95 million ounces in the first half of 2025 — provide the speculative leverage required for sharp price increases.

The metal's volatility, which sees silver move approximately 1.7 times faster than gold in either direction, confirms that the current rally is fundamentally stronger than speculative bursts seen in 1980 or 2011. The underlying industrial demand foundation (driven by green economy technologies like solar and electric vehicles) is irreplaceable, suggesting that the established supply constraints will necessitate sustained price elevation to ration industrial consumption and incentivize marginal supply increases.

The silver market in 2025 has captured renewed investor attention as prices surged to multi-year highs. However, unlike the historic rallies of 1980 (hunt brothers) and 2011(QE + hyperinflation)—both of which ended in sharp reversals of more than 50%, after touching near $50 mark—current uptrend appears more stable, grounded in fundamentals rather than speculative excess. A closer look at the drivers of this year's rally reveals a very different

macro and structural setup, suggesting that silver's ascent this time may be part of a longer-term revaluation rather than a fleeting bubble.

This year's rally is driven by strong industrial demand from sectors like solar energy, electric vehicles, 5G, and AI, making silver critical to the global green transition. Meanwhile, supply constraints such as stagnant mining and limited recycling have tightened the market. Unlike past speculative surges, this rally features balanced participation from institutional investors and central banks, supported by a disinflationary macro environment with gradual monetary easing. Enhanced market regulations and a steady gold-silver ratio decline signal a more sustainable and structural repricing, marking silver as a strategic metal rather than a speculative asset.

Global Price Projections (USD): Breaking the $50+ Threshold

Following the sharp rally in 2025, which saw silver breach $35 per ounce in the first half and achieve a 14-year high of $44.11 in September before surging past $51.30 in October, consensus among bullish analysts suggests continued momentum. Our initial forecasts for 2025 were aggressive, expecting the price to test all-time highs and reach $50. The market performance has validated the higher end of these projections and now the question of how long and how high it can go? Is at its loudest.

For the medium term (2026–2027), the tightening market structure is expected to push prices significantly higher. We believe a consolidation around the $50 -55 mark over the next few months could be possible, with potential peaks reaching $75.00 per ounce by the year of 2026, and a sustained movement toward $77.00 per ounce in 2027 on COMEX; assuming average USDINR stays around 90; Rs.2,40,000 by 2026 year end and Rs. 2, 46,000 on domestic front.

The significance of the $50 psychological breakout cannot be overstated. Silver has historically failed to sustain prices above this level, with past attempts resulting in deep corrections as profit-takers exited the market. However, the current rally is distinct. Unlike previous speculative spikes (1980, 2011), the 2025 surge is fundamentally underpinned by irreversible, material demand from the green energy transition and expanding technology sectors (EVs, Solar, 5G). This fundamental support suggests that breaking $50 is not merely a technical event but a necessary repricing mechanism to balance global demand with constrained supply, thereby establishing a new, higher baseline for the metal going forward.

INR Valuation Uplift: The Role of USD/INR in Indian Silver Price

For investors based in India, the investment case for silver is substantially amplified by foreign exchange dynamics. Precious metals denominated in USD often yield magnified returns in local currency terms when the domestic currency depreciates against the dollar. The Indian Rupee (INR) has faced significant downward pressure, particularly due to macroeconomic factors including tariffs announced by the US President on Indian

imports (effective August 2025) and consistent sell-offs by Foreign Institutional Investors (FIIs) beginning in July 2025.

Forecasts for the USD/INR exchange rate project a gradual depreciation of the Rupee. Consensus estimates suggests the USD/INR pair moving between 88.00 and 90.00 before the end of Q4 2025, following a peak of 88.45 earlier in the year. Looking ahead to the 2026–2030 period, experts broadly agree that the INR will continue its gradual decline against the USD, clustering between 90.00 and 102.00 INR per USD, driven by global monetary policy and underlying economic fundamentals.

The implication for INR-denominated assets is clear: a rising USD silver price combined with simultaneous INR depreciation creates powerful leverage. If the dollar price of silver reaches the bullish targets of $70 per ounce by 2027 and the INR depreciates to the upper end of the projected 92.00–95.00 range, the percentage returns for Indian investors are significantly enhanced. This compounding effect mitigates the impact of potential local price corrections and enhances silver's role as a portfolio stabilizer in an environment of currency weakness.

The Structural Bull Case: Industrial Demand Analysis and Projections

Global Silver Supply and Demand Snapshot

Global mine production in 2024 was around 26,000 tonnes (~840 million ounces). Recycling added ~5,000 tonnes (~160 million oz), bringing total supply to ~31,000 tonnes. Total demand was roughly equivalent, leaving little surplus. Key demand segments include industrial use (solar, EVs, electronics), jewellery, silverware, and investments (bars, coins, ETFs).

Industrial Demand Metrics and Deficit Persistence

Industrial demand is the bedrock of the current silver bull market, representing the largest single component of usage. It is the largest and fastest-growing segment, expected to rise by 5–6% annually through 2027, primarily due to clean energy applications. In 2024, industrial silver use reached a record high of 680.5 million ounces (Moz), an 11% increase from the previous year. This upward trajectory is expected to continue, with projections indicating that industrial fabrication will surpass 700 Moz for the first time in 2025. This robust industrial consumption is the principal factor driving the market into a persistent supply deficit.

The silver market is forecasted to remain in a deficit for the fifth consecutive year in 2025, with a projected shortfall of ~118 Moz. This structural imbalance underscores the metal's critical role in the green economy.

The responsiveness of silver supply to increased prices is significantly limited, a fundamental factor exacerbating the deficit. Approximately 75% of global silver production is derived as a by-product from the mining of base

metals, primarily copper, lead, and zinc. This by-product dynamic means that silver supply cannot respond directly or quickly to sharp increases in the silver price, as production decisions are tied to the economics and multi-year capital investment cycles of the primary base metals. Analysis by Wood Mackenzie indicates that the price elasticity of supply has diminished: while historically a 10% price increase might generate a 5–7% supply response, it now generates only a muted 2–3% response. This inelasticity ensures that as highly elastic, technology-driven industrial demand continues to grow, it will continuously outrun marginal supply increases, forcing the market to rely on depleting above-ground inventories and driving prices sharply higher for rationing purposes.

Photovoltaics (PV): The Consumption King and The Thrifting Paradox

The solar sector is the primary driver of this demand acceleration. In 2025, the solar photovoltaic (PV) segment is projected to account for 14% to 20% of global silver demand, consuming over 200 million ounces annually. Global solar installations are expected to maintain double-digit growth through 2030. By 2027, projections suggest that solar manufacturers may require more than 20% of the current annual silver supply to meet installation targets.

The industry faces a structural challenge known as the Thrifting Paradox. Due to the rapid rise in the price of silver (gaining over 68% in nine months to reach $49 per ounce by October 2025), PV module makers have aggressively implemented "thrifting" measures to reduce the amount of silver paste needed per panel. Despite these technological efforts, which slowed PV-specific demand growth in 2024, the sheer volume growth of global solar capacity is overwhelming the thrifting gains. Furthermore, the shift toward more efficient cell technologies, which improve energy output (like N-type cells), often requires *more* initial silver input. Therefore, while thrifting attempts to mitigate consumption, the technological requirements for higher efficiency and the colossal scale of global solar deployment collectively ensure sustained, high-volume demand pressure. Projections indicate the PV industry may require up to 14,000 tonnes (approximately 450 Moz) of silver per year by 2030, a monumental figure when set against the global mine supply base of approximately 34,000 tonnes.

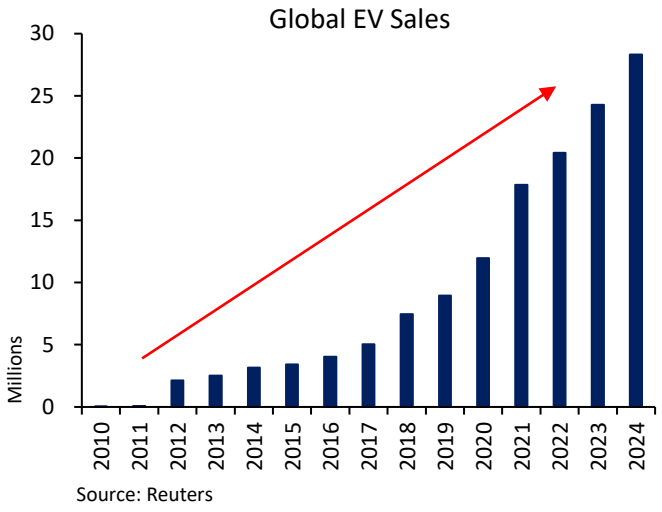
Global Silver Supply & Demand (2025, in metric tons)			
Category	Million Ounces (Moz)	Metric Tons (tonnes)	Notes
Mine Production	835 Moz	≈ 25,950 tonnes	80% of total supply
Recycling (Scrap)	193 Moz	≈ 6,005 tonnes	Jewelry, electronics, industrial scrap
Net Hedging Supply	10 Moz	≈ 311 tonnes	Forward sales by miners
Total Supply	**≈ 1,030 Moz**	**≈ 32,060tonnes**	—
Total Demand	≈ 1,148 Moz	≈ 35,715 tonnes	Industrial + jewelry + investment
Market Deficit	≈ 118 Moz	≈ 3655 tonnes	One of the Largest in recent years

Source: Reuters, Metals focus, Silver Institute

Next-Generation Demand: EVs and Electronics

Beyond solar, silver's exceptional electrical conductivity ensures its irreplaceable role in other expanding technology sectors.

Electric Vehicles (EVs) and Automotive: The electrification of transportation represents a rapidly accelerating demand segment. Each electric vehicle requires significantly more silver, using between 25 and 50 grams for electrical connections, battery management systems, and electronic components. With global EV production projected to reach 14 million units in 2025, this sector now consumes approximately 350 to 700 metric tons (11 to 22 Moz) of silver annually. The transition from internal combustion engines to electric platforms is ongoing, with hybrid and production expected to triple silver use in the automotive sector by 2040.



Source: Reuters

Electrical/Electronics: This segment remains silver's largest industrial application by volume, consuming 445.1 Moz in 2023, representing a remarkable 20% year-over-year increase. Future projections for the electronics sector suggest growth of 56% in the coming years. This growth is fuelled by 5G infrastructure development, the ongoing proliferation of consumer electronics (phones, tablets, wearables) , and the expanding use of advanced sensors and high-performance computing components essential for Artificial Intelligence infrastructure.

Global Silver Demand by Sector (2025E)				
Sector	Million Ounces (Moz)	Metric Tons (tonnes)	Share of Total Demand	Key Applications
Industrial Uses (Total)	**700-750 Moz**	**24245**	65%	Electronics, solar, EVs, medical, chemical
→ Electronics & Electrical	~465 Moz	15,666	42%	Circuit boards, sensors, switches, 5G, semiconductors
→ Photovoltaic (Solar Panels)	~196 Moz	6,714	18%	Silver paste for solar cells
→ Automotive (ICE + EV)	~90 Moz	2,984	8%	Wiring, sensors, battery management
→ Other Industrial (Medical, Chemical, Brazing, RFID, etc.)	~210 Moz	2,611	7%	Antibacterial, catalyst, alloys
Jewelry	~196 Moz	**6,341**	17%	Ornaments, fine silver jewelry
Silverware	~46 Moz	**1,119**	3%	Tableware, collectibles
Physical Investment (Bars & Coins)	~204 Moz	**6,714**	18%	Bullion, coins
ETFs & Institutional Holdings	~25 Moz	**746**	2%	Exchange-traded products
Total Demand	≈ 1,150 Moz	37,300	100%	—

Source: Reuters, Metals focus, Silver institute

Key Growth Drivers

1. **Solar (Photovoltaics):**
    - Fastest-growing segment — demand has doubled in 5 years due to solar installations.
    - Each GW of solar capacity uses **~500–600 kg of silver**.
    - Ongoing innovations (TOPCon, HJT, and perovskite cells) still rely heavily on silver paste.
2. **Electrification & EVs:**
    - Expected to add ~80–100 Moz of new demand by 2030.
    - Each EV uses **25–50 grams**, roughly 2–4 X an ICE vehicle.
3. **Electronics:**
    - Stable core demand for semiconductors, 5G, AI hardware, and consumer electronics.
4. **Medical & Other Uses:**
    - Silver's antibacterial and catalytic properties keep it relevant in niche industrial processes and healthcare applications.

Supply Constraints and Inventory Liquidity Analysis

Mine Supply Response Capacity

Current Situation (2024–2025)

- **Global mine production:** ~26,000 tonnes (≈840 Moz), rising only ~1% YoY.
- **Deficit:** Around **200–250 million oz (6,000–7,500 tonnes)** expected in 2025 — one of the largest in recent decades.
- **Reason:** Grade decline in mature mines (Mexico, Peru), limited new projects, and slow permitting in most regions.

Where Additional Mine Supply Could Come From			
Region	Current Production	Potential Increase (2025–2027)	Notes
Mexico	~6,200 tonnes	+300–400 tonnes	Slight expansion at Fresnillo & Peñasquito; constrained by water/power limits
China	~3,400 tonnes	+100–200 tonnes	Minor growth; many mines are base metal by-products
Peru	~3,000 tonnes	+200–300 tonnes	Restart of some zinc/silver operations if prices stay >$30/oz
Russia & Kazakhstan	~2,000 tonnes	+150 tonnes	Limited by sanctions & logistics
Australia & Bolivia	~2,500 tonnes	+200 tonnes	Moderate ramp-up from polymetallic projects
Africa (Morocco, Namibia)	~1,000 tonnes	+150 tonnes	Small but growing silver-linked output
New Projects (Global)	–	+300–500 tonnes	Mainly by-product expansions in copper/gold projects

Source: Reuters, Metals focus, Silver Institute

Total Potential Supply Increase (by 2027): ≈1,000–1,500 tonnes (~30–50 Moz)

That's only **one-third of the current annual deficit** — meaning mine supply can't quickly balance the market.

Global Visible Inventory Drain (The Physical Squeeze)

The structural supply deficit has resulted in an aggressive drain on above-ground, visible inventories, effectively forcing the market to consume its strategic stockpiles. Since 2019, data indicates that more than billion ounces (B oz) of silver have been drawn from "available mobile inventory" globally. This depletion is evident across all major storage centres.

LBMA (London): London vault holdings have demonstrated a dramatic contraction, falling from a record high of 35,667 tonnes during the Covid-era volatility of April 2020 to 24,581 tonnes as of the end of September 2025. This 31% decline over five years highlights the ongoing physical drain, which is partially fuelled by massive inflows into key consumer markets like India and sustained demand for investment bars and coins in the US and Germany.

SHFE (Shanghai): The market in China shows a parallel pattern of physical accumulation. Data in early 2025 revealed that visible silver vaults in Shanghai hit an 8-month low of 937 metric tons. This drawdown is characterized by rapid outflows, totalling 480 tons year-to-date. This activity suggests that market participants are removing silver from visible, reportable vault infrastructure into private holdings or long-term off-exchange warehousing, signalling a structural behaviour shift toward physical accumulation inside China.

COMEX (New York): The Commodity Exchange Inc. (COMEX) holdings, which include both Registered (available for immediate delivery against futures contracts) and Eligible (meeting standards but not designated for delivery) stocks, stood at a combined total of approximately 522.5Moz. The pressure on the Registered component, which is the immediate source of physical supply for the paper market, remains a critical indicator of physical stress.

Visible Inventories (as of 2025):		
Location	**Tonnes**	**Comment**
COMEX registered	~3,000	Falling rapidly; strong delivery pressure
LBMA vaults	~7,000	**Mostly backing ETFs**
China (commercial + state)	~8,000	Some strategic, slow to release
Other (India, private, USA bonded)	~5,000	**Partial liquidity**

Source: Reuters, Metals focus, Silver institute

Total visible inventories would be around **~23,000 tonnes**, but **only ~8,000–9,000 tonnes** are realistically available for sale. And estimated timeframe for market response would be somewhere between 3–9 months (logistics + arbitrage lag).

By-Product Dependency

Approximately 70% of silver comes as a **by-product** of zinc, lead, copper, or gold mining. So, silver output depends on the economics of those metals rather than silver price itself. Unless base metal prices rise significantly, **silver output elasticity remains limited**. A meaningful balance may not occur before 2028, even with higher prices

Probable Response Timeline (2025–2028)				
Year	Mine Supply	Recycling	Inventories	Net Market Balance
2025	Flat	+5%	-1,000 tonnes	Deficit ~6,500 tonnes
2026 E	+400 tonnes	+10%	-800 tonnes	Deficit ~5,500 tonnes
2027 E	+800 tonnes	+15%	-500 tonnes	Deficit ~4,000 tonnes
2028 E	+1,200 tonnes	Stable	Flat	Near balance possible

Source: Reuters, Metals focus, Silver institute

Hidden Inventories and Price Triggers for Release

The potential for hidden stockpiles to re-enter the market is a key variable in determining long-term price ceilings.

Chinese Accumulated Inventories: While official silver reserve data for China remains undisclosed, the aggressive drawdown in SHFE vaults suggests that any previous strategic accumulation phase by official bodies is likely over, having been replaced by genuine domestic industrial and investment demand. Given China's dominant position in global manufacturing - producing over 80% of global solar panels and maintaining a vast electronics manufacturing ecosystem - the nation is structurally dependent on silver imports to sustain output. Therefore, any existing national reserves are more likely earmarked for long-term strategic industrial security rather than market manipulation aimed at suppressing prices. A large-scale government release capable of alleviating global tightness would likely only be triggered by extreme price levels, potentially above the $80/oz projection, or under severe geopolitical necessity.

Pre-Tariff US Silver Flows: There was a significant flows of physical silver westward to New York ahead of the imposition of tariffs against key silver exporters like Canada and Mexico in March 2025. This pre-emptive securing of supply was highlighted by a dramatic 10% spike in one-month silver lease rates, signalling acute tightness in the physical market. This metal was secured at a high carrying cost. It is reasonable to conclude that this inventory is already allocated for industrial consumption or has entered long-term private holdings within the US, reducing global liquidity even if it temporarily stabilized COMEX stocks. This inventory is unlikely to re-enter the general market until the spot price significantly exceeds the high replacement cost (estimated above $60/oz), implying that these pre-tariff flows acted to solidify the higher price floor.

Projected Inventory Drawdown to End 2027

To project the future state of above-ground supply, the current structural deficit must be applied against the combined visible global inventory.

As of late 2025, the estimated combined visible inventory across major exchanges and vaults (COMEX, LBMA, SHFE) totals approximately 1.34B oz. Assuming the structural supply deficit of 150**Moz annually** persists through 2027 (based on the 2025 forecast), the physical market faces a critical liquidity challenge:

End 2025 Projected Inventory: 1.34 B oz − 150 M oz=1.19 B oz

End 2026 Projected Inventory: 1.19 B oz − 150 M oz=1.04 B oz

End 2027 Projected Inventory: 1.04 B oz − 150 M oz=0.89 B oz

While 890 Moz remains a substantial absolute figure, the most pressing risk lies in the ratio of Registered (deliverable) stock to annual industrial demand. As the total visible inventory decreases, the registered component, which underpins the integrity of the futures market, shrinks disproportionately. If registered stock falls below levels capable of covering three to six months of industrial demand, the market will enter a high-stress environment, forcing prices to extreme levels to achieve rationing equilibrium and prevent industrial shutdowns.

Market Microstructure: Backwardation, Warrants, and Arbitrage

The Signal of Backwardation and Physical Scarcity

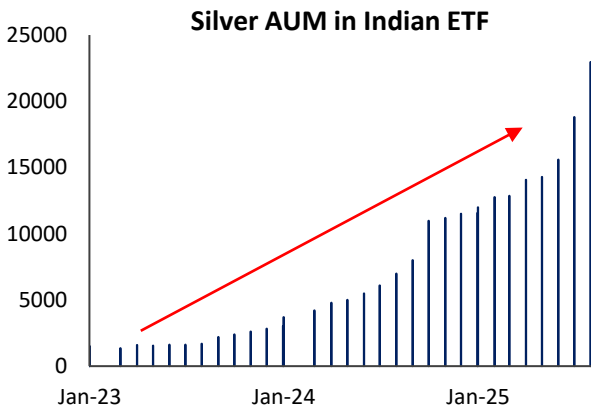
The relationship between the spot price and the futures price provides real-time diagnostics on the physical market's health. Backwardation is the phenomenon where the immediate (spot or cash) price of a commodity is higher than the price of a futures contract for later delivery. This condition inverts the standard cost-of-carry model, where futures prices typically exceed spot prices to account for storage, financing, and insurance.

For silver, backwardation serves as a critical, tradable signal that near-term physical supply is acutely scarce or that immediate demand exceeds forward market expectations. Silver experienced brief but meaningful backwardation in August 2025. This structural stress coincided directly with meaningful physical withdrawals from major exchange vaults, tightening the visible inventory and supporting high spot dealer premiums.

Backwardation confirms that real-world, immediate demand pressure, whether driven by industrial users or institutional investors taking physical possession, is momentarily dominating the expectations and narratives priced into the paper futures market. This market condition imposes higher immediate costs on physical buyers and inherently rewards those entities already holding physical metal, validating the premium associated with possession.

Exchange for Physical (EFP) and Delivery Mechanics

The Exchange for Physical (EFP) spread is a key indicator of liquidity and friction between the paper and physical markets. The EFP spread represents the cost difference involved in converting a futures position into a corresponding physical metal position.



Source: Reuters, MOFSL

An elevated EFP spread signals significant tightness in the physical silver market, reflecting the challenges traders face in sourcing physical metal to fulfil futures obligations. Recent data shows that the EFP spread reached 0.97 per ounce, suggesting increased difficulty and cost in bridging the gap between paper contracts and physical delivery. This tension increases the risk of delivery friction on major exchanges like COMEX and the LBMA. Fluctuations in the EFP, such as the temporary reversal in October 2025 that saw New York futures trade at a discount to spot, reflect temporary logistical imbalances in metal distribution (e.g., metal flowing back toward London) rather than a fundamental resolution of the underlying physical shortage.

Metal on Delivery Warrants and COMEX Drain

Physical delivery on the COMEX is represented by a registered warrant. A silver warrant is an electronic document issued by a COMEX-approved depository, representing 5,000 troy ounces of silver with a minimum 0.999 fineness. These warrants are tied to specific, identifiable bars and form the critical "Registered" component of COMEX inventory.

The process of inventory drain is often confirmed by the cancellation of warrants. When a futures contract holder exercises the right to take physical delivery and demands the removal of the metal from the exchange system (known as "load-out"), the associated warrant is formally "Cancelled". Exchange rules prioritize the load-out of metal represented by these cancelled warrants. Consequently, a sustained increase in the volume of cancelled warrants and associated load-out orders is a definitive signal that metal is permanently leaving the financial plumbing - whether for industrial fabrication, long-term private storage, or shipment to high-demand international markets - thereby directly tightening the critical registered inventory level required to back the paper market.

INR Investment Demand and ETF Dynamics

The investment case for silver in India is accelerating rapidly, moving beyond traditional cultural demand into institutional and retail investment vehicles. Silver ETFs in India have been notable outperformers in 2025, surging by approximately 69% year-to-date. This performance has attracted significant flows, evidenced by a **180% increase in monthly silver ETF inflows** in August 2025, reaching billion, compared to the previous fiscal year average of billion.

While gold ETFs maintain higher overall investor flow due to established cultural dominance and liquidity, the surge in silver ETF investment demonstrates growing institutional and retail interest in silver as both a high-beta growth investment and a hedge against inflation and geopolitical tensions. These ETFs, often backed by actual physical silver stored in vaults, provide efficient exposure to the global structural bull market.

Analysing the Spot Premium vs. MCX Futures Discount

The Indian silver market frequently exhibits a pricing anomaly: the physical spot market commands a significant premium over the international futures benchmark, while domestic Multi Commodity Exchange (MCX) futures may sometimes trade at a discount relative to the prevailing local spot price.

Primary Causal Factors for Spot Premium:

Structural Taxation Floor: Silver imports into India are subject to high customs duties, typically ranging between 7.5% and 12.5%, in addition to a flat 3% Goods and Services Tax (GST). These duties and taxes establish a substantial, non-negotiable floor for the domestic price, making imported physical metal inherently costlier than the international benchmark price translated at current exchange rates. Though currently the duty has been revised lower to 6% from 15% (inl. Cess).

Acute Physical Demand: Strong seasonal and cultural demand cycles in India, particularly during festivals like Diwali and Dhanteras, and wedding seasons, create periods of intense localized physical tightness. This acute demand pressure forces physical dealers to command high premiums above the theoretical cost-plus-duty price to ration limited immediate inventory.

Reason for MCX Futures Discount (or relative discount): MCX futures prices, while ultimately tied to global prices, primarily reflect the expected price at a future date, factoring in the cost of carry (storage, financing) and attempting to converge toward the global price. When localized spot demand is extraordinarily high due to festive buying or import friction, the spot price can spike, pushing it significantly above the price of deferred

futures contracts. This spot-forward inversion, or backwardation, in the domestic curve provides an indication of acute physical shortage dominating short-term financial expectations.

Smart Acquisition Strategy in INR

An optimal silver acquisition strategy in INR must capitalize on the powerful structural bullish trends (global deficit and INR depreciation) while mitigating risks associated with high local premiums and volatility.

Evaluation of Investment Vehicles:

Physical Silver (Bars/Coins): Offers direct ownership and zero counterparty risk. It is suitable for long-term investors seeking the assurance of physical possession. However, it requires secure storage, incurs potential insurance costs, and attracts the upfront 3% GST on the entire transaction value, often coupled with dealer premiums.

Silver ETFs and Mutual Funds: These are the most efficient and liquid vehicles for capturing the underlying structural bull market. They offer lower minimum investment size, high liquidity, and freedom from storage and purity concerns. The ETF route captures the price upside derived from global deficits and FX leverage without subjecting the investor to the immediate, high physical spot premiums.

MCX Futures: These are suitable only for high-risk traders seeking leverage and are market-linked.

Risk Assessment and Conclusion

Key Investment Risks

While the fundamental drivers for silver remain compelling through 2027, several key risks warrant careful consideration:

Volatility Risk: Due to its relatively smaller market size and dual role as both a monetary metal and an industrial commodity, silver exhibits high volatility, moving approximately 1.7 times faster than gold in either direction. Investors must employ disciplined risk management to handle sharp, sudden price swings.

Industrial Demand Sensitivity to Economic Contraction: The bull thesis relies heavily on sustained industrial consumption (59% of demand). A significant global economic contraction or recession could immediately reduce industrial demand for electronics and automotive components, offsetting safe-haven inflows and dragging prices downward. The pass-through of this impact is generally 2 -3 quarters, but the markets tend to discount this very quickly.

Substitution and Thrifting Risk: Sustained high silver prices could accelerate material substitution or radical thrifting initiatives in highly cost-sensitive industrial applications. Although current volume growth is overwhelming thrifting efforts in solar, technological breakthroughs in non-silver conductive materials pose a long-term threat

Final Conclusion: Why the Structural Bull Market is enduring

We think that investment case for silver through 2027 is on the endurance of a multi-year structural supply deficit, driven by inelastic mining output and accelerating demand from the green economy.

- **Short term (2025–2026):** Supply cannot respond fast enough. Tightness and backwardation likely persist.
- **Medium term (2027–2028):** Recycling helps modestly; some destocking at higher prices possible.
- **Long term (post-2028):** New projects and recycling could stabilize market — but at **higher price levels ($65–75/oz)**.

Fundamental Support: The core price appreciation is supported by irreversible, mandatory industrial consumption in solar PV and electric vehicles, giving the current rally a foundational strength unlike those seen in previous decades.

Inventory Crisis: Global visible inventories are being depleted at an annual rate of approximately 150Moz, leading to critical lows by the end of 2027. Market microstructure signals, such as periodic backwardation and high EFP spreads, confirm acute physical tightness and logistical stress.

Compounded Returns in INR: The simultaneous bullish factors of a surging USD silver price (targeting $77/oz by 2027) and a depreciating INR (projected 92.00–95.00 INR/USD range) provide compounded return potential, making silver a strategically compelling allocation for INR-based wealth creation. However, volatility is extreme (implied volatility on silver ETFs has spiked into the 80th-90th percentile), meaning prices will swing widely. The combined takeaway: current futures/backwardation signals urgency to hold physical now, as “spot > future” historically precedes 20–50% rallies in months.

The projected price targets for 2027 are attainable because the market must, by necessity, price silver high enough to ration demand, particularly from the industrial sector, to alleviate the structural deficit. For the majority of Indian investors, acquiring exposure efficiently through MCX futures till the market cool off to take the advantage of inverted market structure and backwardation, and till the forward premiums are higher than the normal rate of return and then shift to Silver ETFs for the long term purpose is the optimal strategy to capitalize on this enduring structural bull market.

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