



# A Note on Gold & Silver

## Gold

Gold USD/Oz 2900  
USD INR 87.311

Over the past decade, gold prices have shown significant fluctuations. For instance, gold prices surged by over 100% from Feb-20 to Feb-25, reaching an all-time high. With Gold reaching new highs in 2024, total gold demand rose 1% in Q4, reaching a new quarterly high as well and contributing to a record annual total gold demand of 4,974t for the year 2024. Central banks continued to buy gold in excess of 1,000t for the third year in a row, and annual investment reached a four-year high of 1,180t(+25%). This increase was driven by economic instability, inflation fears, and geopolitical events.

Global ETFs started this year with positive flows - global gold ETFs total AUM rose to US\$ 294bn and the holdings bounced to 3,253t.

China's official gold holdings stand at 2,285t, accounting for 5.9% of total foreign reserves. China announced a total of 44t gold purchases during 2024 despite its six-month pause in the middle of the year.

The gold rally has been stalled – but by no means reversed - global geopolitical risk thermometer remains high, news that Ukraine has reached a minerals 'deal' with the US administration over rare earth and other mineral deposits (BBC) could have an impact. If this plays some role in reducing geopolitical tensions, gold could weaken, but other risks remain. As the war continues and Ukraine's allies remain divided, geopolitical tensions may persist, which may support gold.

Broader financial markets appear to believe the impact of US trade policy on the global economy will not be easy, as there is no evidence that delay on tariffs have changed the outlook that tariffs will not be implemented by Trump.

The US House of Representatives narrowly passed a budget resolution aimed at extending tax cuts from 2017. A series of US\$ 4.5bn in tax cuts, which came into force in 2017, are due to expire at the end of this year unless the US Govt. agrees to extend them. The Budget Resolution process resulted in the approval of the bill by 217-215 votes. This bill proposes US\$ 2tn in spending cuts over ten years, with the potential for a further US\$ 2.6tn reduction in the deficit due to higher economic growth and other discretionary savings. If the promised tax cuts are implemented, fiscal deficit would increase; this would be positive for both gold and silver.

As the "trade war" intensifies, gold prices could stay strong and might come close to \$3,000 per ounce soon. China, Canada, and Mexico have all responded to US tariffs, creating more strain on financial markets and economies. China imposed 10-15% taxes on various American agricultural products, while Canada announced 25% tariffs on US products. Mexico plans to discuss the country's tariff measures at a rally on Sunday. If trade conflicts escalate further, gold prices could keep rising in the short term.

However, one potential downside for gold could come from the US Federal Reserve, as the Fed chair has indicated that the US interest-rate policy is stable and there's no immediate need for changes. The gold rally in 2024 was partly based on expectations of Fed rate cuts this year. If these cuts do not materialize, US monetary policy might hinder the gold rally.

China, the second-largest insurance market in the world, is looking to diversify its insurance funds into new types of assets. Gold stands out because it doesn't behave like other assets and has relatively stable long-term returns, making it a valuable, non-traditional choice for insurance portfolios. Adding gold to these portfolios can result in lower volatility, higher returns, and a better **balance between risk and reward**, helping to preserve or even increase asset value. Additionally, with global uncertainties rising, gold's role as a risk hedge makes it an effective tool for insurance funds to manage global risks.

## Silver

Silver prices in India have been on the rise, with experts predicting they could reach ₹1.17 lakh per kilogram within the next year. This increase is driven by several factors, including declining US interest rates, geopolitical uncertainties, and strong industrial demand for silver.

Silver has performed well recently, with prices rising 15% in 2024 and an additional 11% in early 2025. Indian silver imports have surged despite higher prices, reflecting strong investment demand. India imported a record 4,172 metric tons of silver in the first four months of 2024, up from 455 tons in the same period the previous year. This increase is due to rising demand from the solar panel industry and heightened investor interest, further fuelling this demand.

The demand for silver is expected to remain strong, especially from industrial applications such as electronic devices, circuit boards, solar panels, and electric vehicle batteries. We believe that silver's positive outlook will continue, supported by macroeconomic and geopolitical factors. Indian investors anticipate a price rebound in silver due to its lagging performance compared to gold. Improving rural consumption has also boosted Indian silver demand; Rural silver consumption accounts for around two-thirds of the total Indian demand.

The global silver market has been experiencing a supply deficit for the past three consecutive years. This means that the demand for silver has exceeded the supply during this period. The deficit is primarily driven by increased industrial demand, particularly for applications like solar panels and electronics, while silver mine production has not kept pace.

- **2022:** The global silver deficit was 71.5 million ounces.
- **2023:** The deficit increased to 85.7 million ounces.
- **2024:** The deficit continued to grow, reaching 120.3 million ounces.
- **2025:** The expectation on deficit is 170 million ounces.

## Gold Silver Ratio



Current Gold-Silver Ratio\*

88.36

5 Year High

125.89

5 Year Low

64.16

Simply put it shows how many ounces of silver can be used to purchase an ounce of Gold. A higher ratio says that silver is cheaper as compared to Gold, whereas lower ratio says that Gold is cheaper as compared to Silver.



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## Gold & Silver Prices



In terms of relative volatility and beta, silver is the high-beta version of gold and is relatively more volatile. Silver and gold prices usually have a strong positive correlation. As such, when gold prices move up, silver tends to move up more, thereby lowering the gold-silver price ratio. By contrast, during bear markets, the gold-silver ratio tends to rise.

### Target Gold:

- Gold – Below USD/Oz 3000 and in range of USD/Oz 2900 to 2999
- We anticipate that gold's rally may not continue, and a slight correction is possible. The \$3000 level is expected to be a strong resistance unless geopolitical tensions escalate.

### Target Silver:

₹1.17 lakh per kilogram in 12 to 18 months time frame

Silver fundamentally looks very strong; the only disadvantage is that this metal doesn't witness central government buying.

*This note is prepared dated 10th March 2025. \*Gold-Silver Ratio as on 13th March 2025. Source: RBI, World Gold Council, Bloomberg, CME Group, AxisMF Research.*

Past performance may or may not be sustained in future.

**Mutual Fund investments are subject to market risks, read all scheme-related documents carefully.**



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