



(Shutterstock)

# Silver: Not everything that glitters is gold

04 November 2024, 00:15 am MYT, written by UBS Editorial Team

**Gold remains an investor favorite for hedging portfolios against various risks, but the shift from a “soft landing” to a “no landing” argues for greater balance between defensiveness and exposure to economic growth. Silver has historically been strongly correlated with gold, while being better able to benefit from expanding industrial demand. We thus advise investors to stay long on silver and expect its price to reach USD 36-38/oz in 2025, with the gold-silver price ratio expected to fall from 84 currently to the mid-70s over the next 12 months.**

Having hit a new all-time high earlier last week, gold continues to be amongst the favorite risk hedges—certainly the favorite in the precious metals space. Year-to-date, gold has risen as much as 35% and demand continues to be robust amid multiple risk events and falling policy rates globally. This month at least, gold seems to have shown itself as the choice hedge against the risk of slower economic growth and an acceleration in inflation.

But gold is not the only precious metal whose price demonstrates an inverse relationship to risk aversion. Against the backdrop of resilient US GDP growth, investors might do well to consider an addition to portfolios that retains a good amount of defensiveness, while also incrementally adding to the ability of these portfolios to benefit from stronger economic growth: silver.

**Risk-hedge and reserves diversification demand look set to persist.** In our view, the most recent rally in gold has been driven by growing expectations of a Donald Trump win in the imminent US presidential race, in particular to trade tariffs, a higher US fiscal deficit, potentially slower GDP growth and higher inflation. Data from the World Gold Council shows that total demand has grown 5% year-on-year, with the quarterly total value exceeding USD 100 billion for the first time. Demand also appears to be broadening out: even as Asian central bank demand remains resilient, 3Q24 was

the first quarter since 1Q22 that saw positive inflows from North American-based ETFs, as the Federal Reserve embarked on its rate-cutting cycle. With US election uncertainty on the horizon and two geopolitical hot-spots still simmering, we continue to recommend gold's hedging qualities from a portfolio perspective, with an allocation of 5% in a diversified USD-denominated portfolio. We expect the price of gold to rise to USD 2,900/oz around September 2025.

**Silver to benefit from spillover demand.** Historically, the price of silver has demonstrated a high correlation with the price of gold. Since July 2020, the gold-silver price ratio has been largely constrained within a 75-90 range; this is especially salient from 4Q22 as both silver and gold prices rose around 70% during that time. While gold will likely remain the main vehicle for hedging risk, silver as another precious metal is likely to benefit as well. But in addition to that, silver also benefits to a greater degree than gold from resilient economic growth and growing industrial demand, something that might be useful for positioning portfolios to take advantage of the robust global economy, while maintaining a degree of insulation against event risks in the coming months.

**Stronger industrial demand for silver.** Recent data points out of the US have pointed to a greater likelihood of a “no landing” scenario—benign GDP growth with inflation close to the Fed’s target and growth at/above trend—rather than a “soft landing”. Additionally, we expect lower rates—not least of all in China—to kickstart a modest recovery in global manufacturing, which adds to silver’s industrial demand potential. Silver is heavily used by the tech and electric vehicle sectors as well as for the production of LEDs and solar panels due to its conductivity. Silver’s anti-bacterial properties also makes it well used for medical devices. This is also likely to see additional demand for physically-backed ETFs, with holdings already rising from 684mn oz in May to around 741mn oz in October. On the supply side, mining output should remain constrained in 2025.

We thus expect prices to reach USD 36-38/oz in 2025, and advise investors to stay long the metal or use it for yield pickup opportunities. Last week’s fall in the silver price makes it a 6.2% consolidation from the late-October high of USD 34.83. Additionally, it has seen the gold-silver price ratio rise from a recent low of just under 79 to around 84. Over the next 12 months, we expect this ratio to decline to the mid-70s, which implies an outperformance versus gold. We therefore advise investors to stay long on silver and/or use it for yield pickup opportunities.

## Disclaimer

This document is prepared and published by the Global Wealth Management business of UBS Switzerland AG (regulated by FINMA in Switzerland), its subsidiaries or its affiliates (“UBS”), part of UBS Group AG (“UBS Group”). UBS Group includes former Credit Suisse AG, its subsidiaries, branches and affiliates. In the USA, UBS Financial Services Inc. is a subsidiary of UBS AG and a member of FINRA/SIPC. Additional Disclaimer relevant to Credit Suisse Wealth Management follows at the end of this section.

**This document and the information contained herein are provided solely for your information and UBS marketing purposes.** Nothing in this document constitutes investment research, investment advice, a sales prospectus, or an offer or solicitation to engage in any investment activities. This document is not a recommendation to buy or sell any security, investment instrument, or product, and does not recommend any specific investment program or service.

Information contained in this document has not been tailored to the specific investment objectives, personal and financial circumstances, or particular needs of any individual client. Certain investments referred to in this document may not be suitable or appropriate for all investors. In addition, certain services and products referred to in the document may be subject to legal restrictions and/or license or permission requirements and cannot therefore be offered worldwide on an unrestricted basis. No offer of any product will be made in any jurisdiction in which the offer, solicitation, or sale is not permitted, or to any person to whom it is unlawful to make such offer, solicitation, or sale.

Although all information and opinions expressed in this document were obtained in good faith from sources believed to be reliable, no representation or warranty, express or implied, is made as to the document’s accuracy, sufficiency, completeness or reliability. All information and opinions expressed in this document are subject to change without notice and may differ from opinions expressed by other business areas or divisions of UBS Group. UBS is under no obligation to update or keep current the information contained herein. **The views and opinions expressed in this material by third parties are not those of UBS.** Accordingly, UBS does not accept any liability over the content shared by third parties or any claims, losses or damages arising from the use or reliance of all or any part thereof.

All pictures or images (“images”) herein are for illustrative, informative or documentary purposes only and may depict objects or elements which are protected by third party copyright, trademarks and other intellectual property rights. Unless expressly stated, no relationship, association, sponsorship or endorsement is suggested or implied between UBS and these third parties.

Any charts and scenarios contained in the document are for illustrative purposes only. Some charts and/or performance figures may not be based on complete 12-month periods which may reduce their comparability and significance. Historical performance is no guarantee for, and is not an indication of future performance.

Nothing in this document constitutes legal or tax advice. UBS and its employees do not provide legal or tax advice. This document may not be redistributed or reproduced in whole or in part without the prior written permission of UBS. To the extent permitted by the law, neither UBS, nor any of its directors, officers, employees or agents accepts or assumes any liability, responsibility or duty of care for any consequences, including any loss or damage, of you or anyone else acting, or refraining to act, in reliance on the information contained in this document or for any decision based on it.

**Additional Disclaimer relevant to Credit Suisse Wealth Management:** Except as otherwise specified herein and/or depending on the local entity from which you are receiving this document, this document is distributed by UBS Switzerland AG, authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA). Your personal data will be processed in accordance with the Credit Suisse privacy statement accessible at your domicile through the official Credit Suisse website <https://www.credit-suisse.com>. In order to provide you with marketing materials concerning our products and services, UBS Group AG and its subsidiaries may process your basic personal data (i.e. contact details such as name, e-mail address) until you notify us that you no longer wish to receive them. You can optout from receiving these materials at any time by informing your Relationship Manager.

Please visit <https://www.ubs.com/global/en/wealth-management/insights/chief-investment-office/marketing-material-disclaimer.html> to read the full legal disclaimer applicable to this document.

© UBS 2024. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.