

FX Thoughts

13 October 2025

Silver's blistering run

Silver's surge above USD 51 reflects a convergence of structural tightness, macro tailwinds and technical breakout momentum. The dual role of silver — as both a precious and industrial metal — has amplified its appeal in an environment of easing yields and resilient growth.

While near-term volatility is likely after such a steep run-up, the medium-term outlook remains supported by ongoing supply deficits, Fed easing cycle and sustained industrial consumption trends.

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Silver at all time high

Silver's sharp rally past the USD 51/oz has already surpassed its previous high of near \$50 in 2011. Amongst other precious metals, silver has also notched a strong rally (up 78% YTD while platinum leads at 80%). The surge in silver underscores how a convergence of structural supply tightness, momentum buying, and a conducive macro environment has reignited interest in the white metal. With gold at record highs, real yields declining, and global growth holding steady, silver has found itself in a 'sweet spot' — balancing both its precious and industrial characteristics. We look at the key drivers behind the surge.

Precious metals showdown: Platinum leads with Silver trailing closely

Precious metal prices (indexed to 100: 31 Dec 2024)

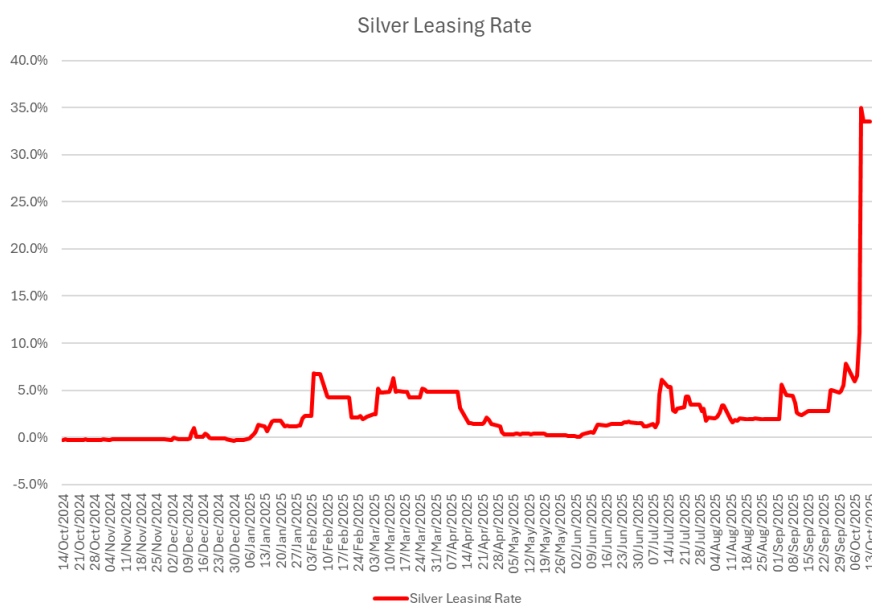


Source: Bloomberg (YTD as of 13 Oct), OCBC Research

Physical supply stresses

Market tightness has become severe. Silver lease rates have surged to around 33%, reflecting scarcity of deliverable metal and heightened competition for physical supply. Spot-futures spreads have flipped into steep backwardation, while London vault inventories continue to draw down. Refinery bottlenecks are compounding the shortage, as processing constraints slow the conversion of mined output into refined bars. These factors together have created a pronounced physical squeeze — the primary catalyst for the price breakout.

Cost to borrow silver surged



Source: Bloomberg, OCBC Research

Investor demand gathers momentum

Investor interest has picked up meaningfully in recent weeks. Heightened geopolitical risk, renewed fiscal uncertainty in the U.S. and still-sticky inflation have driven fresh allocation into precious metals. The clean break above the long-standing USD 50 threshold drew in momentum traders and systematic buying, reinforcing the move.

Exchange-traded fund (ETF) inflows have turned positive again, while futures positioning shows speculative longs climbing to multi-month highs. This renewed participation has magnified price moves in a market already constrained by tight supply.

Silver ETF holding and prices moving higher



Source: Bloomberg, OCBC Research

Conductive backdrop

Silver sits uniquely between the dual characteristics of precious and industrial demand dynamics that has kept it well supported. On one hand, its safe-haven appeal benefits from the same drivers lifting gold and on the other, sustained industrial demand from solar, EV and electronics sectors continues to underpin real consumption. With global growth still holding up and Fed easing expectations intact, the combination of tight supply, solid industrial usage and macro tailwinds places silver in a sweet spot within the commodities complex.

To add, broader strength in gold, which recently crossed the \$4,000 mark likely have spurred spillover effect onto “less expensive” precious metals including silver.

Outlook and risks

While the broader backdrop remains constructive, the near-term risk-reward balance may have turned more delicate following the sharp rally. Profit-taking and position unwinds may potentially emerge on any signs of supply relief either through increased mine output, improved refinery throughput or an inventory release — these could ease the current squeeze. The risk of a slowdown on pace of Fed easing or a rebound in real yields may also temper enthusiasm for non-yielding assets. Additionally, if industrial demand slows alongside weaker global growth, silver’s cyclical component could become a drag, limiting upside momentum.

XAG Technical Outlook

Silver extended its run-up this morning. Last seen at 51.50 levels. Silver sits in a sweet spot benefiting from dual characteristics of precious and industrial demand. Tight supply and industrial demand, Fed easing cycle while global growth still holding up may see white metal supported.

Weekly, daily momentum remain bullish while RSI rose into overbought conditions (on weekly, daily chart). Risk of pullback not ruled out. Support at 49.60, 46 levels (21 DMA).

Resistance at 52.40 levels (138.2% fibo extension), 53.70 (150% fibo ext) and 55 levels (161.8% fibo).

Silver (Daily chart): Steep ascend



XAG Currency (Silver Spot \$/Oz) Candle Chart Daily 13OCT2022-13OCT2025

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Source: Bloomberg, OCBC Research

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