

ESG/FX

17 June 2025

Silver: A Silver Lining in Volatile Times

The outlook for silver remains positive. We modelled the relationship between several key drivers in attempt to find the “fair value”, which appears to suggest that there is room for further upside. The potential for post-war reconstruction in Ukraine and Gaza, at some point could further boost demand for silver in infrastructure and technology applications. Additionally, silver's role in the low-carbon transition, alongside its traditional safe-haven appeal amid geopolitical uncertainties and inflationary pressures, enhances its attractiveness to investors. With ongoing challenges in global silver supply and positive spillover effects from gold's rally, silver is well-positioned as both a critical industrial metal and a reliable investment asset in the evolving economic landscape.

Christopher Wong

FX and Rates Strategy

ChristopherWong@ocbc.com

Ong Shu Yi

ESG Research

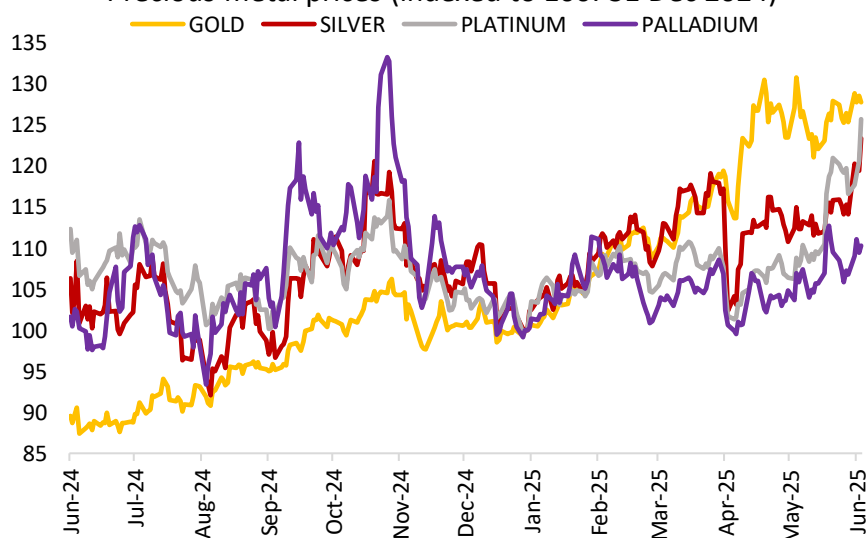
ShuyiOng1@ocbc.com

Assisted by Miki Tan Wei Xi

Recent silver rally and demand drivers

Prices of silver continue to rise alongside other precious metals, including gold, platinum and palladium this year. YTD as of 5 Jun, gold leads with 27% gain, followed by platinum at 25% and silver trailing at 23%. The surge in silver prices is attributed to a confluence of drivers, including geopolitical and economic policy uncertainties, such as Trump tariffs, industrial demand (solar panels), and diversification flows due to the de-dollarisation trend, which have boosted the appeal of precious metals.

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

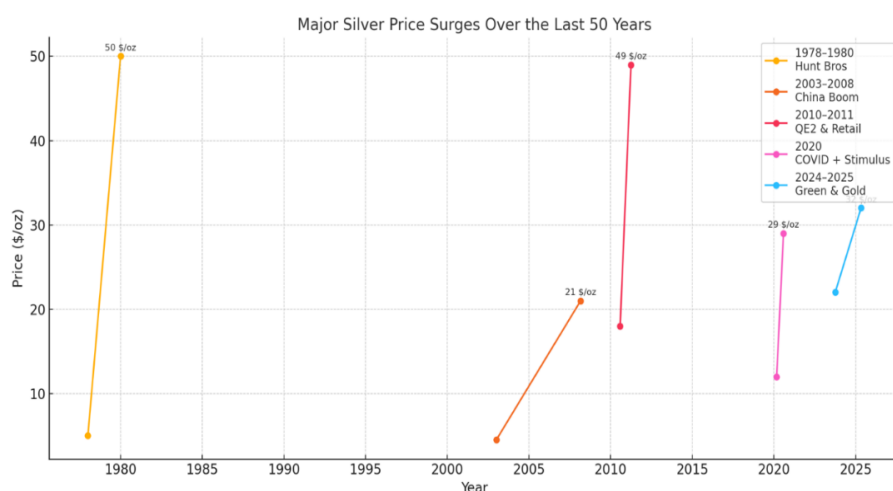


Source: Bloomberg, OCBC Research

This report was first published as part of the thematic reports in the 2H 2025 Global Outlook, sent on 13 June 2025

Historical context – silver

Over the past 50 years, silver has experienced several significant price surges, typically driven by a combination of monetary factors, geopolitical tensions, and industrial demand shocks. By looking at historical silver prices and economic events, we attempt to better understand the primary drivers behind silver price surges.



Source: Bloomberg, OCBC Research

Late 1970s–Early 1980s: During this period, silver prices soared to approximately \$50/oz, marking a tenfold increase from around \$5/oz. This surge, which lasted from 1978 to January 1980, was primarily driven by the Hunt Brothers' attempt to corner the silver market. The Texas oil tycoons aggressively purchased physical silver and futures, controlling over 100 million ounces of silver at one point. Additionally, high inflation and a weak U.S. dollar, compounded by geopolitical tensions such as the Iranian Revolution in 1979 and the Soviet invasion of Afghanistan, contributed to the rally. Investors sought hard assets like gold and silver as hedges against inflation, and prices were further fuelled by a speculative frenzy characterised by increased leverage and retail participation. However, this bull market ended abruptly in March 1980 when the COMEX changed margin rules, leading to a dramatic collapse in prices back to around \$10/oz.

2003–2008 Commodity Supercycle: Silver experienced another significant surge from 2003 to March 2008, with prices rising from approximately \$4.50 to \$21/oz. This price movement was largely driven by a commodity boom led by China's rapid industrialisation, which significantly increased silver demand particularly in electronics and solar applications. The weak U.S. dollar and the Federal Reserve's monetary policy easing following the dot-com bubble and the September 11 attack also played a crucial role. The launch of silver exchange-traded funds (ETFs), such as SLV in 2006, provided investors with easier access to the market. Additionally, the rally in precious metals was supported by gold's rise from around \$400/oz to \$1,000/oz during this period. However, the 2008 Global Financial Crisis resulted in a

sharp correction, with silver prices falling back to approximately \$9/oz due to liquidity-driven selling.

2010–2011 QE-Driven Rally: Another notable surge occurred between August 2010 and April 2011, when silver prices climbed from about \$18/oz to nearly \$49/oz. This rally was primarily fuelled by the implementation of Quantitative Easing (QE1 and QE2), which raised inflation fears in the aftermath of the Global Financial Crisis. Concerns over U.S. dollar debasement due to rising national debt and fears of fiat currency dilution also contributed to the surge. Retail and speculative mania played a significant role, as silver was perceived as a "poor man's gold," attracting substantial retail inflows. Additionally, the compression of the gold-to-silver ratio led investors to rotate into silver, believing it was undervalued compared to gold. However, this rally was short-lived, as the CME raised silver margins multiple times in May 2011, triggering a sharp correction that saw prices fall below \$30/oz by the end of 2011.

2020–2021 COVID and Stimulus Rally: The most recent surge occurred between March and August 2020, with silver prices increasing from approximately \$12/oz to \$29/oz. This rally was driven by massive global stimulus measures, including trillions in fiscal and monetary support, and low real interest rates. Investors sought silver as an inflation hedge amid fears of future inflation stemming from extensive money printing. A retail frenzy, often referred to as the "silver squeeze," was fuelled by social media platforms like Reddit, temporarily pushing prices above \$30/oz. Additionally, rising expectations for solar demand in the wake of the COVID-19 pandemic contributed to the surge. However, the lack of follow-through and eventual tightening by the Federal Reserve tempered the rally.

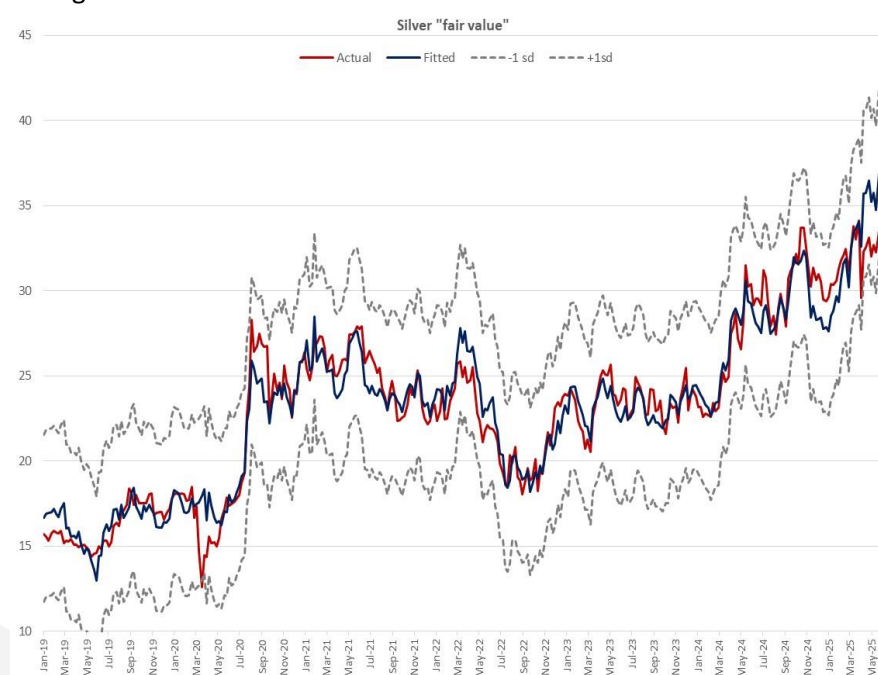
Since 2024, Green, Gold, De-dollarisation wave (Ongoing): Since early 2024, silver has experienced 2 waves of price increases, from \$22/oz to a high of \$34.80/oz in October 2024 before retracing lower. The second wave started at the start of 2025, with silver prices rising from \$29/oz to \$33–\$34/oz. Current drivers of this rally include expectations of Federal Reserve rate cuts. Gold's recent rally to new all-time highs is also spilling over into silver markets. Strong industrial demand for silver, particularly in solar panels, electric vehicles, and green technology, is further supporting prices. Additionally, tight supply conditions, with global silver production remaining relatively flat and rising deficits, are contributing to the upward momentum. Finally, the de-dollarisation narrative, with emerging market central banks seeking to diversify their reserves, is adding to the bullish sentiment surrounding silver.

Silver price model and “fair value” assessment

Drawing on the last 50 years of silver price cycles — marked by sharp surges and corrections — we identify recurring macro drivers such as geopolitical tensions, inflation concerns, monetary policy shifts, investor sentiment, and industrial demand.

To quantify these dynamics, we employ a reduced-form econometric model that estimates silver’s “fair value” based on key macro and market-based inputs. Specifically, the model incorporates: COMEX silver positioning (as a proxy for investor sentiment); 10-year breakeven inflation rates (proxy for inflation expectations, shifts in market expectations on monetary policy, economic conditions); Gold prices (proxy for safe-haven demand), US 10y real yields (opportunity cost of holding non-yielding assets); prices of copper (as proxy to industrial demand); and the DXY dollar index (USD trend).

Using current values for these inputs, the model suggests a fair value for silver around \$37.40/oz, compared to the prevailing spot price of approximately \$36/oz. This implies there is still some upside potential for silver, should macro conditions remain supportive, or sentiments strengthen further.



Note: OLS regression on weekly frequency data starting 1 Jan 2019 till 4 June 2025

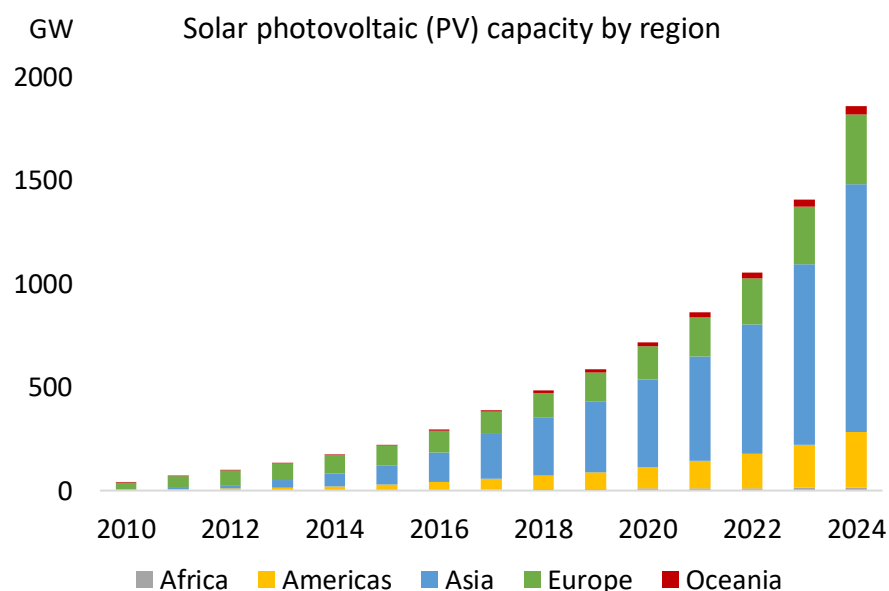
Source: Bloomberg, OCBC Estimates

Strong momentum behind low-carbon transition persists

The industrial applications of silver are diverse, spanning electronics, solar energy, automotive and medical technologies. The importance of silver’s role in the low-carbon transition is evident in its various applications across Electric Vehicles (EVs) and renewable energy technologies. Silver possesses the highest electrical and thermal conductivity of all metals, a property that

is especially important in technologies such as EV batteries and solar photovoltaic (PV) cells.

Robust growth in the solar sector is expected to remain a major factor in driving silver demand, with a significant portion of this growth projected to come from China as the global leader in solar PV installations. China broke its own records for new solar power installations in 2024, with installed solar capacity increasing by 45.2%, according to China's National Energy Administration. While China is facing solar panel oversupply issues, a more balanced supply-demand situation may be achieved by 2027 following continued policy tightening and industry consolidation. Many countries are also pushing for greater adoption of renewables as they strive towards reducing their reliance on fossil fuels, in efforts to achieve their climate targets.



Source: IRENA, OCBC Research

According to the IEA's Global Energy Review, 80% of the growth in global electricity generation was provided by renewable sources and nuclear power. Global new renewables installations hit record levels for the 22nd consecutive year, of which nearly 80% was solar PV. As the demand for solar energy continues to rise, silver's critical role in solar PV is likely to further support prices.

There are also important applications in other nascent low-carbon technologies such as carbon capture and storage (CCS) and nuclear. The stability of silver at high temperatures can enhance the cost-effectiveness of CCS technologies, in addition to its use as a material in nuclear reactors' control rods to control the rate of nuclear fission. This is due to the metals' high mechanical strength and corrosion-resistant properties, that allows it to absorb neutrons without undergoing nuclear fission itself. Nuclear power currently accounts for around 10% of global electricity supply and is

experiencing renewed momentum, set to reach a new record in 2025 and bolster energy security as electricity demand accelerates. There is growing interest in harnessing nuclear power, because of advanced nuclear technologies that offer enhanced safety and suitability for urban environments e.g. small modular reactors. This interest reflects a broader trend towards exploring diverse energy sources to ensure enhanced energy resilience.

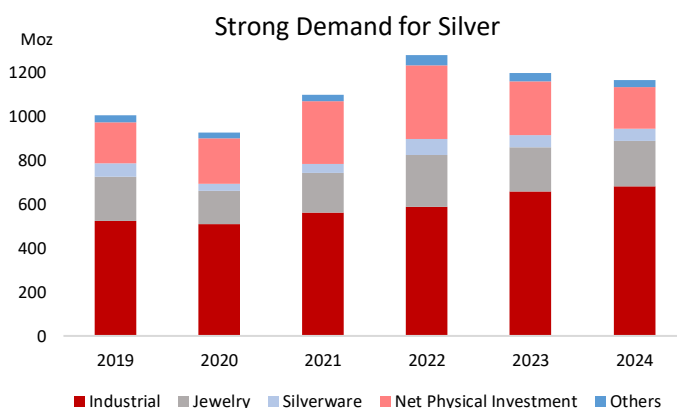
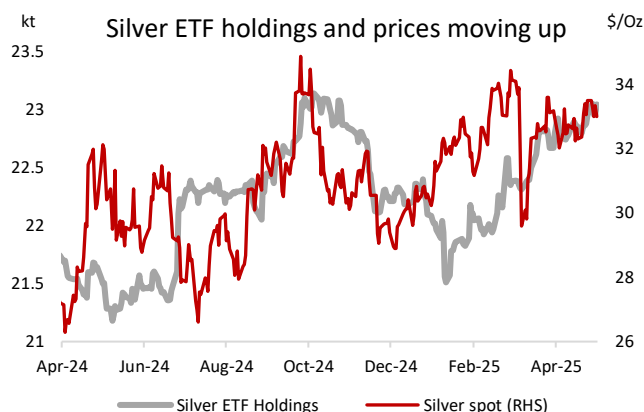
The Trump administration, despite halting support for many clean energy initiatives, has expressed support for nuclear energy. This can facilitate new opportunities for partnerships between the US and Southeast Asia in nuclear technology transfer and capacity building, particularly given the growing interest and renewed optimism for nuclear energy in Southeast Asia. For example, it was announced at Singapore Budget 2025 in February that Singapore will study the potential deployment of nuclear power in Singapore, with plans to develop related capabilities, including nuclear safety. Indonesia also aims to incorporate 10GW of nuclear power as part of its clean energy expansion plans by 2040.

Therefore, the properties of silver allow it to play an important role in the ongoing low-carbon transition across various technologies. As demand from clean energy industries continues to rise, it is likely to further support silver prices.

Safe-haven appeal of silver

Beyond its industrial applications, silver has long been viewed as a safe-haven asset. When geopolitical risks, inflationary pressures, or financial instability rise, investors often turn to precious metals like gold and silver to preserve wealth.

1. **Geopolitical Risks and Market Volatility:** Even if conflicts in Ukraine and Gaza de-escalate, other geopolitical risks—such as tensions in the Taiwan Strait or global economic instability—could sustain demand for safe-haven assets.
2. **Monetary Policy and Inflation Hedge:** Historically, silver has served as an inflation hedge. With central banks navigating interest rate policy shifts, any dovish turn could support silver prices by making non-yielding assets more attractive.
3. **Retail and Institutional Investment Demand:** ETFs backed by physical silver, as well as growing retail interest in silver bullion and coins, highlight the metal's continued role as a wealth preservation asset. As macroeconomic uncertainty persists, silver's safe-haven status will likely continue to attract investor demand alongside its industrial applications.

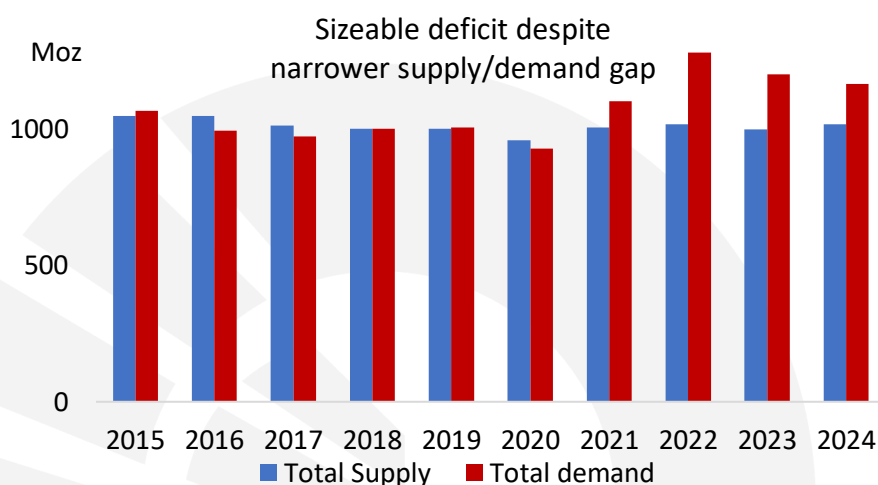


Source: Bloomberg, Metals Focus, OCBC Research

Potential demand for post-war reconstruction

The potential resolution of conflicts in Ukraine and Gaza, at some point could lead to significant reconstruction efforts, thereby increasing the demand for industrial metals, including silver.

- Infrastructure and Construction:** Post-war rebuilding efforts typically involve large-scale infrastructure development, including power grids, telecommunications, and transportation systems. Silver, with its superior conductivity and corrosion resistance, plays a crucial role in these areas.
- Electronics and 5G Expansion:** Silver is a critical material in electronic components and 5G technology. The push for modernisation post-conflict could drive additional demand in these areas, reinforcing silver's industrial importance. While industrial demand alone may not dictate silver's price, its dual role as a precious metal enhances its appeal, particularly in uncertain economic conditions.



Source: Metals Focus, OCBC Research

The outlook for silver remains constructive, driven by five key factors: strong momentum behind the low-carbon transition, safe-haven appeal, physical market undersupply, positive spillover effects from gold prices onto other “less expensive” precious metals and potential industrial demand for post-war reconstruction demand.

As global markets navigate evolving geopolitical and economic landscapes, silver remains well-positioned as both a critical industrial input and a reliable investment asset.

Technical momentum appears supportive

Silver (XAG) rose ~25% since start of the year. Last at 36.15 levels. Underlying momentum as seen on monthly and weekly charts remain bullish though RSI is approaching near-overbought conditions. Key resistance at 35.22 (61.8% fibo retracement of 2011 high to 2020 low). Sustained price action above this level should continue to see price momentum build up further. Next resistance at 40.80(76.4% fibo), 44 levels. Support at 33.60 (21 DMA), 30.72 (50% fibo).



Macro Research

Selena Ling
Head of Research & Strategy
lingssselena@ocbc.com

Herbert Wong
Hong Kong & Taiwan Economist
herberthtwong@ocbc.com

Jonathan Ng
ASEAN Economist
jonathannq4@ocbc.com

Tommy Xie Dongming
Head of Asia Macro Research
xied@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
lavanyavenkateswaran@ocbc.com

Ong Shu Yi
ESG Analyst
shuyiong1@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau Economist
cindyckeung@ocbc.com

Ahmad A Enver
ASEAN Economist
ahmad.enver@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Head of FX & Rates Strategy
francescheung@ocbc.com

Christopher Wong
FX Strategist
christopherwong@ocbc.com

Credit Research

Andrew Wong
Head of Credit Research
wongvkam@ocbc.com

Ezien Hoo, CFA
Credit Research Analyst
ezienhoo@ocbc.com

Wong Hong Wei, CFA
Credit Research Analyst
wonghongwei@ocbc.com

Chin Meng Tee, CFA
Credit Research Analyst
menqteechin@ocbc.com

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