

# Commodities Insight

## 'Gold'en Ratio Reset

January 21, 2026

- Silver has delivered an exceptional rally of over 200% in 12 months, sharply outperforming gold's ~80% rise, making it one of the strongest-performing assets globally
- Outperformance has compressed the gold–silver ratio from pandemic highs ~127 to ~50 at start of 2026, signalling that a large part of silver's catch-up trade has already played out
- Despite strong prices, global silver ETFs have seen outflows of over 3 million ounces since the start of 2026
- In contrast, global gold ETFs have continued to attract steadier inflows, highlighting a gradual shift from higher-beta exposure toward safer havens
- Rising macro uncertainty is coinciding with a surge in global liquidity — U.S. M2 money supply stands near ~\$22 tln, while China's M2 has crossed ~¥340 tln, growing at over 8% YoY
- Expanding money supply is adding excess liquidity to markets, increasing volatility, and demand for inflation hedges
- War like situation between US- Venezuela, Iran, tensions in Middle East and otherwise is creating unrest along with delayed impact of tariff and US Shutdown
- *In such environments, capital typically rotates from riskier assets toward defensive stores of value, favouring gold over silver in the short term*
- Silver physical markets remain tight, with Shanghai trading \$10–11 above COMEX and MCX at over 10% premium, reflecting inventory stress but, also stretched pricing post rally
- While silver retains strong long-term upside driven by industrial demand and supply constraints, near-term risk-reward has become more imbalanced
- Gold, with lower beta and stronger defensive characteristics, appears better positioned to benefit from rising uncertainties and liquidity-driven volatility
- Our view remains positive on both gold and silver, but near-term allocation can be tilted more towards gold than silver
- Silver remains a long-term core holding, while gold offers a safer near-term catch-up opportunity
- Having captured the silver move effectively from ₹60,000 to ₹3,20,000, portfolio rebalancing by larger players is increasingly likely at current levels.



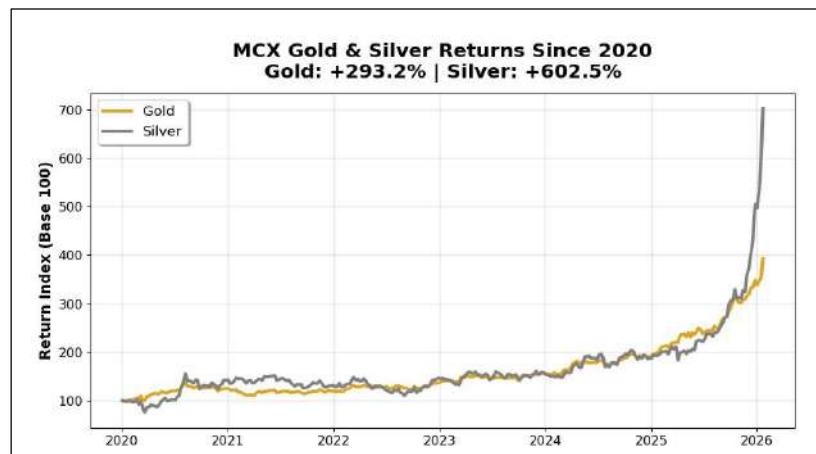
\* We are not changing our stance or view on precious metals, just suggesting rebalancing of weightages

## Relative Performance & Mean Reversion

Silver has outperformed sharply in a short span, while gold has moved in a more orderly and sustained trend.

After such divergence, portfolios are often rebalanced to lock in relative outperformance and rotate into the asset that is less stretched.

→ Move is about relative valuation, not a negative view on silver.



## Volatility Management

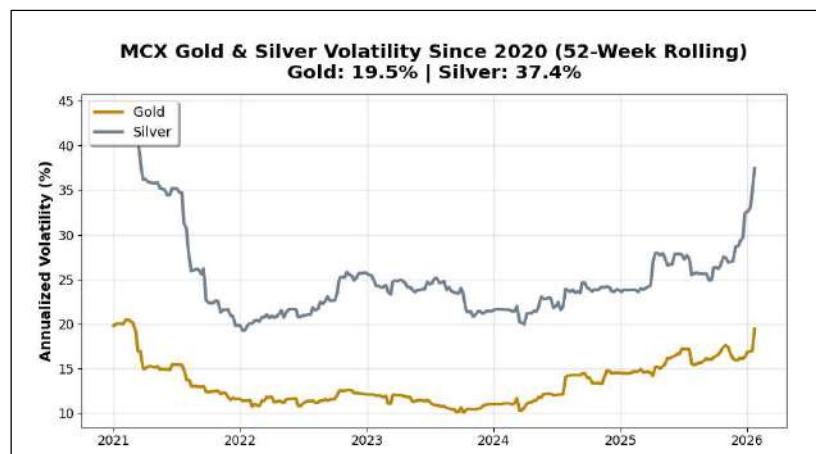
Silver volatility has expanded significantly, with wider daily ranges and faster swings. Gold, on the other hand, continues to show trend stability with controlled pullbacks.

→ Increasing gold weight helps smooth portfolio volatility while retaining exposure to metals.

## Risk–Reward Skew

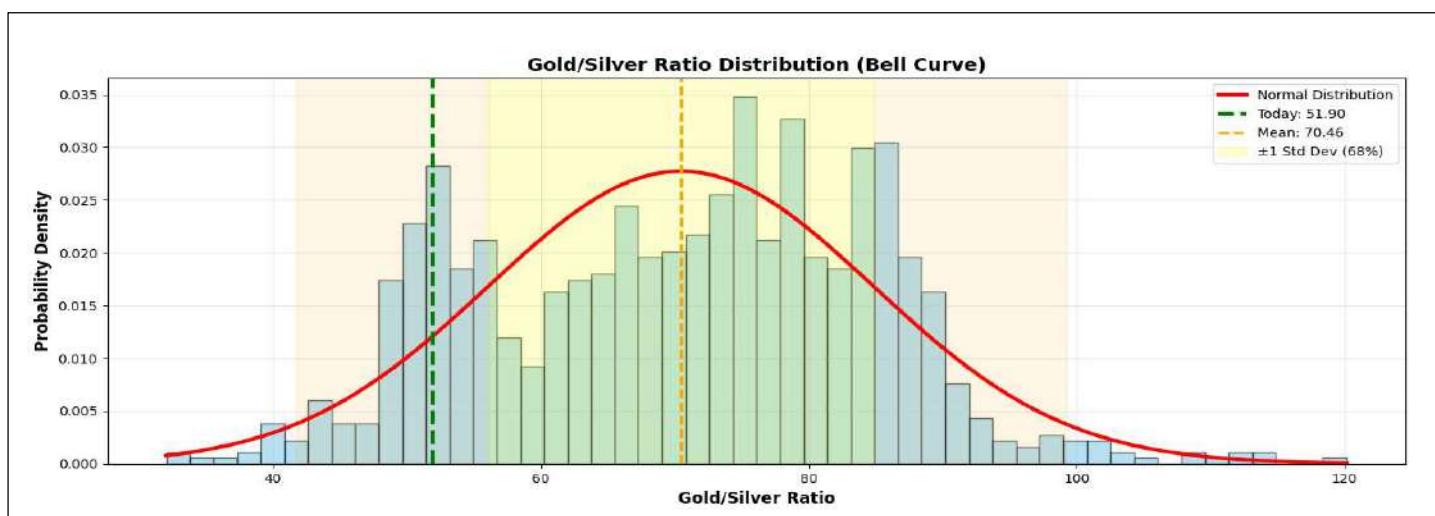
Silver offers higher upside but disproportionate drawdown risk. Gold offers lower volatility with better risk-adjusted continuation

→ Reallocation improves risk-adjusted returns, not absolute returns.



## Gold–Silver Ratio Signals Rebalancing

The **Gold–Silver Ratio** has a long-term average near **70** and is currently near **50**, placing it near **lower levels**. Such levels have historically been **unsustainable**, with the ratio reverting higher over time. A move back toward **65–70** would imply **relative outperformance of gold**, supporting a **higher allocation to gold as a risk-managed positioning**, not a negative view on silver.



## Technical Analysis



- The ratio marked a lifetime high of 126.51 in Mar'20 (COVID peak) and reversed sharply to 62.12, indicating strong silver outperformance
- From 62.12, gold outperformed silver, pushing the ratio higher toward 95, followed by a range-bound phase between 74–95 until mid-2024
- In 2025, the ratio surged again to 105.58 (Apr'25) but reversed sharply to a recent low near 49.50, with silver regaining leadership
- Historically, major reversals have occurred when monthly RSI approaches ~24 (circled on chart) also key support lies near 33 (green arrow) above which confirms the trend reversal



- After a downward sloping channel (peak 59.88), the ratio formed a symmetrical triangle
- Upside breakout near 51 signals a potential near-term reversal
- Immediate target at 54.65, aligning with 50% retracement and triangle projection
- Bias remains positive above 49.50 (recent low); sustained break below negates the view
- A positive turn in the ratio implies near-term gold outperformance, with extension possible toward 60.

## Scenario Analysis

### Scenario 1 Partial Profit Booking



### Scenario 2 Rebalancing Strategy



### Scenario 3 Fresh / Continued Investment

#### Staggered Approach



#### Invest Gradually



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