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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

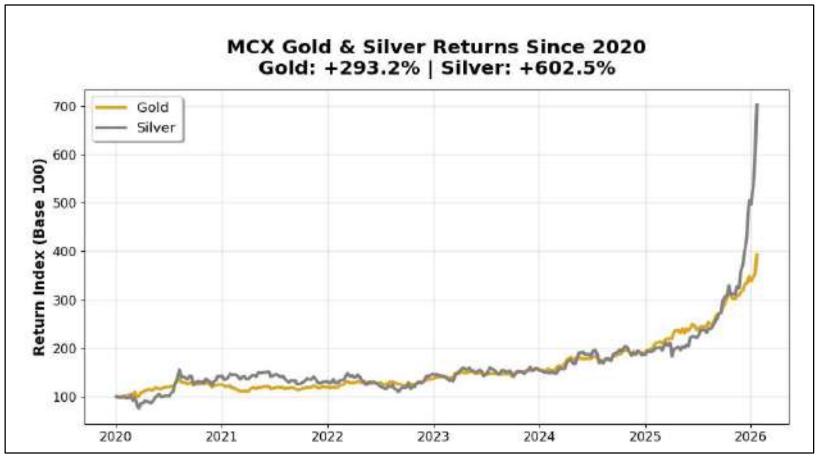
• Having captured the silver move effectively from ₹60,000 to ₹3,20,000, portfolio rebalancing by larger players is increasingly likely at current levels.

*** We are not changing our stance or view on precious metals, just suggesting rebalancinig 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.

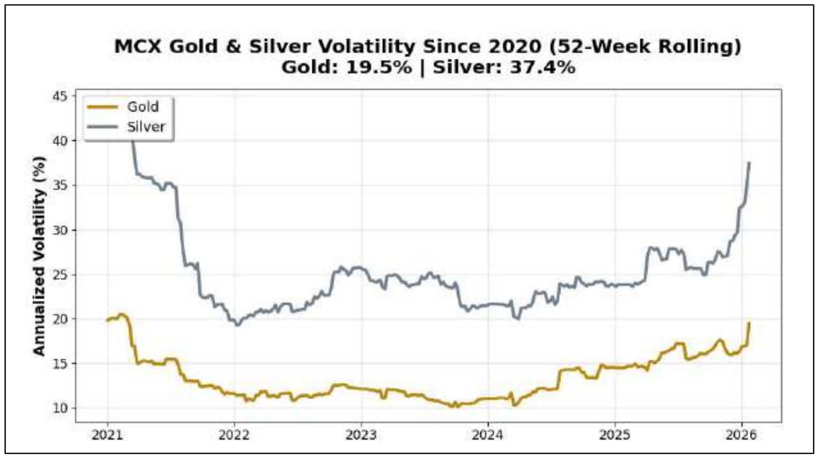
➞ Move is about relative valuation, not a negative view on silver.



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.



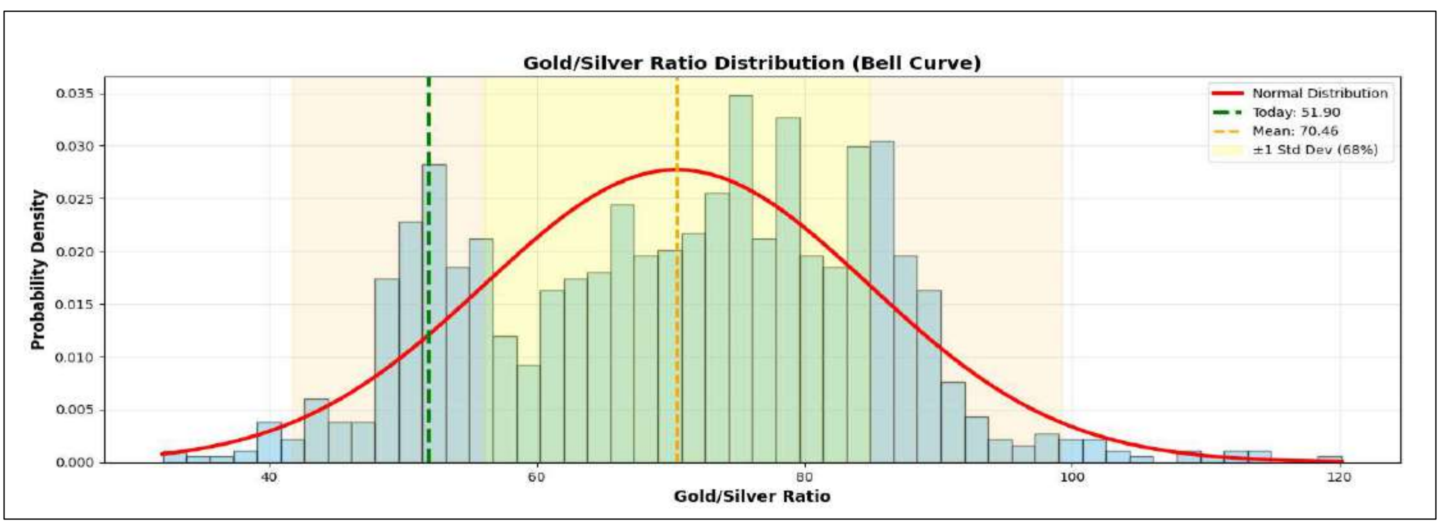
Risk–Reward Skew

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

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