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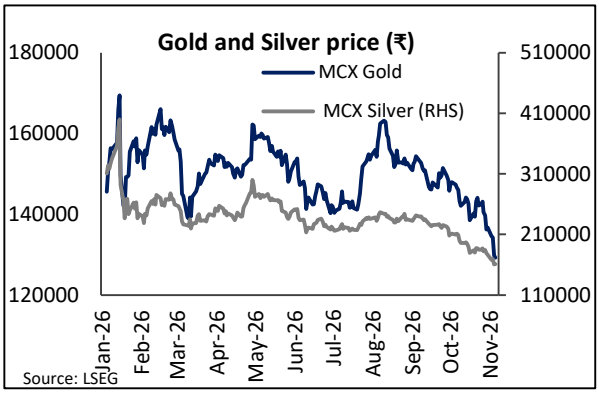
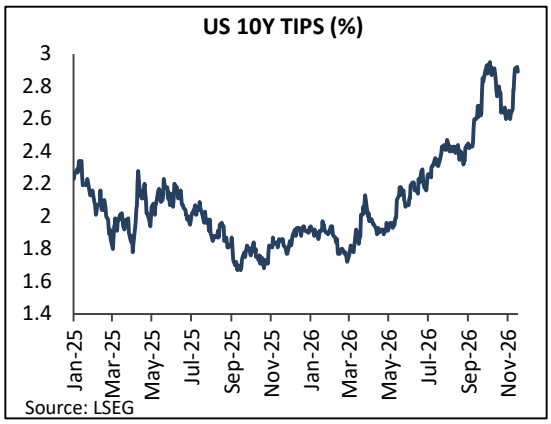
Gold and Silver : Correction Amid Rising US Rate Expectation

19th November 2026

Gold and silver have witnessed a sharp correction, with the sell-off intensifying in November. Till now this year, Gold declined nearly 30% to below $3,700, its lowest level in 14 months, while silver dropped ~60% towards $45. Correction has extended beyond a routine profit-booking phase, reflecting a combination of hawkish Federal officials' commentary, aggressive rate hike expectations, dollar strength, speculative liquidation and deteriorating sentiment across the broader commodity complex. Gold's decline has been particularly significant given that geopolitical uncertainty remains elevated, increasing volatility in oil and limiting the safe haven appeal along with the investor demand sentiment.





Biggest trigger has been **changing outlook for US monetary policy**. We went from three rate cuts to a pause to aggressive rate hike expectations; all in one year. Minutes of October FOMC meeting revealed growing concerns among policymakers about persistent inflation, with some officials indicating that additional monetary tightening could be necessary if inflation remains elevated. Kevin Warsh still does not indicate any change in stance, he maintains a cautious tone with data dependent approach, however, hawkish commentary from Fed officials, including Christopher Waller, has further strengthened expectations of a December rate hike, with markets increasingly pricing in a 25-basis-point increase and the possibility of further tightening into 2027. This marks a significant reversal from earlier expectations of monetary easing. Higher policy rates increase the opportunity cost of holding non-yielding assets, while uncertainty over the Fed's next move has prompted investors to reduce exposure to precious metals.

The **interest-rate environment** has become particularly challenging because of elevated US Treasury yields and real yields. The 10Y Treasury yield remained around 5.07%, while the 2Y yield hovered near 4.80%. More importantly, elevated inflation-adjusted yields are reducing gold's attractiveness relative to interest-bearing instruments. Stronger dollar has added another layer of pressure: the dollar index moved towards 103.82, reaching its strongest levels in several months.

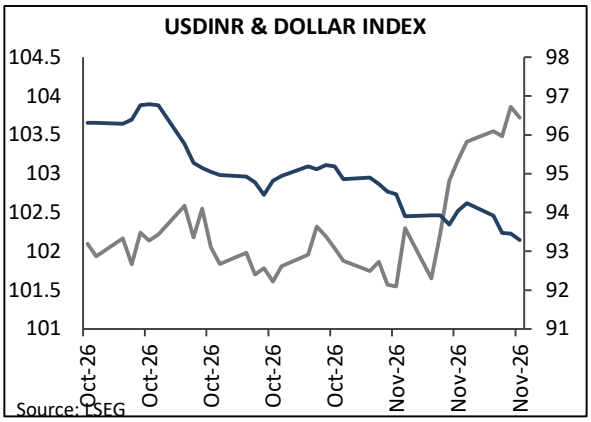
CME Fed Watch tool- Conditional Meeting Probabilities				
Meeting	400-425	425-450	450-475	475-500
09-12-2027	92.70%	7.30%	0.00%	0.00%
27-01-2027	26.70%	68.10%	5.20%	0.00%
17-03-2027	9.10%	40.80%	46.70%	3.40%
28-04-2027	6.40%	31.30%	44.90%	17.40%

Source: CME Fed watch tool

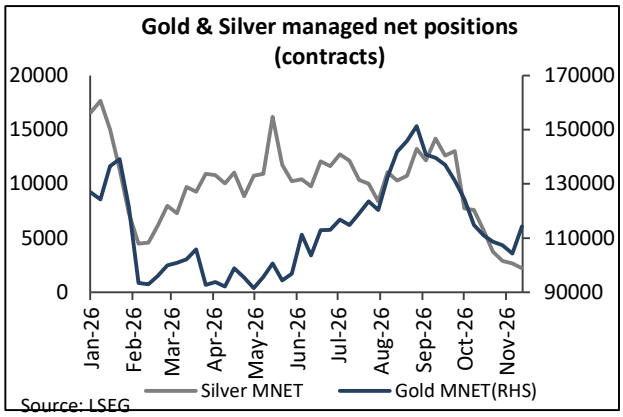
Rise in real yields has been equally important, US 10-year inflation-protected Treasury yield (TIPS) is ~ 2.9%, close to multi-month

highs. Consequently, the opportunity cost of holding bullion has increased substantially. The combination of a 5% nominal 10-year yield and nearly 2.9% real yield represents a particularly challenging environment for precious metals.

Currency movements are also influencing domestic bullion prices. Rupee appreciated by more than ₹3 since start of Oct'26 from 96.8 to 93.4, against the dollar. RBI intervention, using the Forex reserve war chest that they have built over the years along with foreign equity inflows supported the rupee, although strength in dollar index restricted could provide some floor. A divergence between USDINR and Dollar index is clearly visible pushing international and domestic prices lower. Despite renewed military exchanges, attacks around Strait of Hormuz and continued uncertainty over a ceasefire, precious metals have failed to sustain their safe-haven appeal. This is largely because risk of oil supply disruptions has raised concerns over energy-led inflation, potentially forcing the Federal Reserve to maintain higher interest rates for longer.

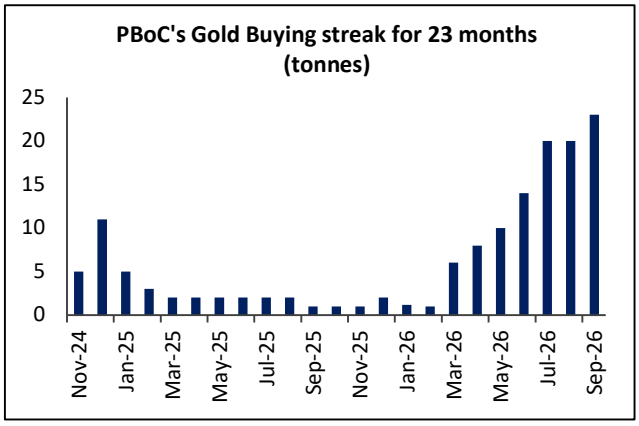


US mid-term elections was also an important event to build forward path for precious metals pack. Democrats winning majority in Senate as well as House could put significant pressure on President Trump's game plan regarding fiscal policy, budgets, US-Iran war and tariff negotiations. It will be important to see US economies resilience amidst, a deadlock in US political structure- President Trump's VETO power and Democrats majority.



Silver has underperformed gold during the latest correction because of its dual identity as both a precious and industrial metal. Concerns surrounding industrial demand, particularly amid weakness across base metals and uncertainty over Chinese growth, have added to selling pressure. Silver's substantial rally earlier this year also left the market vulnerable to profit-booking, leveraged position unwinding and momentum-driven selling. Gold has also experienced liquidation, with COMEX net longs declining by 94 tonnes in October to 560 tonnes, their lowest since July. Nevertheless, global physically backed gold ETF holdings increased to a record 4,275 tonnes in October, suggesting that longer-term investment demand had not completely reversed before the latest correction. China's central bank also purchased 26 tonnes in October, its largest monthly addition in three years. Meanwhile, short built-up as well as long liquidation was visible in Silver, putting significant pressure on Silver.

Overall, the current correction reflects a combination of monetary tightening expectations, elevated real yields, dollar appreciation and liquidation of crowded positions rather than a complete deterioration in gold's long-term fundamentals. Near-term sentiment remains fragile, particularly ahead of the December FOMC meeting. Central bank buying spree along with ETF demand has provided some confidence in the long-term story for Gold. Some historical references also provide evidence that Gold and silver after a sharp fall have rebounded sharply. A moderation in inflation, softer US economic data, declining real yields or a reversal in dollar strength could provide the trigger for stabilization. Until then, volatility is likely to remain elevated, with silver potentially witnessing larger price swings than gold.



Source: LSEG

Fundamentally macro factor is being priced in however, technically, gold price could extend its fall towards $3400-3500 while, silver could extend till $40-43 given the volatility in prices it is expected to maintain caution and manage positions on the opposite side. However, any upside momentum above $4000 and $50 for gold and silver respectively could build confidence on buying side.

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