



Precious Metals

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Devarsh Vakil
Devarsh.vakil@hdfcsec.com
Head – Prime Research

Kushal Rughani
kushal.rughani@hdfcsec.com
Fundamental Research Analyst

Vinay Rajani
vinay.rajani@hdfcsec.com
Technical Research Analyst

All That Glitters Is Gold: The Timeless Store of Value for Modern Portfolio

- The weaponisation of finance has emerged as a critical catalyst for global monetary transformation. The freezing of Russian central bank assets and the pervasive deployment of US-imposed sanctions—which leverage the dollar's dominance and American control over the SWIFT payment system—exposed the profound vulnerability of dollar-denominated assets to political decisions.
- This revelation prompted nations worldwide to pursue financial sovereignty and insulate themselves from US geopolitical leverage. Simultaneously, intensifying geopolitical fragmentation has spurred the formation of distinct economic blocs, with countries increasingly preferring to settle transactions with allied nations in currencies other than the US dollar.
- Compounding these pressures, mounting concerns over America's escalating fiscal deficits and deepening political polarisation have eroded confidence in the long-term stability of US assets, accelerating central bank diversification strategies.
- This de-dollarisation trend—the sustained effort by countries, particularly emerging economies including China and the BRICS bloc, to reduce dependence on the US dollar in international trade, finance, and reserve holdings—is fundamentally reshaping the global financial architecture.
- The shift represents a decisive move toward a multipolar currency system with profound long-term implications for the international monetary order. Central to this transformation has been the strategic accumulation of gold by central banks. Following the freeze on Russian reserves, official-sector gold purchases intensified dramatically, introducing a consistent and powerful source of demand that has fundamentally altered the precious metals market.
- This accumulation reached a historic milestone recently, as the aggregate value of global gold reserves surpassed holdings of US Treasuries, marking a symbolic and substantive shift in reserve asset preferences. Nations across emerging markets—particularly China have led this diversification away from dollar-denominated instruments, driven by the dual imperatives of geopolitical fragmentation and financial sovereignty.
- Beyond official-sector dynamics, gold's investment appeal has strengthened considerably amid persistent global inflation risks and expectations of lower real interest rates, which diminish the opportunity cost of holding non-yielding assets. The metal has reasserted its status as the ultimate safe-haven asset, providing a hedge against escalating geopolitical conflicts, market volatility, weakening confidence in fiat currencies, and deteriorating Western fiscal health.
- This has attracted substantial institutional capital through exchange-traded funds, while sustained cultural demand for physical gold bars, coins, and jewellery continues unabated across the Asia-Pacific region. These converging structural factors have cemented gold's role as both a strategic portfolio pillar and an essential store of value in an increasingly uncertain world.
- Despite short-term volatility, the medium-to-long-term outlook for gold remains strong. Structural factors such as elevated global debt, persistent US fiscal challenges, heightened geopolitical risk, and ongoing political and policy uncertainty all contribute to gold's enduring reputation as a strategic reserve asset and store of wealth.
- We recommend investors allocate 5-10% of their portfolio to precious metals - gold and silver, with the option to increase exposure based on individual risk appetite gradually.

Steep rally supported by Global uncertainty

The stellar outperformance in gold is on the back of sustained buying by central banks, structural shift away from US treasuries, and ETF flows. We have seen an unprecedented rally in gold this year, attracting more participation in the precious metals.

This significant movement in gold is influenced by several positive macroeconomic factors, such as central bank purchasing, robust inflows into exchange-traded funds (ETFs), and the anticipation of ongoing dovish policies from the Federal Reserve. Additionally, overall weakness of the US dollar contributes to this trend. Extended geopolitical and economic uncertainty continues to bolster demand for safe-haven assets. Silver followed the gold, with solid fundamentals and momentum supporting this strong bullish trend.

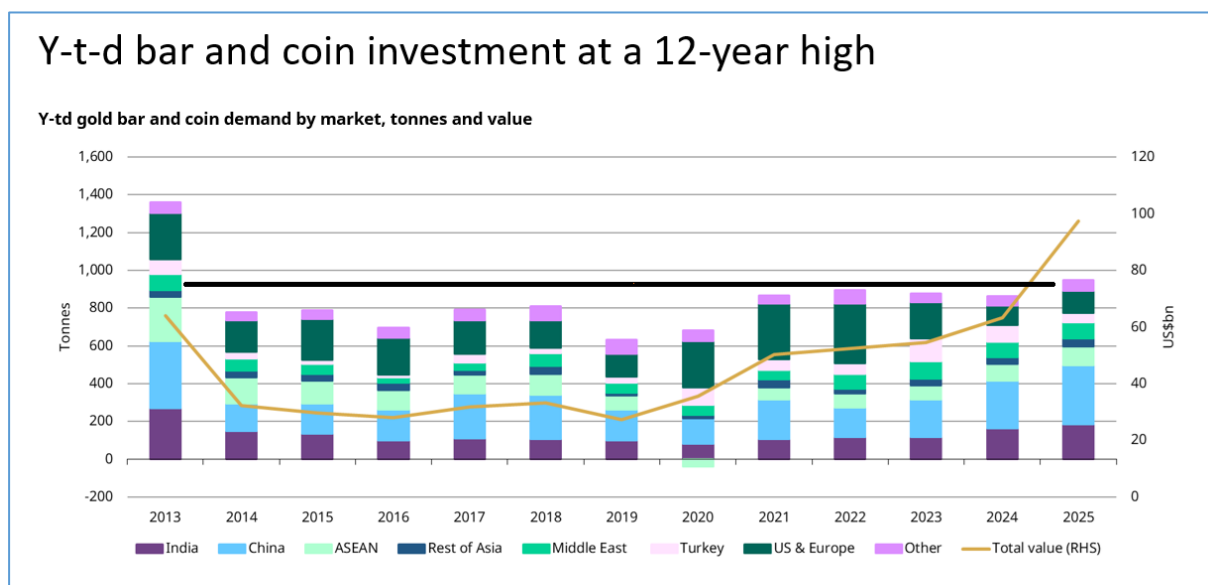
Global uncertainties remain elevated and, considering that the rally in gold lasts for multiple years, a steep reversal is unlikely in the near term. Gold, being considered as a non-productive asset, gave ~8% annualised returns over the last 5 decades. Historical data indicates that the rally in gold sustains for multiple years. Although the current rally is quite steep vs. the earlier years.

Gold global demand

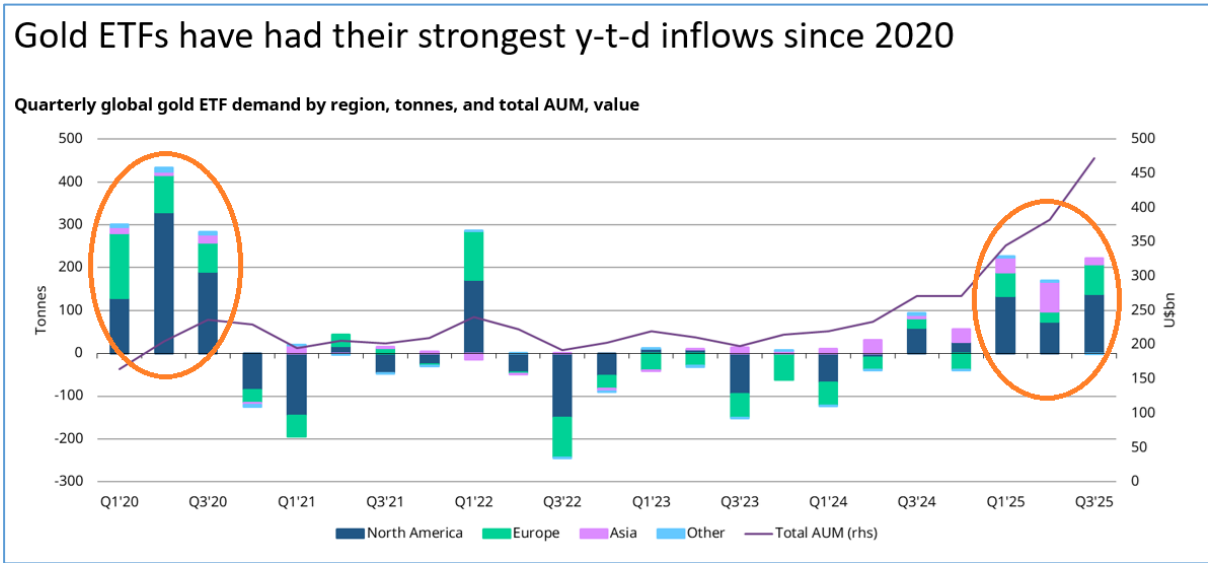
Total Q3 gold demand (incl. OTC) grew 3% y/y to 1,313t, a new record high. In value terms, demand jumped 44% y/y to a record of US\$ 146bn.

Investment demand has generated a significant share of total gold demand this year: bar, coin and gold ETF demand has accounted for over half of total demand so far in 2025.

Investors remained firmly in the driving seat in Q3. Huge ETF buying (+222t), accompanied by a fourth successive quarter of bar and coin demand above 300t (316t) fueled the rise in overall demand.

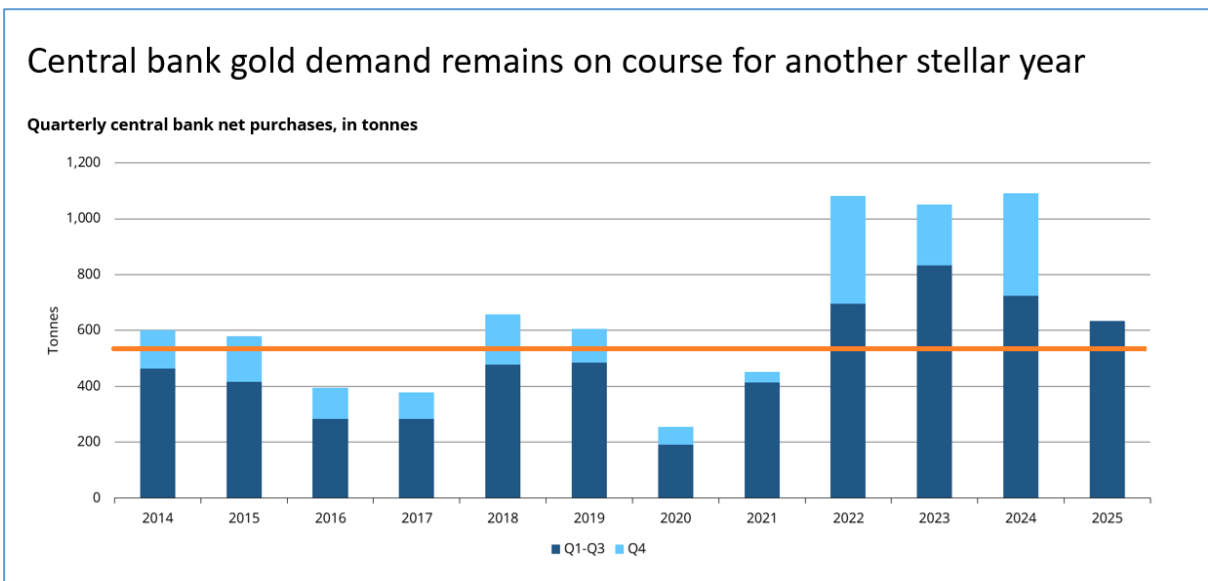


Gold ETF demand



Gold Central Bank Buying

Central bank buying remained elevated at 220t, 28% up on the prior quarter, albeit that y-t-d buying of 634t has been at a slower pace than the 724t bought in the first three quarters of last year due to record high prices.



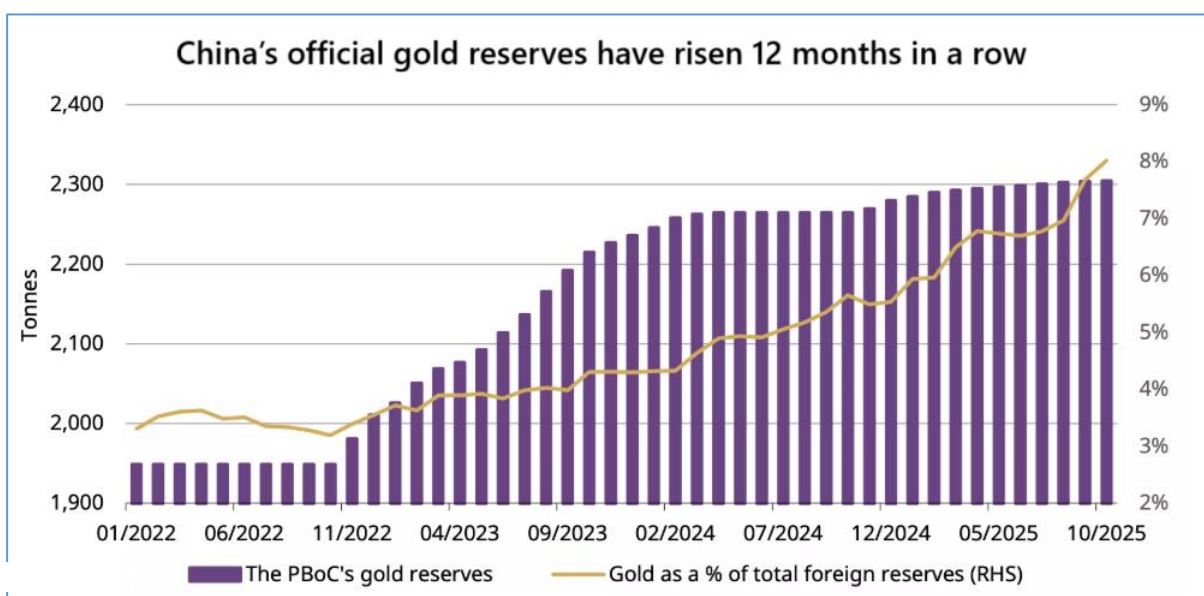
(Source: WGC, Bloomberg, Company)



Since the implementation of sanctions against Russia in 2022, there has been a marked shift in central bank behavior globally, with many nations diversifying reserves and reallocating capital away from US assets toward gold. This trend supports robust and sustained demand for gold, underpinning its positive long-term trajectory.

China's official gold holdings climbed further

The PBoC reported its 12th consecutive monthly gold addition to its reserves in October, adding 0.9t. Continual purchasing so far in 2025 has pushed China's official gold holdings to 2,304.5t, 24t higher than at the end of 2024. Meanwhile, gold's share of China's foreign exchange reserves has increased from 5.5% to 8%.



(Source: WGC, Bloomberg, Company)

Gold Reserves

On a global level, India ranks sixth with gold holdings at around 880 tonnes which is ~1/10th of US holding, China holds ~2,300 tonnes. As a share of total reserves, US leads with gold forming ~80% of its reserves, which is followed by European countries like Germany, France and Italy. In India's case, gold forms 15.2% of total reserves, which is double that in case of China (6.7%). RBI proactively loads up gold in its reserves during crisis periods to cushion the economy from any external shocks – mainly through the currency route. The share of gold in India's reserves increased from 3.2% in 2008 to 9.2% in 2012, which later normalised to 5%

by FY18. Post Covid, gold's share in India's reserves increased from 6.5% in FY20 to 15.2% in Oct-2025.

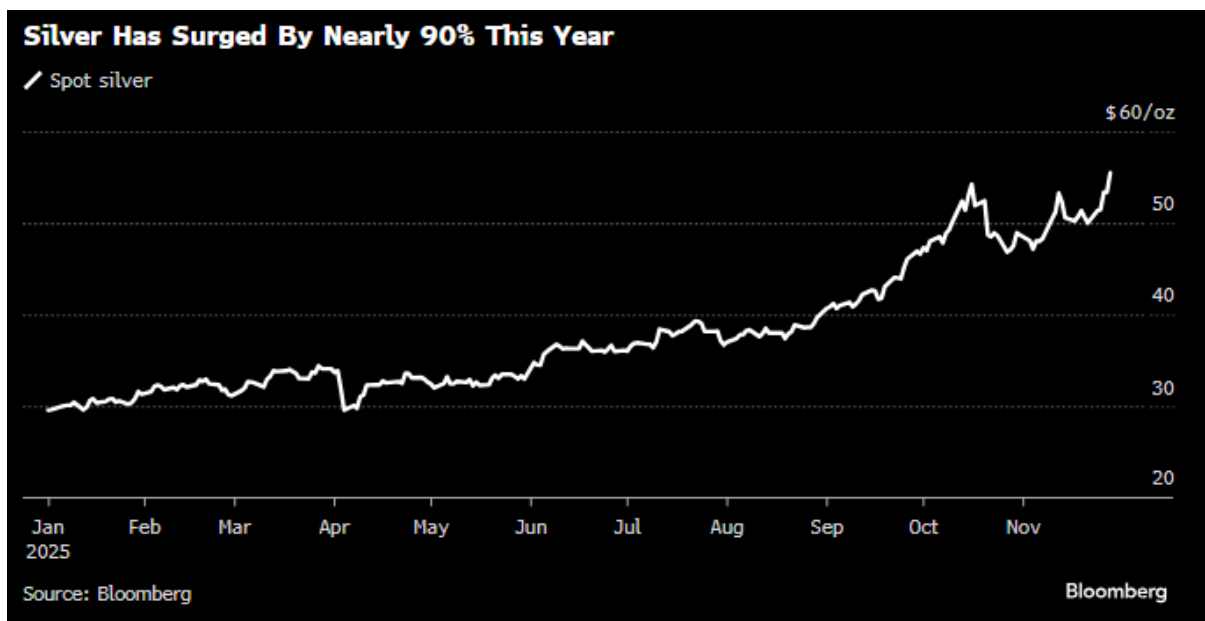


(Source: WGC, Bloomberg, Company)

Silver Shines More Than Gold

Silver has surged nearly 90% this year as investors increasingly shift toward alternative assets amid a broader retreat from government bonds and traditional currencies—a trend widely referred to as the “debasement trade.” Optimism surrounding the metal’s fundamental supply–demand dynamics has further supported prices, with the silver market projected to record its fifth consecutive supply deficit this year.

Unlike gold, a significant portion of silver demand is industrial, driven by its essential applications in solar photovoltaics, electronics, and other high-tech sectors.

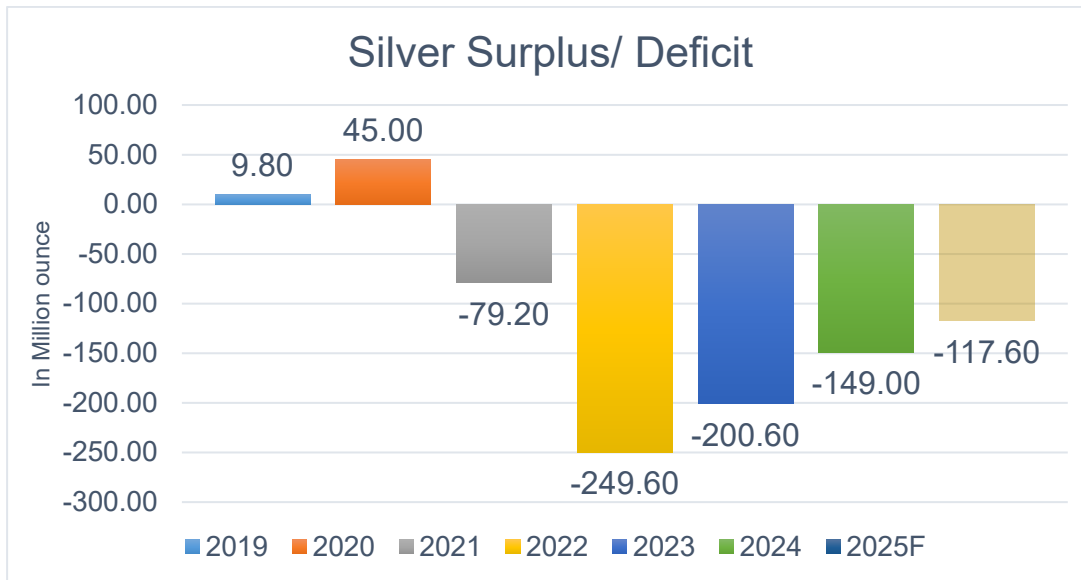


Source: Bloomberg

Bloomberg

Silver Demand /Supply

2025 is set to mark the fifth consecutive year of a significant supply deficit in the silver market over the 2021–2025 period. Although the deficit was expected to narrow by 21% year-over-year, it remains substantial at 117.60 million ounces.



Industrial and investment demand consistently surpasses the combined total of mining production and recycling. Demand for electrical and electronics is anticipated to experience growth of 3.0% this year, primarily driven by advancements in automotive applications, investments in power grid infrastructure, and consumer electronics, partly supported by developments in AI.

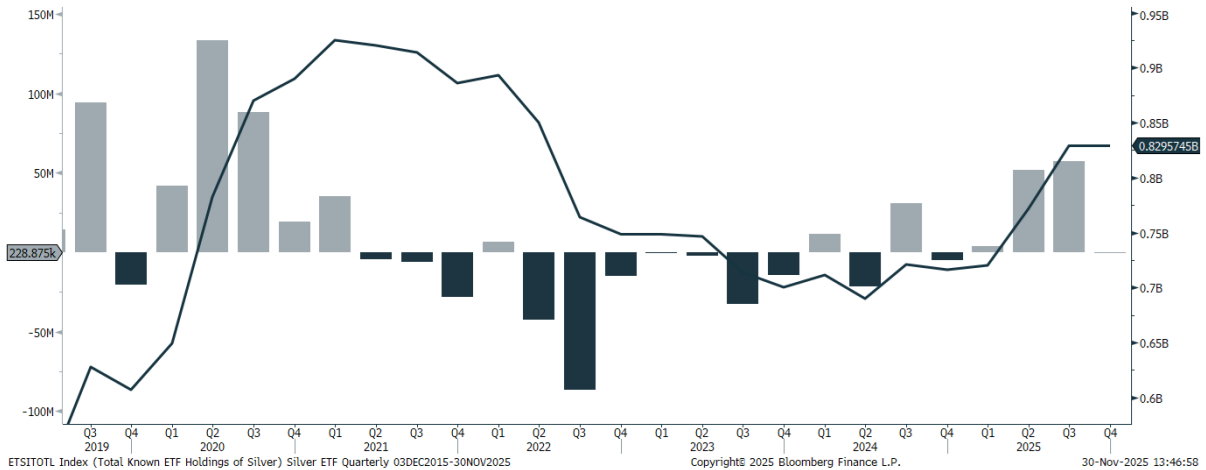
Demand for coins and net bars is expected to partially recover in 2025 following two years of decline. Global silver supply from mining remains relatively stable, primarily because it is mostly derived as a byproduct of extracting other metals, such as gold, copper, lead, and zinc. This means silver production is linked to the production levels of these other metals. Over the past five years, the average growth rate of silver mining production has remained flat or negative. This situation causes a long-term fundamental imbalance and has contributed to silver's impressive performance.

Silver Rally Powered by Strong ETF Inflows

Global Silver ETF inflow has reached its highest level since June 2022.



Silver Quarterly Inflow



- The recent supply squeeze in China has sparked fresh momentum in the silver market.
- The global silver market faces a fresh risk after Chinese stockpiles sank to the lowest in a decade, with a huge volume recently shipped to London to ease a squeeze that drove prices to a record.
- Inventories in warehouses linked to the Shanghai Futures Exchange recently hit the lowest level since 2015, while Shanghai Gold Exchange volumes are back to the smallest in more than nine years.



Outlook

Based on the fundamentals and technical setup, silver’s long-term bullish trend will persist and still has the potential to deliver extraordinary returns.

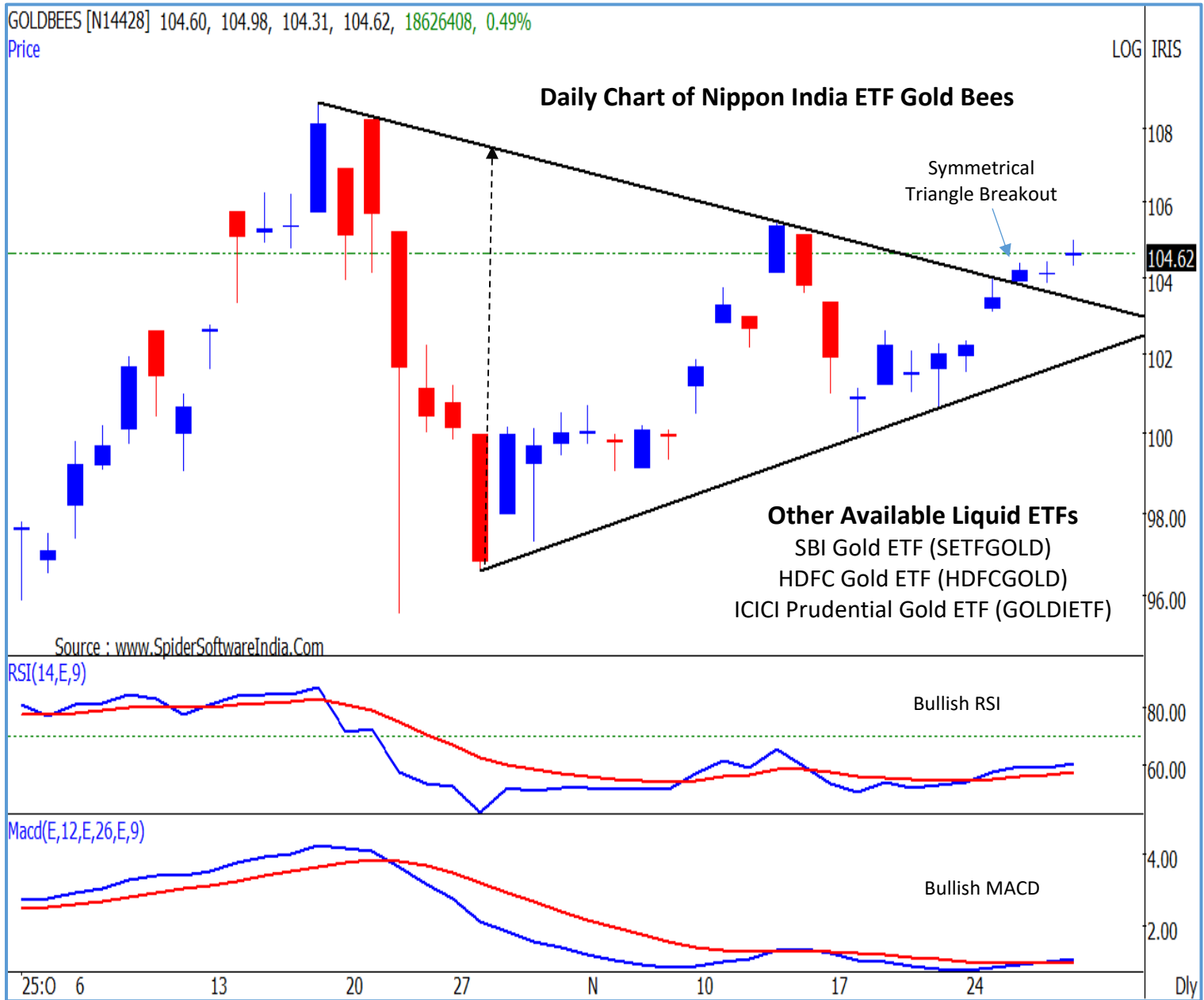
Key factors that continue to fuel the rally

- Strong industrial and investment demand, combined with steady supply levels, has pushed the silver market into its fifth consecutive year of deficit.
- Silver has been officially classified as a critical mineral by the US government. These changes occur amid heightened macroeconomic and geopolitical risks, prompting investors to increase their allocations to precious metals for better portfolio diversification.
- A squeezed physical market.
- The Federal Reserve is expected to continue lowering interest rates, and persistently weak U.S. dollar.

Potential Headwind Catalysts:

- Silver is a high-beta commodity, which naturally leads to elevated price volatility.
- Lackluster Jewelry Demand Due to Record High Prices.
- At higher levels, profit-taking is expected.
- Any Change in government policy.

| Stock Name | CMP | Accumulate Band | Add on dips band | Target |
|------------|--------|-----------------|------------------|--------|
| Gold BEES | 104.62 | CMP To 95 | 93 | 123 |



Technical Observations

- ETF has broken out from the symmetrical triangle pattern on the daily chart
- ETF is placed above all key moving averages, indicating bullish trend on all time frames
- Precious metals have been in to primary uptrend globally.
- Daily RSI has been showing an uptrend by sustaining above 60 mark
- Daily MACD has recently crossed its signal line on the upside

| Stock Name | CMP | Accumulate Band | Add on dips band | Target |
|-------------|--------|-----------------|------------------|--------|
| Silver BEES | 156.77 | CMP TO 144 | 135 | 188 |



Technical Observations

- ETF has broken out from the symmetrical triangle pattern on the daily chart
- ETF is placed above all key moving averages, indicating bullish trend on all time frames
- U.S Silver has registered multi-year high breakout with rising volumes
- Daily RSI has been showing an uptrend by sustaining above 60 mark
- Daily MACD has recently crossed its signal line on the upside

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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