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Precious Metals Outlook 2025

A Summary of Macroeconomic Expectations & Assumptions for 2025

2024 was meant to be the most politically charged year with extremely elevated uncertainty over the global election cycle, the pace of cuts from the Fed & other Central Banks, global economic growth, China and geopolitics. Yet, Gold and S&P 500 are on track to both print ~30% gains in 2024, for the first time in history. Expecting the unexpected is no longer as impactful on risk assets given copious global liquidity, which will continue into 2025 given collective rate cutting cycles from most Developed Market CBs. Here are our top key assumptions & themes for 2025 → The Fed is not done cutting, DM inflation has bottomed, global growth will be boosted, ample global liquidity will extend & look for a home, US$ can weaken in the latter half of the year, China has rejoined the reflation party and the geopolitical backdrop remains fragile with global policy risk high *but* markets have been pressure tested this year (*well, since COVID!)*

- **Fed:** the pace of Fed cuts and trajectory is quite uncertain, which should inject macro volatility. What matters more is what the market *thinks* the Fed will do, not what the Fed actually does, and there is an inbred dovish bias. Nonetheless, a synchronized easing cycle, in North America, Europe, Asia, AND China will boost global economic growth, importantly from a higher growth base.

- **Inflation:** structurally to remain higher for longer ('HFL') given deglobalization, Trump's tariffs / deregulation / tax cuts, the complex energy transition, synchronized CB rate cuts, the fiat debasement trend / wealth effect (into equities and Bitcoin), and plenty of global liquidity. The Fed doesn't have inflation in a chokehold, and with further cuts, given tight credit spreads and Gold & US stocks near all-time highs (ATHs), that will continue to drive animal spirits and inflation expectations.

- **US$:** the threat of trade tariffs and US-phoria / US exceptionalism is keeping the US$ very strong, which is a rising destabilizing force for the world economy, particularly emerging markets (EM). An 'America First' policy requires a weaker US$, which could pan out later in the year if tariffs are a bargaining tool (likely) to jumpstart a more meaningful global rebalancing. There is the risk of an international grand deal—in exchange for a reduction in American tariffs, there will be a coordinated and gradual depreciation of the US$. The US$ is strong but will end less strong.

- **China:** September's stimulus was a confidence booster, which was focused on stabilizing rather than jumpstarting aggregate demand (commodity demand). That changed with the Politburo's announcement in December: the adjustment in monetary policy (the language hasn't changed in 14 years) towards "moderately loose" and plans for more proactive fiscal measures in 2025 (aimed at ramping up domestic consumption and stabilizing both property and stock markets) is significant. China has now really joined the reflation party. China achieving 5% growth is more likely than not compared to previous years.

- **Commodities:** despite stronger global growth, the outlook for commodities is mixed, given the still strong US$, US policy uncertainty around the green / energy transition, and diverging fundamentals. There are downside risks to oil (current supply backdrop & “drill baby drill”), a mixed outlook for Copper (China recovery vs. Trump tariff impact on growth and watered-down energy policies), and a constructive outlook for precious metals, especially Silver (it’s the high-beta proxy to a synchronized CB easing cycle). Overall, the conviction in commodities as an asset class lies in the fact that regional, not global, fundamental balances are now increasingly more important under a Trump tariffs regime, which will lead to more physical dislocations reflected in regional premiums / discounts (vs. outright pricing).

- **Geopolitics:** 2024 was peak geopolitical risk, especially given the expectations around the US elections. But in 2025, Trump neither creates *more* nor *less* geopolitical uncertainty compared to what the global economy experienced in 2024 —the risk has morphed. With the US leaving a vacuum on the international stage, rebel groups will increasingly seek political change or to gain independence, so geopolitical risk remains bid. There is a new risk, as Trump is a policy paradox, and US policy risk now garners a “chaos premium.” Tweets will matter, but markets have been here before (Trump 1.0) and have been pressure-tested by 2024’s heightened geopolitical risk.

	MKS PAMP Revised 2024 Forecasts (May '24)					MKS PAMP 2025 Forecasts (Dec '24)			
$/oz	Forecast Revisions (May '24)	High-Low Range	2024 YTD Actual Average**	24 forecasted vs '24 actual average	Comment	Average 2025 Price forecast	High - Low Price Range	2025 forecast vs actual '24 average	Comment
Gold	$2300/oz (upgrade)	$2100 - $2700	$ 2,377	-3%	2024 revised forecasts were too bullish PGMs, and slightly too bearish Gold & Silver	$2,750	$2500 - $3200	14%	Gold to average ~$100/oz above recent range & 14% above 2024 average. Silver should outperform with a new higher range to take hold. PGMs floors, thus ceilings have shifted higher
Silver	$28/oz (upgrade)	$26.00 - $35.00	$ 28.2	-1%		$36.50	$28 - $42	23%	
Platinum	$1075/oz (unchanged)	$850 - $1250	$ 958	9%		$1,050	$900 - $1200	9%	
Palladium	$1050/oz (unchanged)	$850 - $1400	$ 987	6%		$1,050	$850 - $1300	6%	
Rhodium	$5000/oz (unchanged)	$3000 - $8000	$ 4,640	7%		$5,100	$4500 - $5500	9%	

** May 2024 revisions were vs original forecasts published in January 2024 ** Actual YTD 2024 averages as of December 12 '24*

Source: MKS PAMP

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Gold: A New Year, A New Opportunity for Another Record High but Bear Risks Grow

Base case: 2025 average price forecast $2750/oz *(50% probability)*

2025 high-low range: $2500 - $3200/oz

Gold is in secular bull market, but the direction of travel won't be as one-directional in 2025 as in 2024. Peak political fear is behind us following Trump's decisive win, compounded by the US focus on deregulation, tax cuts, and tariffs (not wars). The rise of radical terrorist regimes in regions will jumpstart geopolitical bids at price dips, not rallies. Elevated headline risk is a reminder of how hard it is to be short on Gold, given the (associated?) Central Bank backstop / program. Developing macro headwinds—strong risk appetite and a resiliently higher US$ for now—ensures that price rallies should be capped in 1H'25. Central Bank buying trends will continue at similar pace in 2025 vs. 2024, but flows will remain more discreet given the threat of Trump tariffs on countries perceived to be actively dedollarizing.

Investment demand is likely muted again given the high cost of carry, while physical demand should remain robust given ongoing debasement trends. DM retail demand is expected to remain soft as risk appetite is channeled into other asset classes. Gold prices at $3000+ or $2500- is contingent on whether the Fed is ahead or behind the Trumpflation curve; we expect them to be behind, leading to falling real rates and a softer US$ in the latter half of the year. Structurally, the positive feedback loop of HFL inflation, ongoing deglobalization / currency debasement / Central Bank dedollarization, messy and unpredictable geopolitics, unsustainable global debt paths, and an under-owned general investor community ensures that Gold remains a safe asset diversifier. But expect volatile price action where, the risk of a bear case (a new and growing narrative) superseding the bull case (which is getting stale and increasingly priced in), is rising.

BEAR CASE: *($2200/oz, return to levels pre-Iran/Israel escalation in April '24) → 30% probability*

- US exceptionalism / US asset growth continues / US$ higher for longer. No need for fear hedges.
- Peak political (US) + geopolitical risk behind us (2024); Trump to strike ME & Russia deals.
- Trumpflation + faster Fed = tighter financial conditions & liquidity = large-scale disinvestment.
- The lack of aggressive producer & scrap-related hedging in 2024 = sellers on large price drawdowns.
- Specialist PM investors over positioned; generalists indifferent (participating in other higher-yielding assets).
- The US is serious about legitimizing the crypto industry.
- Historical trends: three decades of short-lived Gold peaks—why is this time any different?
- 2x sentiment top signals / contraindicators: 1) strong CB buying/selling historically marks price tops/bottoms, 2) Ramp-up in retail demand & products.
- Physical demand to disappoint/not chase rallies as global growth reignites.

BULL CASE: *(~$3500/oz target; Gold repeats the strong 2024 bull market gains of +$800/+30%) → 20% probability*

- Persistent but unknown CB buying program—stick with what is working until it doesn't.
- Acceleration of a multipolar world escalates geopolitics = strong CB demand again.
- Fed is caught on Trumpflation + US debt/deficit trajectories = only way out is a weaker US$.
- Relative demand for US assets is toppy = dedollarization / reevaluation of 60/40 portfolio allocations.
- Generalists don't own or are very underinvested in Gold.
- The US indirectly (or directly) weakens the US$.
- CB / Fed policy mistake = loss in confidence in the global monetary system – debasement acceleration.
- This time is different: secular Gold run as the old world order is being destroyed for a new one.

Silver: Sweet Spot Emerging Amidst Synchronized CB Cuts & Strong Industrial Demand

Base Case: average forecast $36.50/oz.

2025 high-low range: $28/oz - $42/oz

Silver is to outperform all precious metals in 2025 given synchronized CB rate cuts, a more supportive China & US macroeconomic backdrop, still strong solar demand, and ultimately a lower US$ trajectory. While China has neared late-growth PV capacity, the ROW is picking up the slack, being in an early-stage growth phase and increasingly adopting next generation (TOPCon vs. PERC) technology with higher silver loadings. Silver supply (both primary and secondary supply) and above-ground inventories are quite price elastic, capping rallies at $26oz and then at $35/oz in 2024. Another strong rerating toward $40 is required to entice notoriously sticky holders to release metal as industrial demand remains robust and persistent.

Silver's upside will still hinge on investor participation outweighing any potential contraction in global industrial demand due the threat of Trump tariffs. Investment demand—both institutional and retail—should outpace the mild inflows seen in 2024. The same bullish argument from 2024 is now even more applicable: Silver has more upside risk than Gold because 1) it is relatively cheaper vs. its past price peaks, 2) is more elastic to a weaker US$ environment and a reflation upcycle, and 3) it is physically tighter with less readily available stocks. Fundamentally, deficits are expected throughout this decade, and its high beta characteristic vs. Gold is attractive in a synchronized rate-cutting cycle. The Gold/Silver ratio should fall to 80 and target 75, levels associated with the 2021 reflation / COVID reopening macro era.

Bull case (~$45/oz), dependent on:

- Dual Gold & Copper outperformance.
- Accelerated industrial demand on renewable energy push / support by governments.
- A convincing China rebound and broad-based pent-up demand for most commodities.
- Prolonged physical tightness and stockpiling.
- Supply challenges (i.e.: recycling of PV sector and its by-product feature) emerge on price rallies.

(35% probability)

Bear case (~$22/oz), dependent on:

- Gold's bull cycle tops and capitulates due to macro (see above).
- Industrial demand plummets on stronger-than-expected Trump policy changes to the IRA, climate initiatives, and/or tariffs.
- Hard landing in China, the US, or Europe.

(15% probability)

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Platinum: Still Playing for Fundamentals to Play Out

Base case: 2025 average price forecast $1050/oz

2025 High – Low range = $900 - $1200/oz

(50% probability)

Fundamental deficits, the drawdown in above-ground stocks *and* low prices for consecutive years haven't squared. However, Platinum is getting to the inflection point given prices have based, the PGM basket is significantly under the cost curve, and the macro is turning. Continued tightening in 2025 will be driven from supply, as primary supply will be flat-lower (with further cuts or capacity closures a rising risk that hasn't been priced) while growth in scrap/secondary will be limited. Demand growth in 2025 should continue to be buoyed by hybrids being favored globally ex-China, continued substitution of palladium for platinum, and the upside risk to jewelry demand in China as fiscal & monetary stimulus improves consumer sentiment when Platinum is relatively cheap.

The threat to demand stems from higher tariffs on global growth, especially if Trump tariffs target OEM parts suppliers, which will negatively impact US ICE production and future demand. Trends in auto demand and related policy will be critical for prices in 2025. Expected higher floors, rangebound pricing (i.e.: short-term conviction is low) with a market that is itching for a bullish catalyst. We remain structurally constructive into easing cycles and economic recoveries, especially now that China has joined the reflation party, and there is little-to-no supply backstop on incremental demand growth. Overall, after years of being a forgotten asset class, sticky investor interest in PGMs should return as the decline in the US$ extends, China recovers, and reflation pricing in commodities takes place.

Bull case ($1400+/oz), dependent on:

- Supply disruptions, steeper-than-expected production cuts, or sanctions/constraints on Russian supply.
- US policy / vehicle emission standards change which boosts ICE or hybrid vehicles.
- Sustained tighter physical indicators (forward curve, sponge) drive hoarding and strong investment inflows.
- China and/or Europe growth outperformance on both fiscal and monetary stimulus.
- Demerger of Amplats from Anglo American mid-2025 is a sentiment bottom.
- Green hydrogen / electrolyzer production ramp-up accelerates stockbuilds.

(30% probability)

Bear case ($700-/oz), dependent on:

- Hard landing in China, the US, or Europe.
- HFL interest rates and a US$ liquidity crunch = large-scale deleveraging (3.6mn oz in PT investor products).
- Chinese thrifting of all PGMs in autocats becomes a global, not only Chinese, phenomenon.

(20% probability)

Palladium: Switching To A Surplus but Auto Policy & Positioning Risks Are An Upside

Base case: 2025 average price forecast $1050/oz

2025 High – Low range = $850 - $1300/oz

(50% probability)

Primary supply should remain unchanged as Russian supply recovers after their smelter rebuild, offsetting reduced output in North America and South Africa. Upside price risk stems from potential sanction risk on Russian material, given recent US comments and the growing risk of Trump policy on the auto sector. Secondary supply is expected to be subdued, barring a large upside price rerating or significantly lower interest rates. Light-duty vehicle sales are forecast to rise in 2025, and so automotive Palladium demand should increase as more ICE and hybrids are sold than estimated in a Trump era. Additional demand tailwinds can stem from a US policy withdrawal of support for EVs but also from a ramp-up in consumer sentiment in both the US and China. That is despite the widespread use of tri-metal gasoline autocatalysts (in which Palladium is substituted out in favor of Platinum) and China's outperforming EV penetration rate.

The larger threat to demand stems from higher tariffs on global growth, especially if Trump tariffs target OEM parts suppliers, which will negatively impact US ICE production and future demand. The persistent net short futures positioning, largely hinging on "the death of ICE," will be tested in 2025 on slower EV penetration trends, hybrid continuation, and the threat of Trump emission regulation/policy/tariff changes. The compressed range in 2024 cannot last—there will be tactical bullish opportunities and volatile trading in 2025.

Bullish case ($1500+/oz), dependent on:

- Supply disruptions, steeper-than-expected production cuts from PA-rich mines or constraints on Russian supply.
- US policy / vehicle emission standards change which boosts ICE or hybrid vehicles.
- China growth outperformance unleashes pent-up consumer demand.
- BEV penetration rate not only slows but implodes, especially if it occurs in China.
- Large-scale investor short-covering and/or reengagement.

(25% probability)

Bearish case ($500-/oz), dependent on:

- Ramp-up of Russian commodities supplies and destocking of inventories.
- Hard landing in China, the US, or Europe.
- Chinese thrifting of all PGMs in autocats becomes a global, not only Chinese, phenomenon.
- BEV adoption accelerates in the US (especially) and Europe.
- Autocat recycling in China takes off.

(25% probability)