Market Insight

Silver Outlook to Q4 2025: the hare awakens

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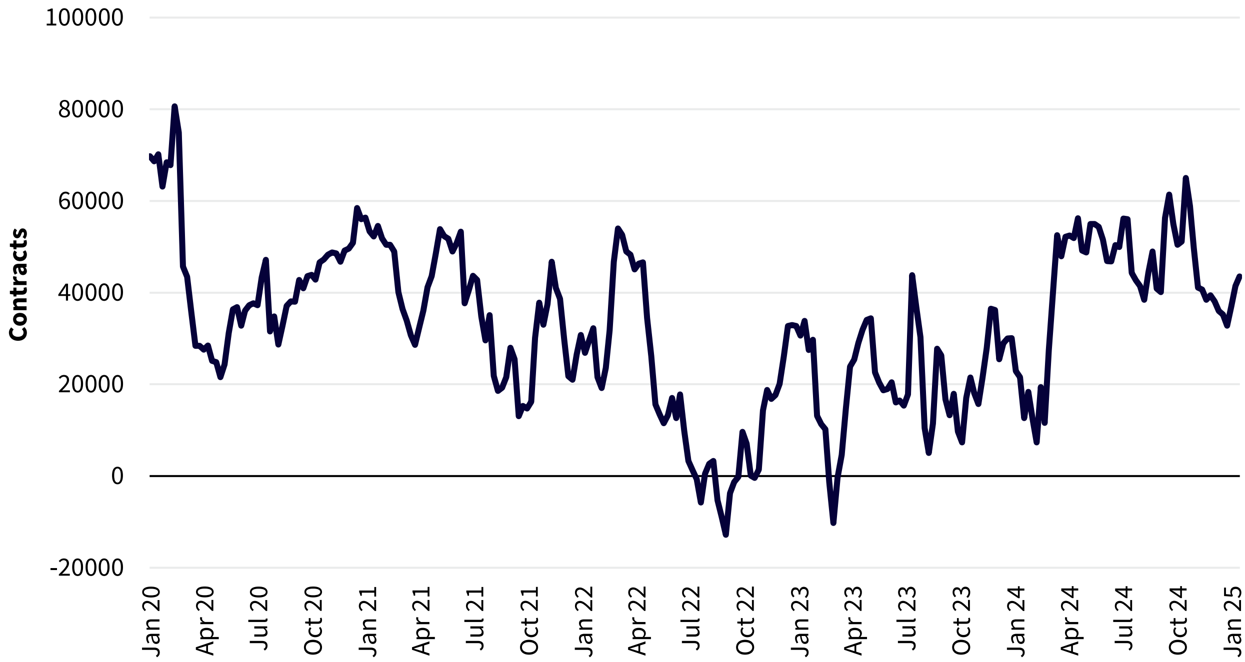
Until mid-December 2024, silver was on track to outperform gold. However, a sudden contraction in the final two weeks of the year allowed gold to overtake silver, closing the year up 27%, while silver finished with a 21% gain[1]. Silver's trajectory resembled Aesop's fable of the hare and the tortoise—leading for most of the race before napping near the finish line. Will silver's fortunes change in 2025? We remain optimistic about its potential, with supply deficits and increasing industrial demand acting as strong tailwinds.

Market positioning

Net speculative positioning in silver futures (Figure 1) declined sharply between October and December 2024 after reaching its highest level since 2020. However, in January 2025, positioning rebounded significantly, entering February with considerable momentum. The hare is awake once more.

Figure 1: Silver futures net speculative positioning



Source: Bloomberg, WisdomTree, January 2020 to January 2025. **Historical performance is not an indication of future performance and any investments may go down in value.**

Relative valuation to gold

Silver has been undervalued, relative to gold, with the gold-to-silver ratio surpassing 90 in January 2025 before beginning to decline (Figure 2). Historically, this ratio has faced resistance around 92, followed by sharp corrections in silver's favour. This technical indicator suggests silver may be poised for another upward move.

1. Source: Bloomberg, WisdomTree, December 2024.

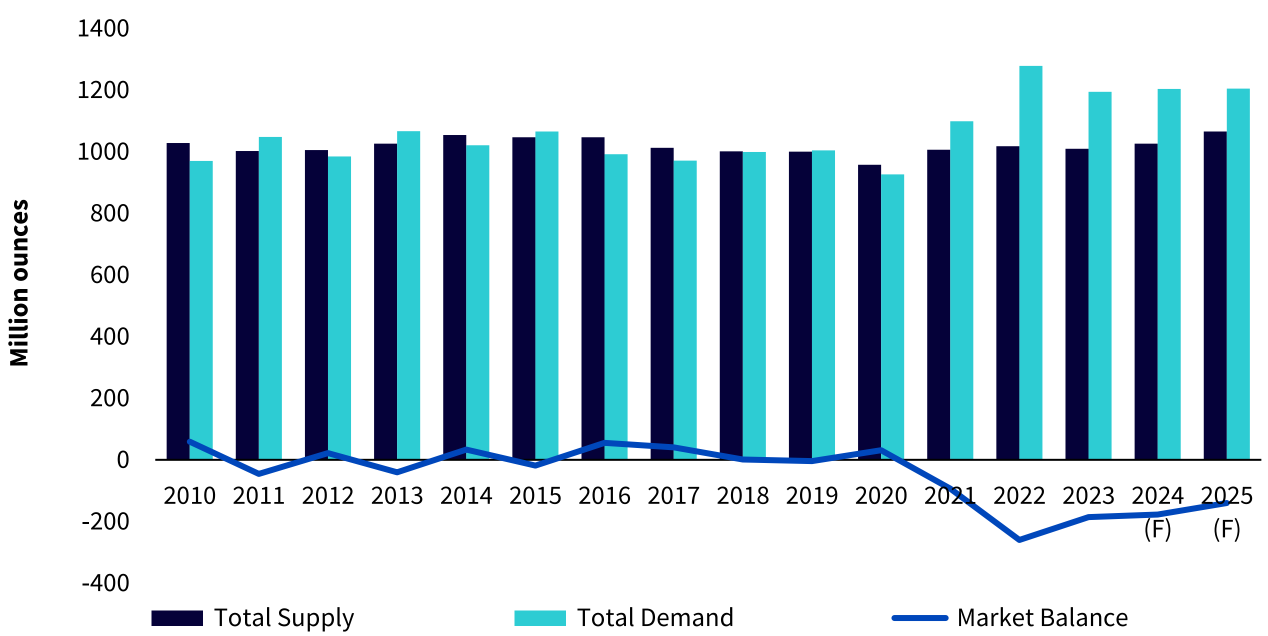
Figure 2: Gold to silver ratio Fibonacci Bands

Source: WisdomTree, Bloomberg. September 2022 to January 2025. Fibonacci bands are a technical analysis tool that uses Fibonacci ratios to identify potential support and resistance levels in a price chart. The key ratios are 38.2%, 61.8%, and 100%. **Historical performance is not an indication of future performance and any investments may go down in value.**

Persistent supply deficits

Silver has experienced a supply deficit for four consecutive years, with 2025 likely marking the fifth (Figure 3). Deficits deplete above-ground inventories and while ample inventory remains, much of it is held by investors who require higher prices to incentivise sales.

Figure 3: Supply, demand and balance



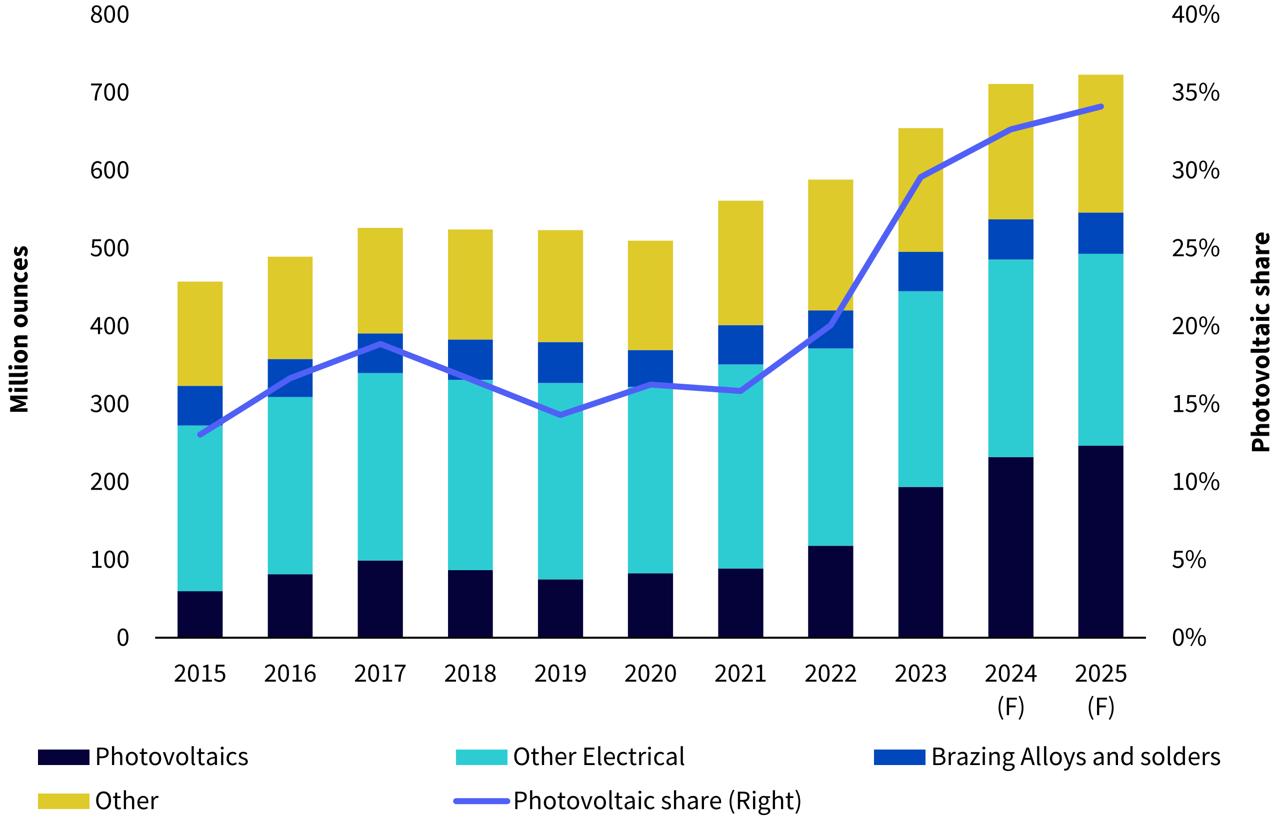
Source: Metals Focus, WisdomTree. January 2025. (F) = Forecasts. **Forecasts are not an indicator of future performance and any investments are subject to risks and uncertainties.**

Industrial demand for silver

Industrial demand for silver has reached record highs (Figure 4), driven by increasing usage in photovoltaic (solar panel) applications, 5G technology, and automotive electronics. Photovoltaic installations are expected to set another record in 2025 (Figure 5), further boosting silver demand. Additionally, technological advancements have led to the mass production of higher-efficiency N-type solar cells, which require greater silver content.

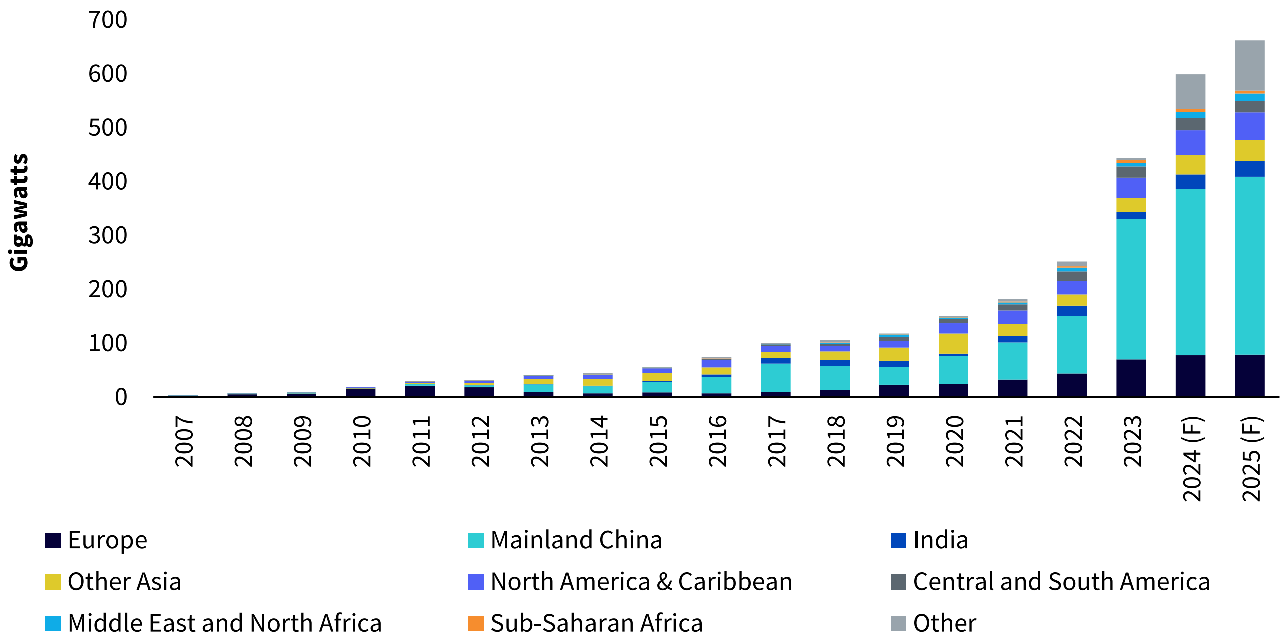
Beyond renewable energy, the expansion of data centres and artificial intelligence applications in 2025 is set to further increase silver demand. In the automotive industry, the growing use of electronic components and investment in battery-charging infrastructure will continue to support silver consumption.

Figure 4: Industrial demand for silver



Source: Metals Focus, WisdomTree, January 2025. (F) = Forecasts. **Forecasts are not an indicator of future performance and any investments are subject to risks and uncertainties.**

Figure 5: Solar power new build capacity



Source: BloombergNEF, WisdomTree, December 2024. **Forecasts are not an indicator of future performance and any investments are subject to risks and uncertainties.**

Government reserves and policy shifts

Over the past decade, gold has played a dominant role as a reserve asset, with central banks accelerating purchases since 2022 in response to geopolitical risks. While Russia has hinted at broadening its reserve holdings to include silver, platinum, and palladium[2], we remain sceptical that other central banks will follow suit.

Historically, China operated a silver-based monetary system until 1935, and India's currency was once backed by silver. Both nations have since run down their historical reserves. In the US, silver was previously considered a strategic reserve metal, but by 1976[3], national stockpiles were deemed excessive and subsequently sold off. According to the US Geological Survey, the US Treasury holds 498 tonnes of silver[4].

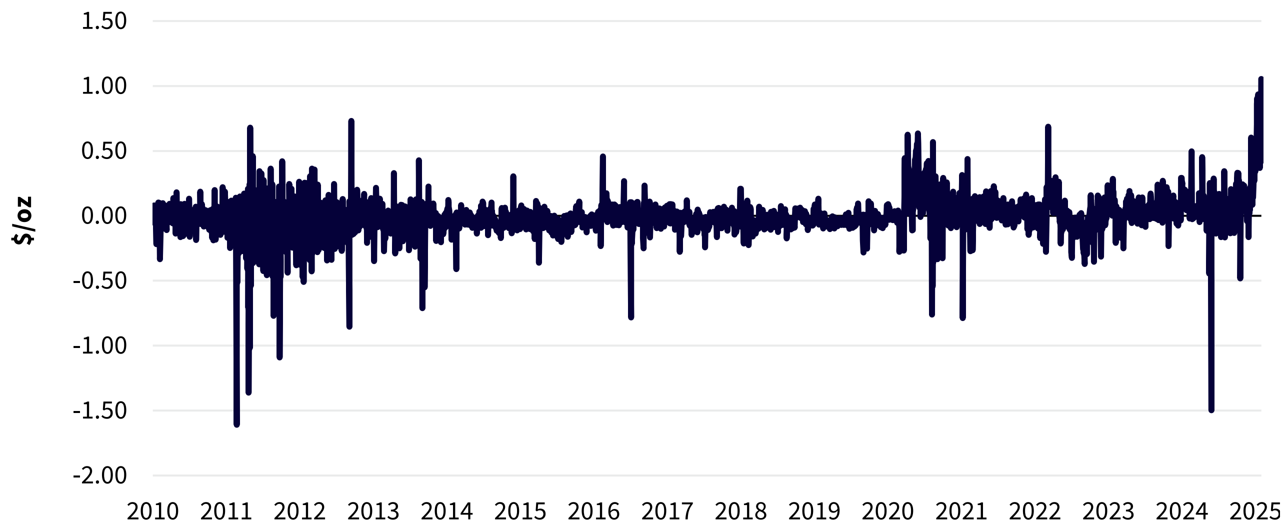
However, the new Trump Administration's executive order on 20 January 2025[5], declaring a National Energy Emergency, may shift the landscape. The order cited insufficient critical mineral development, production, and transportation. If silver is reclassified as a critical mineral under this directive, it could receive policy support, aligning with its strategic role in the energy transition.

Tariff concerns spike New York prices

The Trump Administration's proposal of a universal 10% tariff on imports has introduced uncertainty into the bullion markets. The close relationship between New York's futures market and London's wholesale spot market depends on the seamless movement of silver between the two hubs. Futures prices typically carry a small premium over spot prices, reflecting storage and transportation costs. However, anticipation of tariffs has driven US futures premiums to record highs, surpassing even the spike observed during the COVID-19 pandemic in 2020 (Figure 6).

2. https://www.numismaticnews.net/coin-market/russias-central-bank-to-acquire-silver-reserves
3. https://www.gao.gov/assets/lcd-79-410.pdf
4. https://pubs.usgs.gov/periodicals/mcs2024/mcs2024-silver.pdf
5. https://www.whitehouse.gov/presidential-actions/2025/01/declaring-a-national-energy-emergency/

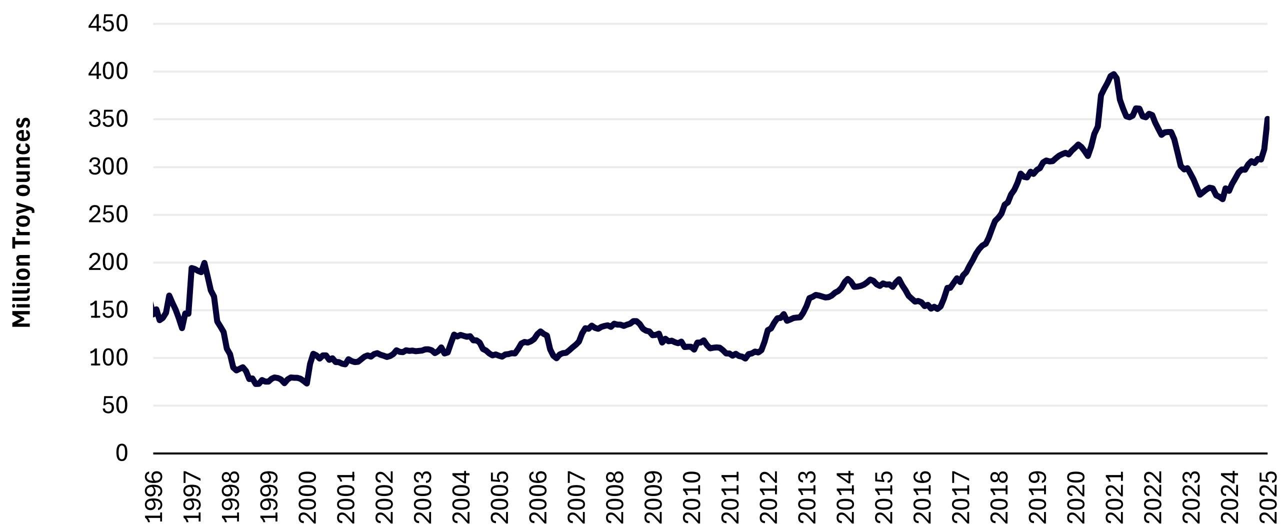
Figure 6: Front month silver futures less spot price



Source: WisdomTree, Bloomberg. January 2010 to January 2025. **Historical performance is not an indication of future performance and any investments may go down in value.**

In response, silver inventories at the COMEX futures exchange have risen as traders attempt to hedge against potential tariffs (Figure 7). This development has complicated the use of exchange inventories as an indicator of market tightness.

Figure 7: Silver futures inventory



Source: Bloomberg, WisdomTree, January 1996 – January 2025. **Historical performance is not an indication of future performance and any investments may go down in value.**

Complicating matters further, the Trump Administration announced a 25% tariff on Canada and Mexico on 01 February 2025. As you can see from the table below, the US is highly dependent on its neighbours for silver. The scale of trade with Mexico and Canada is much larger than domestic mine production. The US is a large importer of bullion and Doré from the south and north of its border. It also relies on sizeable exports of scrap, silver nitrates and unwrought silver to Canada. In fact, US is a large net exporter of these 'refined' items to Canada.

Figure 8: Mexico and Canada trade dependency

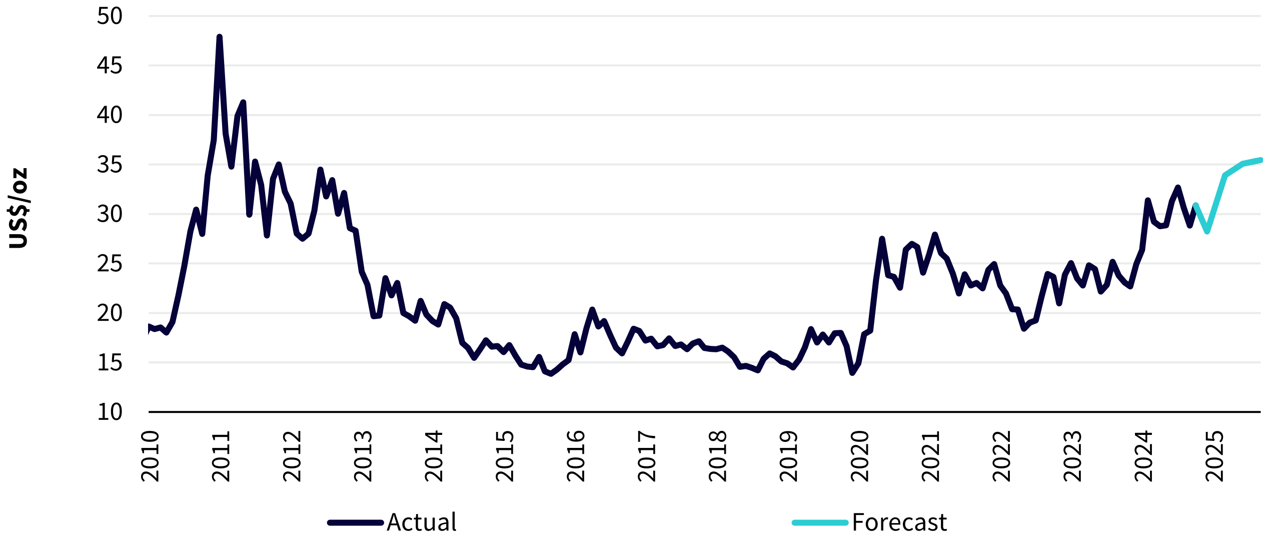
January to October 2024	Kgs
US Production	882,427
Import from Mexico to US (Bullion, Doré etc)	1,711,000
Import from Mexico to US (Refined silver)	516,106
Export to Mexico from US (Bullion, Doré etc)	13,042
Export to Mexico from US (Refined silver)	145,768
Import from Canada to US (Bullion, Doré etc)	730,200
Import from Canada to US (Refined silver)	757,825
Export to Canada from US (Bullion, Doré etc)	2,586
Export to Canada from US (Refined silver)	2,375,036
Net import from Mexico to US (Bullion, Doré etc)	1,697,958
Net import from Canada to US (Bullion, Doré etc)	727,614
Net import from Mexico to US (Refined silver)	370,339
Net import from Canada to US (Refined silver)	-1,617,211

Source: US Geological Survey, WisdomTree, January – October 2024. US production refers to mine production of recoverable silver in the United States. Bullion, Doré etc includes ores, concentrates, ash and residues including the silver content from base metal ores. Refined in this case refers to other unwrought silver, metal powder, silver nitrate, semi manufactured forms (containing 99.5% or more by weight of silver), waste and scrap. In terms of composition, refined is mostly waste and scrap. **Historical performance is not an indication of future performance and any investments may go down in value.**

Silver price forecast

We anticipate that silver will outpace gold, gaining 23% over the coming year compared to gold's projected 17% increase (Q4 2024 to Q4 2025). Our forecast places silver at $35.50/oz by year-end. Historically, silver has exhibited a 1.4x beta to gold—meaning that for every 1% rise in gold prices, silver tends to increase by 1.4%. Given ongoing market recalibrations around interest rate expectations, silver may experience short-term pullbacks before resuming its upward trajectory.

Figure 9: WisdomTree Silver Price Forecast



Source: WisdomTree (forecasts), Bloomberg (historic data). Historic: April 2010 to January 2025. Forecasts: February 2025 to December 2025. **Forecasts are not an indicator of future performance and any investments are subject to risks and uncertainties.**

Analytical framework

Silver's strong correlation with gold remains the primary driver of price movements. However, approximately 20% of silver price behaviour is influenced by additional factors, including:

+ **Manufacturing activity:** Over 50% of silver's demand stems from industrial applications. We use global manufacturing Purchasing Managers Index (PMI) as a proxy for industrial demand.
+ **Mining capital expenditure (Capex):** Higher mining investments signal potential future supply increases. Given that silver is often a by-product of other metal mining, we assess capital expenditures across the top 100 mining companies, applying an 18-month lag.
+ **Silver inventories:** Rising inventories indicate greater availability and can exert downward pressure on prices. Futures market exchange inventories serve as a proxy, though they are currently distorted by trade policy uncertainties.

Gold market outlook

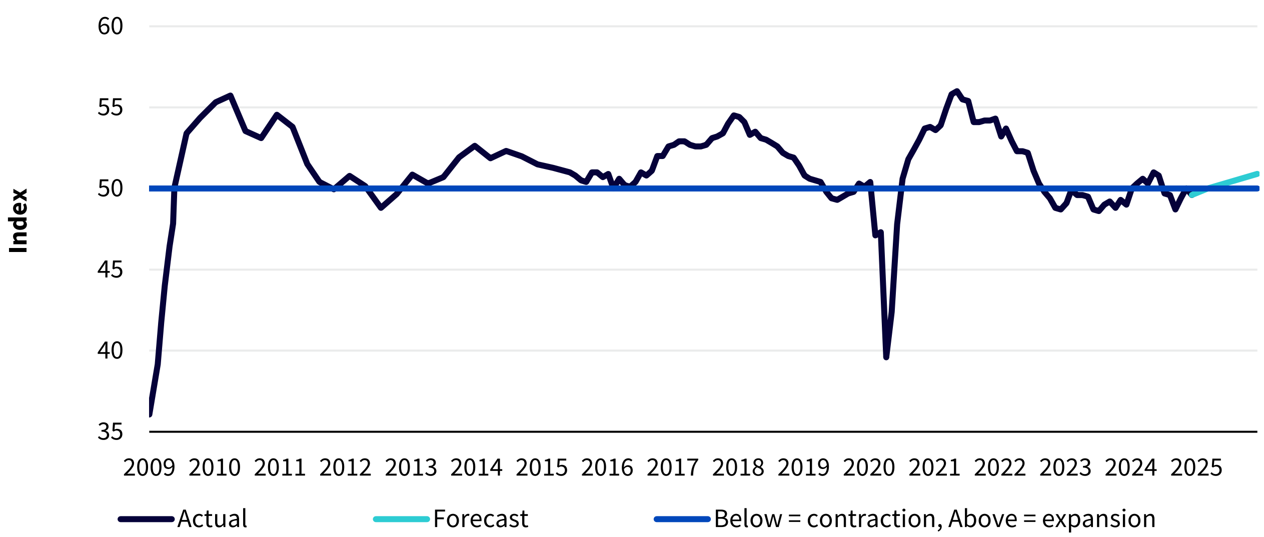
Based on consensus forecasts for key economic variables—including inflation, US dollar performance, and Treasury yields—we project that gold will reach a new high of **$3,070/oz by Q4 2025.** Market expectations suggest inflation will initially decline before rebounding above target by year-end, the US dollar will depreciate slightly, and bond yields will edge lower. Consensus forecasts anticipate the Federal Reserve's interest rate falling to **4.00% by year-end** from **4.50% in January 2025.**

Industrial demand and supply constraints

Global manufacturing PMIs[6] (Figure 10) began recovering in September 2024 but stalled slightly in December 2024, remaining below 50—a signal of contraction. However, as central banks worldwide ease monetary policy, we expect manufacturing to gain momentum, supporting silver demand. Trade tensions pose a potential downside risk to industrial activity, which we are monitoring closely.

6. PMI = Purchasing Managers' Index.

Figure 10: Global Manufacturing Purchasing Managers' Index

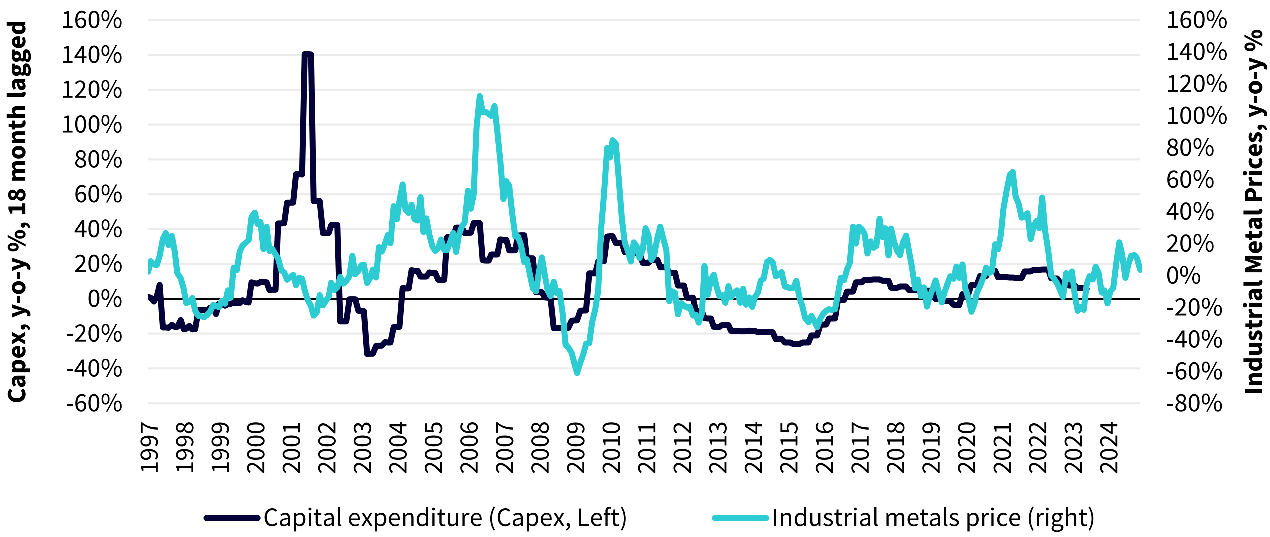


Source: WisdomTree, Bloomberg, S&P Global, Historic: Historic: January 2009 to January 2025. Forecasts: February 2025 to December 2025. **Forecasts are not an indicator of future performance and any investments are subject to risks and uncertainties.**

Mining capital expenditure

Mining capital expenditures have slowed in recent years (Figure 11). Since mining investments typically correlate with industrial metal prices with an 18-month lag, the modest 1% rise in silver mine supply in 2024[7] suggests continued tightness in silver markets.

Figure 11: Mining Capital Expenditure and Industrial Metal Prices



Source: WisdomTree, Bloomberg, February 1996 to December 2024. **Historical performance is not an indication of future performance and any investments may go down in value.**

Conclusion

Silver appears to be poised for an overdue rally, supported by strong industrial demand, persistent supply deficits, and the potential for increased institutional adoption. While risks such as trade disputes and policy shifts remain, the fundamental outlook remains constructive, and we believe this sets the stage for silver to outperform gold in 2025.

7. Source: Silver Institute.

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