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Flash

Precious metals: Time for a breather → we downgrade from Positive to Neutral

A historically sharp price rally for precious metals

Precious metals have had an impressive rally year-to-date (especially in recent months): gold +65%, silver, platinum and rhodium +80% and palladium +62%. Since early 2024, the gold price has more than doubled.

In recent years, the rising gold price has been successively driven by geopolitical tensions, high inflation, gold purchases by central banks and the flight of investors to this safe-haven investment in uncertain times (policy uncertainty, trade war, military tensions, increasing government debt, and Trump's attempt to influence the Fed). On top of the traditional appetite of Asian investors for physical gold bars and coins, we have seen a huge inflow of Western investors since mid-2024 via gold trackers. Recently, this appetite was further boosted by the start of a new rate-cutting cycle by the Fed and dollar weakness.

Other precious metals, such as silver, platinum and palladium had lagged the gold rally until May 2025, but had been making an impressive catch-up since June. This was due to a substitution for gold in the jewellery sector (as gold had become too expensive), the growing demand for industrial applications (electronics, data centres, solar panels, aerospace and defence, etc.), increased investor appetite for mixed precious metals trackers, as well as a tight supply. There has not been a huge investment in new mining capacity in the last decade and there have been temporary supply disruptions in South Africa's platinum mines and silver mines this year. However, the hyperbolic rise in the price of silver and platinum was also driven (or accelerated) by short covering (where investors who have shorted these metals at lower prices have to buy back to close their shorts).

We downgrade our view on precious metals from Positive to Neutral

After holding a Positive view on precious metals for a long time, we are now downgrading our view Neutral. We think that the market is currently overbought and that there may be some profit-taking and a correction in the short term. In the longer term, we see further upside potential for gold and other precious metals due to tight supply and structurally increased investor interest. We adjust our 12-month price targets just above recent highs: gold at USD 4,400 (from USD 4,000) and silver at USD 55 (from USD 50). But after the sharp rally, the market will probably have to consolidate and there will be some better entry opportunities.

Some drivers for flight to safe-haven could fade

Some drivers for the flight to safe-haven investments could fade in the coming weeks. Trade tensions could ease if President Trump and Xi Jinping were to sign a trade deal at the end of this month. There are rumours that the US government shutdown could end soon. After the truce in Gaza, President Trump is working on a resumption of negotiations between Ukraine and Russia. If the respective peace processes for Gaza and Ukraine move in the right direction, it could reduce geopolitical uncertainties. And with regard to fears of undermining the Fed's independence, political pressure will ease in the near term because the Fed plans to cut rates anyway. We believe that the prospect of lower Fed rates is already sufficiently priced in.

For platinum and palladium, investors should be aware that, despite growth potential for new technological applications, the demand for automotive catalysts will decline over time as the market shifts further towards EVs. Indeed, automotive catalysts still currently represent 40% of the demand for platinum and 80% of the demand for palladium.

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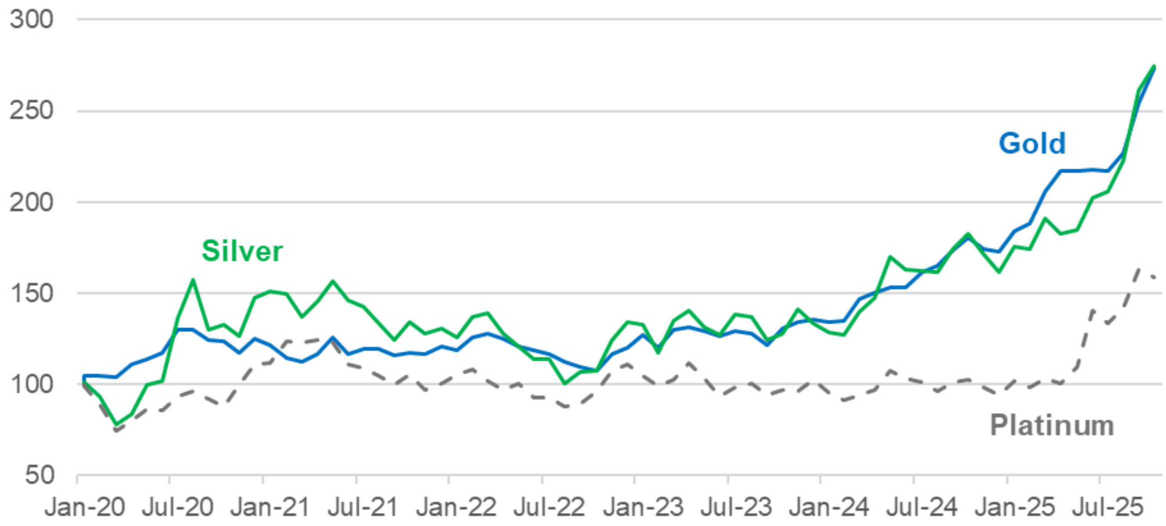
CHART 2: PRECIOUS METALS PRICES



Source: BNP Paribas, Bloomberg

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