

Volatility remains set to drive silver

Silver has rallied sharply this year, outperforming gold, with prices up almost 100% as of early December. Prices have swung sharply this year as changing economic signals and evolving tariff policies influenced market sentiment. With uncertainty still high, we think more volatility is likely ahead



The Río Tinto river in Spain, which crosses an ancient site where silver is mined alongside gold, copper and iron. We see silver prices remaining well-supported next year

Silver's strength this year has been underpinned by a combination of factors, including a persistent supply deficit, strong industrial demand thanks to solar – one of the metal's primary uses, EVs and electronics, and renewed investment flows into silver as a cheaper alternative to gold.

The gold/silver ratio is back down at 70 – a year-to-date low – from a peak of 105 around Liberation Day, suggesting increasing institutional investor confidence in silver.

Gold/silver ratio drops to 2025 lows



Source: Refinitiv, ING Research

Silver ETFs see renewed investor interest



Source: Refinitiv, ING Research

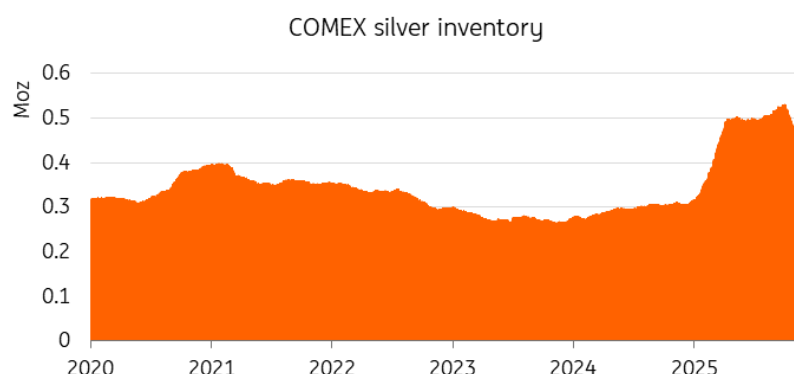
Historic squeeze

Beyond that, US tariff uncertainty has pulled metal from London to the US, triggering a historic squeeze, with COMEX futures trading above London prices for much of the year. This led to a sharp decline in available silver stocks in London, the primary trading hub.

This has put other regions under pressure – stockpiles in warehouses linked to the Shanghai Futures Exchange recently hit their lowest in nearly a decade, with a large volume shipped to London to ease the squeeze there. This came after Chinese exports of silver surged to more than 660 tonnes in October, which is the highest volume on record. But the market is still grappling with the effects of the historic short squeeze. Lease rates, the annual cost of borrowing silver in London, are still elevated at around 6% despite a record inflow of silver into London.

There is still a risk of a tariff on silver, with the recent inclusion of the precious metal to the US Geological Survey list of critical minerals increasing the likelihood of US import tariffs.

Silver flows to US on tariffs fears



Source: COMEX, ING Research

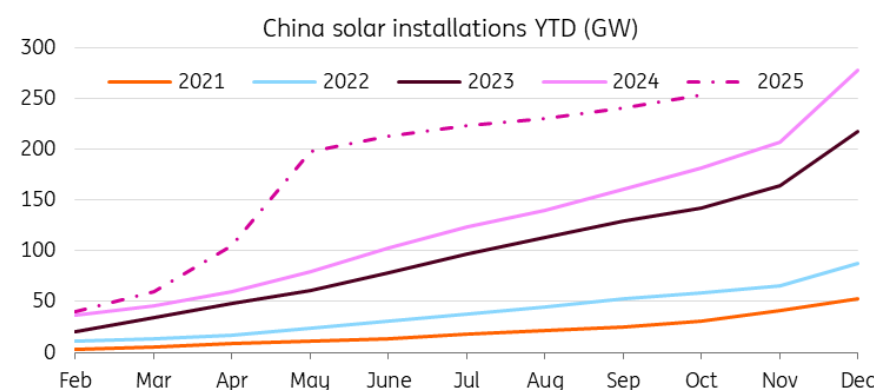
Tailwinds ahead

Looking ahead into 2026, silver will continue to be supported by improving investor sentiment towards precious metals and tightening physical balances.

From a macro perspective, silver should benefit from the same drivers expected to support gold – a softer US dollar, Federal Reserve rate cuts, and renewed appetite for safe-haven assets amid geopolitical concerns. Historically, silver has outperformed gold during easing cycles, as lower real yields tend to lift both investor allocation and industrial activity.

But silver's outlook is also shaped by fundamentals that differ from gold. Industrial demand accounts for more than half of total silver consumption. Demand for solar is likely to slow from here, particularly in China after a few strong years, with installations expected to peak in 2025. But additional demand tailwinds come from electrification, power grid upgrades, and growing use of silver in automotive components, especially in hybrid and battery electric vehicles.

China solar installations expected to peak in 2025



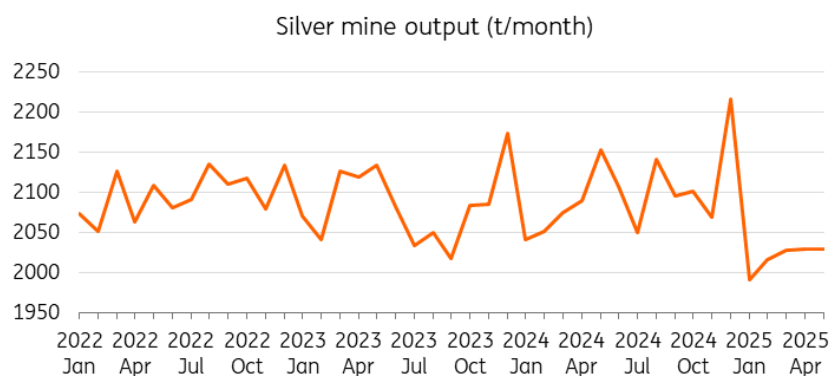
Source: National Energy Administration, ING Research

Another year of deficits

On the supply side, silver is facing another year of deficits, extending the multi-year trend of tightening physical balances. This year will mark the fifth consecutive year of deficits. Silver supply

is structurally inelastic, with around 70-80% of global silver output coming as a by-product from mines that primarily produce lead, zinc, copper or gold. That means that silver supply cannot be scaled up even when prices rise, unless the metals that silver is mined with justify higher production too. Mined silver production is down around 3% this year, with output constrained by declining ore grades and limited new project development.

Silver output is down this year



Source: WBMS, ING Research

Volatility will continue

Silver is often nicknamed “gold on steroids” – it tends to move much more than gold in percentage terms. This is largely because silver is smaller in market size and has dual demand – industrial and investment. This makes it more sensitive to economic cycles. But while it can massively outperform gold in a bull market, it can also fall harder in a downturn. We think silver’s volatility will continue next year.

The primary risk to the outlook comes from the industrial side. A sharper-than-expected global slowdown, particularly in electronics or manufacturing, would slow down silver’s momentum. Higher prices for longer could also lead to demand destruction.

While we don’t believe that the pace of gains seen this year is sustainable, overall, we expect silver prices to remain well-supported amid the combination of resilient industrial demand, constrained supply growth, and a more favourable macro environment. We see prices averaging \$55/oz in 2026.

Author

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

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