

# Flash

## Silver catching up compared to gold We increase our target to USD 40/ounce

### Key Messages

1. **Silver demand remains strong:** industrial (electronics, solar panels) and jewellery demand continues to grow, while mining supply struggles to keep pace. Investment demand has also finally started to improve. A 5<sup>th</sup> year of supply deficits versus demand is expected in 2025.
2. **Silver price breaks out, catches up to gold:** the gold/silver ratio briefly touched an extreme 100x, while the long-term ratio is around 68x.
3. **We upgrade our 12-month silver target price to USD 40/ounce** (from USD 38 previously) to reflect a gold/silver ratio closer to 80x.

### Silver had been lagging gold in recent years/months

Although silver price performed already well in recent years, it has been lagging the gold price rally. And after the US trade tariffs announcement of April 2, silver and gold even decoupled, as silver corrected due to fear for lower industrial demand, while gold reached new all-time-highs due to peak uncertainty and flight to save-haven investments.

Early May we downgraded our view on gold from positive to neutral as our USD 3,300 12-month target had been reached (and probably also peak geopolitical uncertainty), but we remained positive on silver which we expected to catch up.

### Silver: technical breakout

The gold-silver ratio, which had mostly traded between 50 and 80 in the past decades, had risen to a historic high of 100 in April/May. While gold price is consolidating around our target of USD 3,300 (trade deals could ease geopolitical tensions), silver price early June has technically broken out and is catching up compared to gold, helped by a supply deficit and short covering. Silver price surged from USD 32-33 in previous months to USD 36.80 in early June, the highest level in 13 years.

### Gold/silver ratio is correcting from its historic peak

The gold/silver ratio has currently come down to 90 and we expect a further normalization in the direction of 80. This implies a silver price target around 40 USD, a slight increase compared to our previous target of USD 38/ounce.

### Silver benefits from gold substitution and growing industrial demand, while supply growth is limited.

Silver benefits from a substitution effect in the jewelry sector, as gold has become relatively expensive and less affordable. Industrial demand (although somewhat cyclical) should continue to grow (for electronics, solar panels, aerospace, data centers...). On the other hand, we see limited supply growth and the supply/demand balance is already in deficit, which should further support silver price.

Furthermore, the recent technical breakout could attract more retail and institutional investors, diversifying their save-haven investments from gold.

### EXHIBIT 1: SILVER PRICE (5-YEAR GRAPH)



Source: Datastream, BNP Paribas

Patrick Casselman

Commodity Strategist  
BNP Paribas Wealth Management



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