SEPTEMBER 2025

Flash

Golden times for precious metals and their miners

Increasing our target prices for gold and silver

After four months of consolidation within a USD 3,200 – USD 3,430 trading range, gold price technically broke out at the end of August, thereby reaching new all-time-highs (Chart 1). Major drivers are:

1. the increased probability of rate cuts by the FED, Fed, following weaker than expected US job reports.
2. Ongoing flight to save-haven investments due to geopolitical and financial uncertainties, particularly over trade tariffs (the Supreme Court's cancellation of Trump's tariff decisions has fuelled new uncertainty), doubt surrounding the Fed's independence in view of Trump's pressure and intervention, as well as concerns about sustainability of the high US fiscal deficits and mounting debt level.
3. Ongoing gold purchases by central banks, diversifying their reserves away from USD assets.
4. A weak dollar

Consolidation phase is over

In early May, following a sharp rally in gold price, we downgraded our view from Positive to Neutral, as we expected the peak of uncertainty had been reached. We included the scenario that a de-escalation of trade war and possible peace talks around the military conflicts in Ukraine and the Middle East could cause a consolidation or slight correction of the gold price. Meanwhile trade tensions eased somewhat when some trade deals were signed, but no meaningful progress has been made for peace between Russia /Ukraine and in the Middle East.

Although demand for gold from the jewellery industry is declining as the yellow metal has become less affordable, we still see increasing demand from investors looking for a safe-haven amidst ongoing geopolitical tensions and policy uncertainties, de-dollarisation, concerns about the Fed's independence, US fiscal deficits and ballooning debt levels, as well as the possible return of US inflation.

Given this strong investment demand combined with limited supply growth and supported by the strong technical picture after recent break-out, **we return to our Positive view with a further target price increase from USD 3,500 to USD 4,000.**

Gold remains in good company

We also **remain Positive on other precious metals**. Since early summer we have seen silver and platinum prices catch up significantly, due to a combination of gold substitution in the jewellery market and tighter supply.

Moreover, industrial demand continues to grow for electronics, solar panels, aerospace, data centers, electrolysers, etc. We expect these markets to remain in a supply/demand deficit for a while, thus further supporting prices.

In line with our target price increase for gold and taking into account a gradual further correction in the gold/silver ratio from the current +/-90 to +/-80, **we increase our 12-month target price for silver from USD 45 to USD 50 and confirm our positive view.**

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Further upside for gold miners despite a strong rally

Precious metal mining companies have been among our key conviction ideas since September 2024. We have been of the view that the upside foreseen by our commodity strategists should boost the profitability of those companies. Such an improved earnings outlook would also allow the valuations to re-rate higher.

Since we made this call, the NYSE Arca Gold Miners Index (AGM) have gained 88% and the Solactive Global Silver Miner Index (GSM) has even managed to soar 113% (both in USD as of 09/09/25 / Chart 2). Interestingly though, the P/E ratio on AGM is essentially unchanged despite the strong performance. The index was trading at an NTM P/E ratio of 13.6 when we made our call and now trades at 14.3. The re-rating for the GSM was slightly larger with the P/E ratio moving from 18.8 to 20.4. None of those readings looks expensive though as they either sit at (SGM) or below (AGM) long-term averages (see Chart 3).

The case for future earnings growth

Mining companies tend to have a rather high proportion of fixed costs in this asset-heavy industry. Companies must carry out regular maintenance on mines to keep them running, and machinery needs to be available and serviced as well, irrespective of the capacity utilization. Thus, those companies have a high operating leverage. Albeit the relationship is not linear, every additional dollar earned from higher prices will increase pre-tax profits by a significant amount. Therefore, this price increase (forecast by our commodity strategy team) should provide an additional boost to earnings.

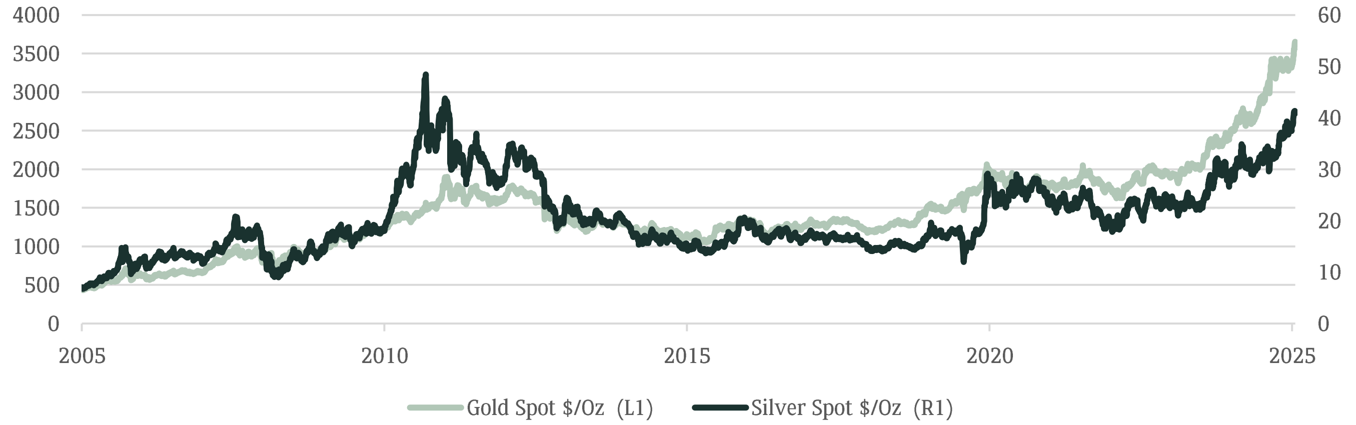
Based on the most recent relationship between the gold price and earnings, we find that between 2023 and today, profits rose on average 2.84 times faster than the gold price itself. If we apply our gold price forecast and adjust the current consensus earnings estimate with a more defensive multiplier of 2.5, we end up with a further upside of 30% for the index due to higher earnings. If we apply the same methodology to the GSM, we find a higher dispersion in the relationship between earnings and silver price growth (3 for 2024 & 8.6 for 2025). We take this as an indicator that the Silver price has hit an inflection point for profitability during the last 12 months. Thus, applying a lower multiplier for our forward-looking calculations looks appropriate. Accepting the high level of 8.6 for 2025 while applying 2.5 (in line with what we used for Gold) for next year, we end up with a theoretical price upside of ~30%.

The calculations assume that current earnings forecasts are somewhat tied to the Bloomberg consensus forecasts for Q2 2026 (Gold: USD 3400/oz / Silver: USD 38/oz) and a stable P/E ratio.

Obviously, those are overly simplistic calculations and should be viewed as such. On the other hand, these numbers still look conservative compared with the long-term picture. Over the last 10 years, gold has surged by 229% while the earnings of the AGM have risen by a whopping 1090% (a factor of ~4.8). As for Silver, the factor since 2019 has been smaller though, standing at ~1.4. While this looks less encouraging, we would highlight that the earnings in 2021 were almost twice as high as today (EPS of 17.5 in early 2021 vs 9.7 today) while Silver was trading between USD 25 – USD 30/oz.

Either way, these numbers are not meant to be exact forecasts, but a rough idea of the further upside investors could expect based on our updated forecasts. **We reiterate our overweight rating on precious metal mining companies.**

CHART 1: GOLD AND SILVER ARE IN A SOLID BULL MARKET

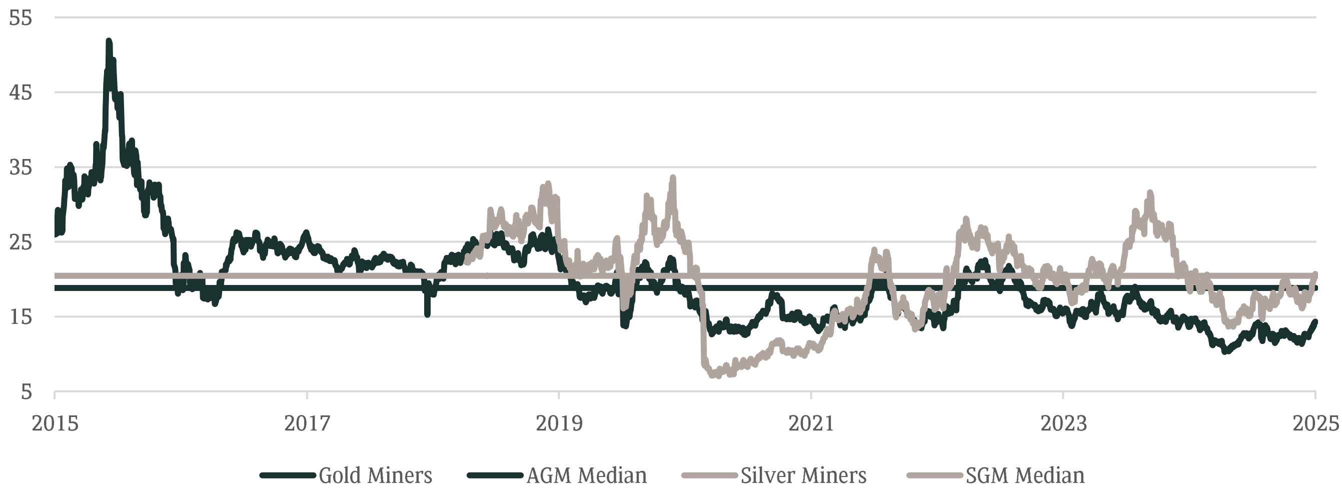


Source: BNP Paribas, Bloomberg

CHART 2: PRECIOUS METAL MINERS ARE ENJOYING A GREAT RUN AND THIS MAY CONTINUE

Source: BNP Paribas, Bloomberg

CHART 3: VALUATIONS ARE STILL UNDEMANDING, ESPECIALLY FOR GOLD MINERS



Source: BNP Paribas, Bloomberg

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