Precious Comment: Silver: Extreme Price Action Likely to Persist On Thin London Inventories

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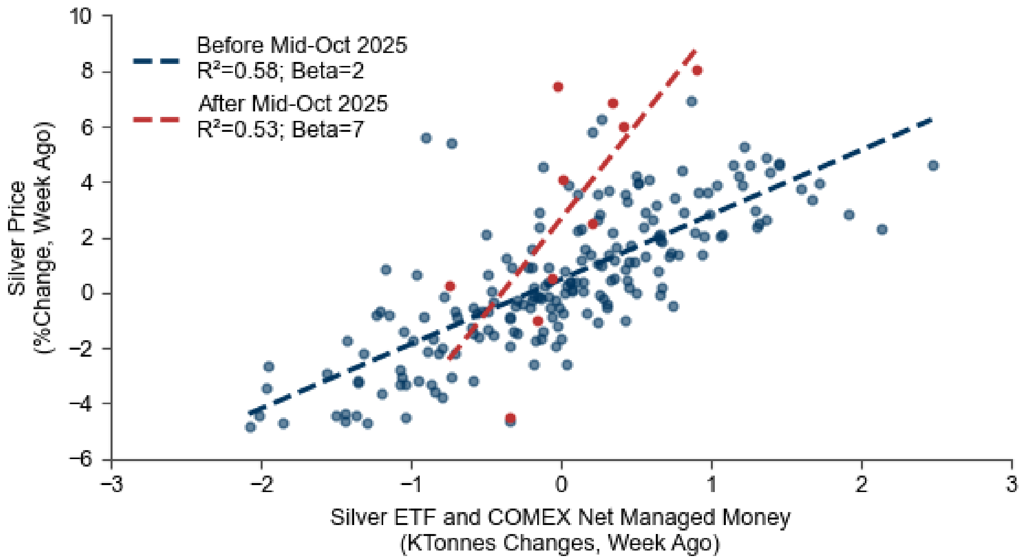
- Silver prices rose 138% in 2025, the largest annual gain since 1979 when the Hunt brothers famously cornered the silver market. We expect extreme price swings to persist—both up and down—and advise volatility-averse clients to remain cautious. The recent price action directionally reflects private investor inflows on Fed easing and on a potential 'diversification' theme, but a liquidity squeeze in London — where silver benchmark prices are set — amplifies the moves. Speculation around US trade policy—with silver theoretically eligible for tariffs of up to 50% (despite its exemption in April 2025)—prompted pre-positioning of metal into the US in 2025, drawing inventory out of London and reducing the available float. Thinner inventories have created conditions for squeezes, where rallies accelerate as investor flows absorb remaining metal in the London vaults and reverse sharply when tightness eases. While 1,000 tonnes of weekly net silver demand typically lifts prices by about 2%, that beta has surged to 7% amid tightness.
- We still see US tariffs on silver as unlikely. Policy clarity could trigger some metal to move back out of the US, easing London tightness and driving a price pullback. That said, despite a clear statement that gold remains exempted from US tariffs in August, most gold has stayed in New York COMEX vaults, reflecting lingering policy tail risk. If silver follows the same pattern, most silver may remain in New York COMEX vaults and extreme price action could persist even after a definitive statement on US silver tariffs.
- Adding to this, China—a leading silver exporter—introduced export controls on January 1, requiring permission for outbound shipments of silver. While such measures do not necessarily signal imminent restrictions, the mere prospect could fragment the silver market further, reduce liquidity, and amplify price volatility.

Exhibit 1: While 1,000 Tonnes of Weekly Net Demand Typically Lifts Prices By About 2%, That Beta Has Surged to 7% Amid Tightness



Data is a two-week rolling average.

Source: Bloomberg, Goldman Sachs Global Investment Research

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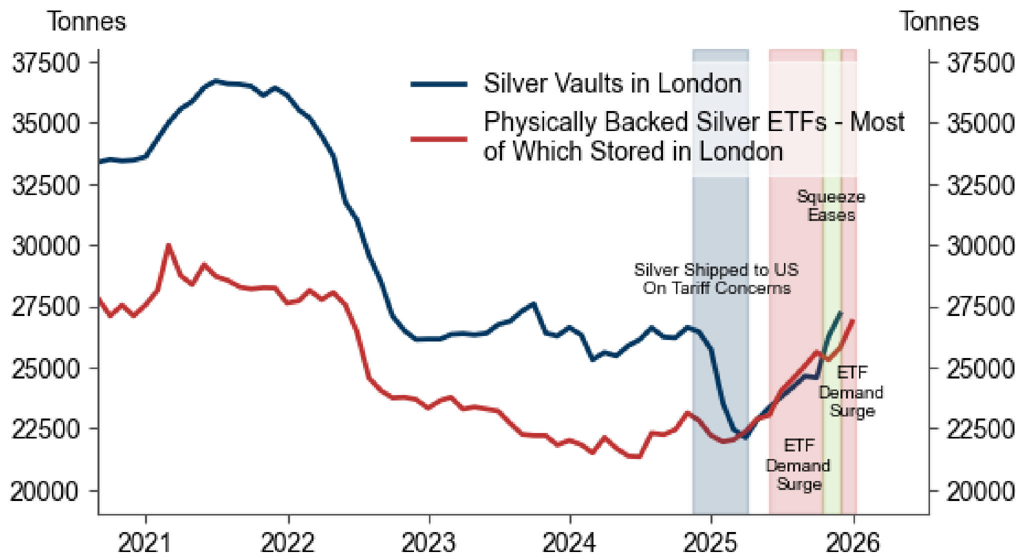
We refer the reader to our publication here for more information on the ongoing London liquidity squeeze in silver, platinum and palladium.

Silver prices rose 138% in 2025 — the largest annual gain since 1979 when the Hunt brothers famously cornered the silver market — and are now trading in the high $70s. We expect extreme price swings to persist—both up and down—and advise volatility-averse clients to remain cautious. The recent price action directionally reflects private investor inflows on Fed easing and on a potential ‘diversification’ theme, but a liquidity squeeze in London — where silver benchmark prices are set — amplifies the moves.

Speculation around US trade policy—with silver on the Critical Minerals List and theoretically eligible for tariffs of up to 50% (despite its exemption in April 2025)—prompted pre-positioning of metal into the US earlier in 2025, drawing inventory out of London and reducing the available float. As the rapid recent rise in silver ETF demand — which is backed by physical silver — absorbed more metal, the London market is temporarily running short of deliverable silver (Exhibit 2).

Exhibit 2: As Tariff Concerns Drew Silver to the US Earlier This Year, London Inventories Thinned, and When Surging ETF Demand Then Absorbed More Silver, The London Market Tightened...



We track physically backed silver ETFs under Bloomberg ticker \"ETSITOTL\". Most of the silver backing these ETFs is stored in London vaults, the global hub for silver trading. For reference, around 80% of the silver held by SLV — the largest ETF — is stored in London, with the remainder in New York. The whereabouts of SLV’s silver holdings can be tracked here: https://emea-markets.jpmorgan.com/metalicsWebAppJanus/publicUnauthenticated/BONY_SLV.pdf . While a direct measure of London’s available float is not published, it can be approximated by subtracting physically backed ETF holdings from total silver stored in London vaults, as ETFs account for the bulk of allocated silver in the London market.

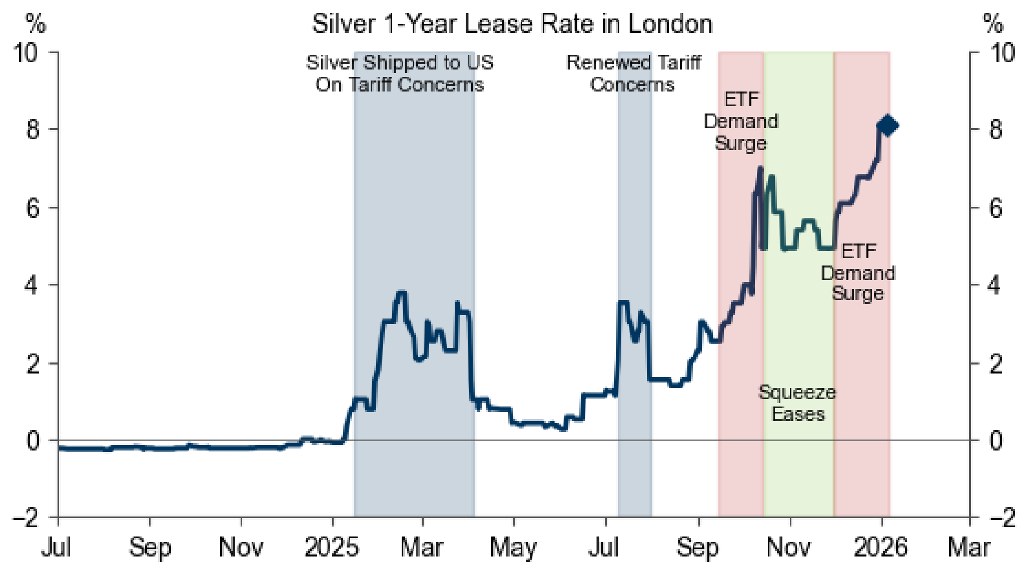
Source: LBMA, Bloomberg, Goldman Sachs Global Investment Research

To manage this temporary shortage in the London market, traders turn to the *leasing market*, where holders of physical silver lend it out for a fee.[1] The cost of borrowing silver

[1] Lease markets exist because some participants in the precious markets own metals as an investment rather than for use. They lend it out for a fee to fabricators, refiners, or dealers that need short-term access to physical metal for deliveries or manufacturing. This creates a rental yield on otherwise idle holdings and provides

— the lease rate — spiked sharply (Exhibit 3), signaling near-term tightness.

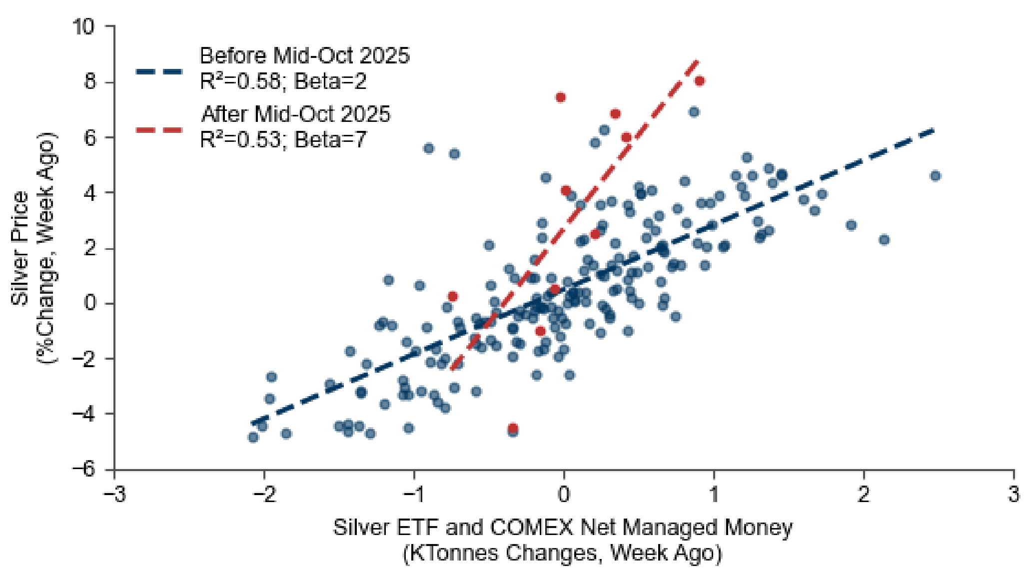
Exhibit 3: ... And London Lease Rates Spiked Sharply



Source: Bloomberg, Goldman Sachs Global Investment Research

Thinner inventories create conditions for squeezes, where rallies accelerate as investor flows absorb remaining metal in the London vaults and reverse sharply when tightness eases. While 1,000 tonnes of weekly net silver demand typically lifts prices by about 2%, that beta has surged to 7% amid tightness (Exhibit 4).

Exhibit 4: While 1,000 Tonnes of Weekly Net Demand Typically Lifts Prices By About 2%, That Beta Has Surged to 7% Amid Tightness



Data is a two-week rolling average.

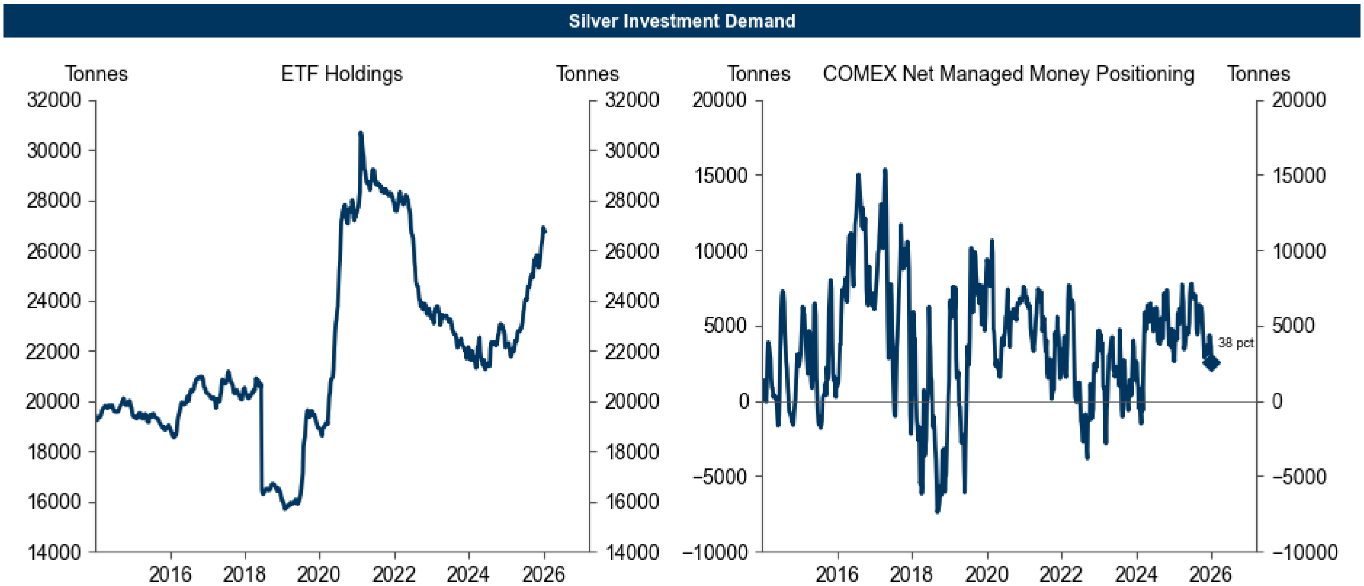
Source: Bloomberg, Goldman Sachs Global Investment Research

As long as silver remains dislocated in the US and liquidity in London is not restored with silver from elsewhere, prices could rise even further if investor enthusiasm persists. ETF

short-term liquidity to the physical market.

holdings remain below their 2021 peak and are likely to rise further on Fed cuts and a potential 'diversification' theme, while net managed money on COMEX is below historical averages — suggesting investor demand is not overstretched despite the 138% rally in 2025 (Exhibit 5).[2]

Exhibit 5: Investor Demand May Not Be Overstretched Despite the 138% Rally in 2025

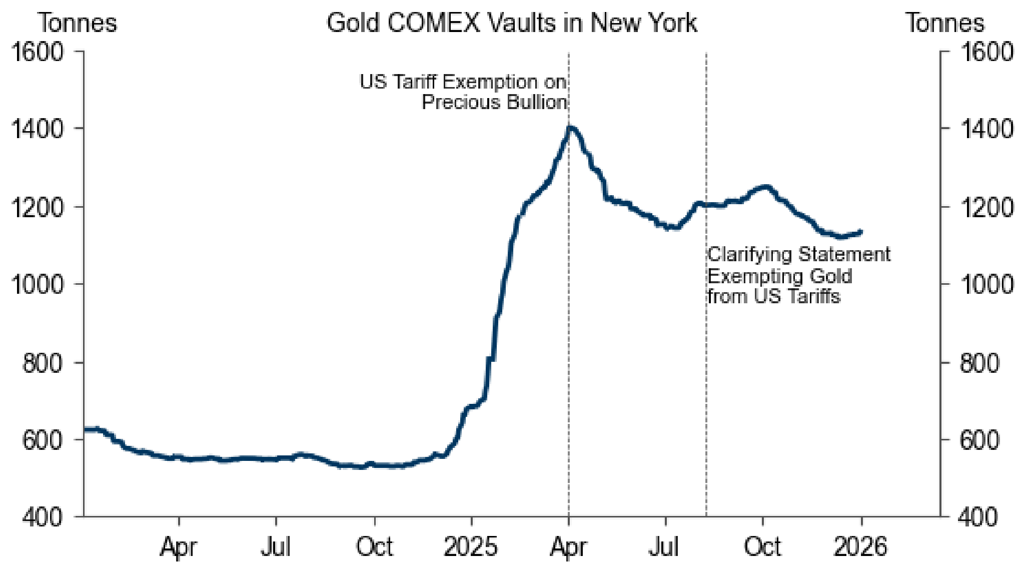


Source: Bloomberg, Goldman Sachs Global Investment Research

Downside risk to silver prices is significant if London liquidity is restored, for example, if silver currently stuck in the US returns to London. We still see US tariffs on silver as unlikely. Policy clarity could trigger some metal to move back out of the US, easing London tightness and driving a price pullback. That said, despite a clear statement that gold remains exempted from US tariffs in August, most gold has stayed in New York COMEX vaults, reflecting lingering policy tail risk. If silver follows the same pattern, most silver may remain in New York COMEX vaults and extreme price action could persist even after a definitive statement on US silver tariffs.

[2] That said, given the sharp price appreciation, net managed money positioning in dollar terms is elevated.

Exhibit 6: If Silver Follows the Same Pattern as Gold, Most Silver May Remain in the US and Extreme Price Action Could Persist Even After a Definitive Statement on US Silver Tariffs



Source: COMEX, Goldman Sachs Global Investment Research

Adding to this, China—a leading silver exporter—introduced export controls on January 1, requiring permission for outbound shipments of silver. While such measures do not necessarily signal imminent restrictions, the mere prospect could fragment the silver market further, reduce liquidity, and amplify price volatility. Disruption risk may prompt participants to secure their own stockpiles rather than share buffers globally. This shift from a pooled global system to isolated regional inventories would create an inefficient structure—transforming a smooth, integrated market into one prone to sharp, localized price swings. We view the recent Chinese export controls on silver and other critical minerals such as tungsten and antimony as part of a broader global trend of commodities being deployed as geopolitical leverage.

Disclosure Appendix

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