CENTRUM WEALTH

Precious Metals: Correction Amid Structural Case

What Just Happened: A Sharp Reset from Record Highs

• Both precious metals are coming off the most powerful bull run in a generation — and a violent correction.
Gold rallied roughly 65% in 2025 while silver's price went up by ~148% (their best year since 1979), with the move accelerating into early 2026. Both metals printed all-time highs on 28 January 2026 — gold at ~US$5,417/oz and silver at ~US$116/oz - before rolling over hard.

• Gold: down ~27% from its January peak, slipping slightly below US$4,000/oz on 24th June 2026 for the first time sinceNovember 2025.

• Silver: down ~50% from its January peak, breaking below US$60 for the first time since December 2025.
Silver's higher beta means it fell roughly twice as hard as gold.

• The last four months have been defined by repeated bouts of volatility rather than a one-way slide. A hawkish Fed, US–Iran escalation, and Warsh's first FOMC in June kept pressure on metals through higher yields, inflation concerns and a stronger dollar.

Gold (XAU, US$/oz) — 5-year. Source: Bloomberg

Gold (XAU, US$/oz) — 5-year. Source: Bloomberg

The pullback has been driven by a cluster of cyclical, macro and positioning factors — not by any deterioration in gold and silver's long-term fundamentals.

• **Rising real yields:** The US 10-year TIPS yield drifted towards ~2.2% (up ~15% YoY) as energy-driven inflation lifted rate-hike expectations. Higher real yields raise the opportunity cost of holding non-yielding metals.

• **A stronger US dollar:** The Dollar Index climbed to a 13-month high. Dollar strength is the single most reliable short-term headwind for both metals.

• **A hawkish Fed pivot:** The June FOMC held rates unchanged, but its updated dot plot raised the 2026 median to ~3.9% — up from 3.4% in March — putting a hike back on the table (market participants now expecting 2 rate hikes in the next 12 months).

• **Speculative unwind:** The parabolic January run attracted heavy speculative positioning; when that unwinds it moves fast, as March and June both demonstrated. Silver miners had rallied 25–30% in just four sessions into the June FOMC — a pullback was mathematically overdue.

• **Technical stop-loss cascades:** Gold's break below $4,100–$4,000/oz and silver's approach to $60/oz triggered trader's stop-loss orders. This triggered a cascade of further selling, magnifying the decline beyond what macro fundamentals alone would justify.

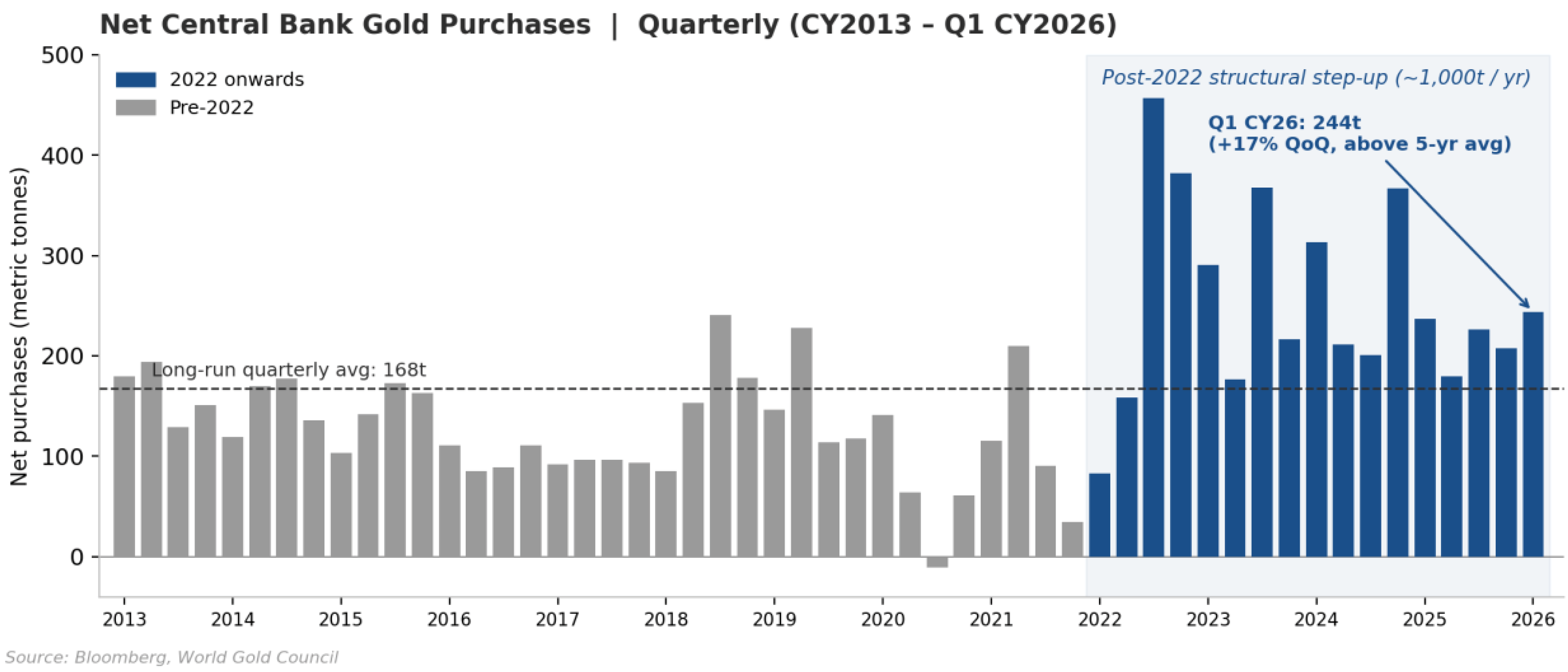
• **Tactical EM central-bank sales:** Central Banks of Poland, Turkey & Russia sold gold in Q1 for FX and liquidity purposes (gold doing its job as the reserve asset accessible in times of stress), adding near-term supply even as strategic buyers kept accumulating.

We Stay Constructive on Gold

We treat the current weakness as a healthy breather within an intact structural bull market. The key drivers have shifted from cyclical to structural, and four of them stand out.

Robust central-bank demand

Central banks remain the dominant marginal buyer of gold. After a hattrick buying of above 1,000t (2022–2024) and a robust 863t in 2025, demand has remained elevated in Q1 CY 2026 with net purchases of ~244t, up ~3% YoY and ~17% QoQ, and comfortably above the five-year average.



Net central bank gold purchases, quarterly. The post-2022 step-up is clearly visible. Source: Bloomberg, World Gold Council

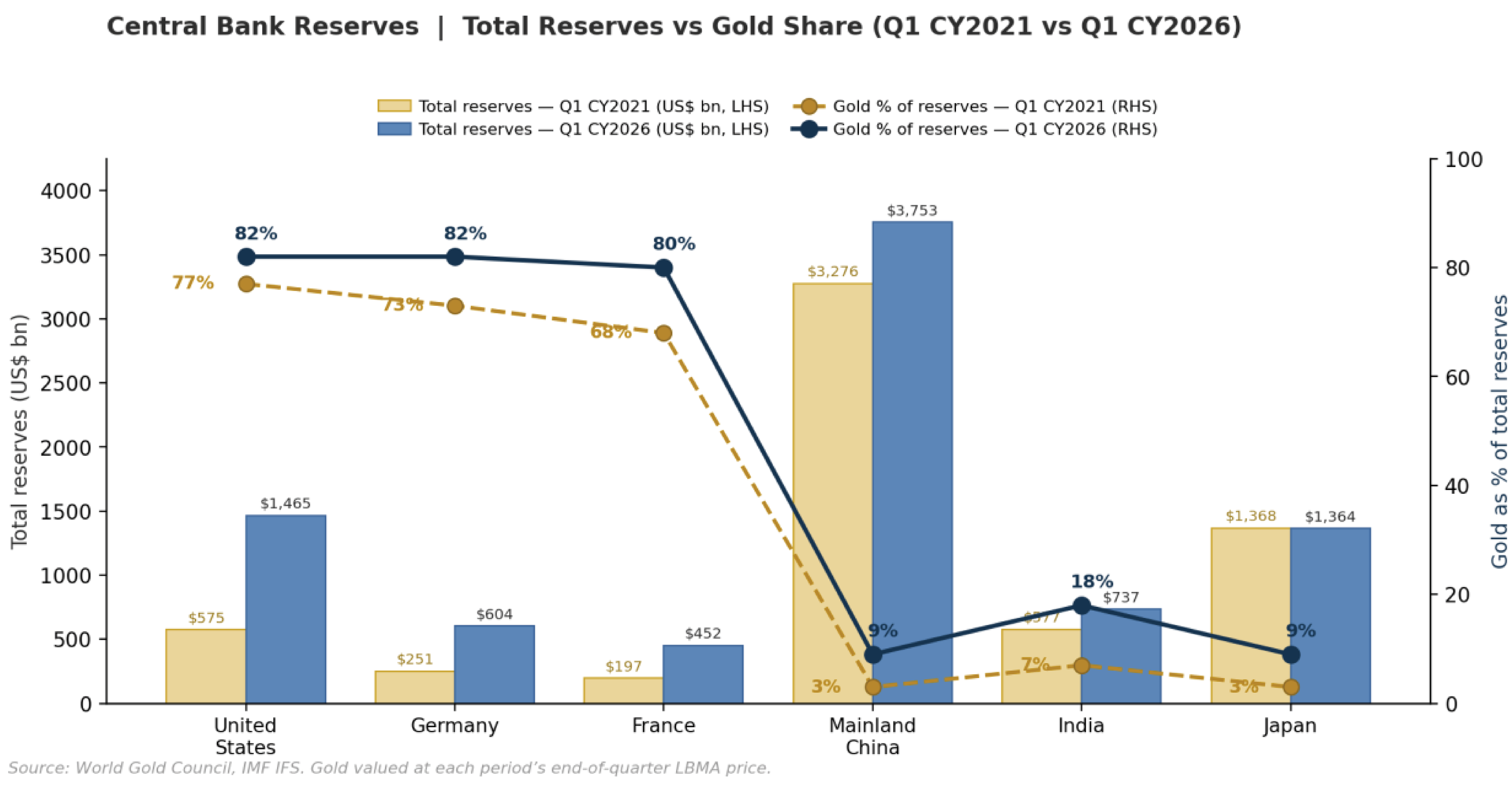
Recent activity strengthens the conviction in central banks buying:

• **PBoC (China):** Extended its buying streak to 18 consecutive months, lifting reserves to ~2,320t (~9% of total reserves). China added 8t to its gold reserves during April 2026, highest since December 2024.

• **National Bank of Poland:** The single most aggressive Western buyer — top buyer of 2026 YTD — taking reserves to ~595t (~30% of reserves) and formally adopting a 700t target. Despite earlier headlines about selling gold to fund defence, the NBP has kept buying, framing gold held on home soil as a security hedge on NATO's eastern flank.

Emerging Market Central Banks leading the Pack

Gold's value-share of total official reserves has more than doubled, from under 10% in 2015 to ~23% today, making gold the second-largest reserve asset in the world after the US dollar (having overtaken the euro). Yet the distribution is strikingly uneven.



Developed-market central banks (such as US, Germany & France etc.) hold roughly 80%+ of their reserves in gold, a legacy of the Bretton Woods era. By contrast, the large emerging-market central bank's reserve remain far below the ~23% global average: China at just ~9% and India at ~18% (Japan likewise ~9%). The direction of travel is clear, however — over the past five years China and India have roughly tripled their gold share (from ~3% and ~7% at Q1 CY2021), even as their total reserves kept growing. This gap represents years of potential structural demand as emerging market central banks move toward a more balanced mix.

The 2026 World Gold Council survey indicates rising conviction

The World Gold Council's 2026 Central Bank Gold Reserves Survey drew a record 76 central banks and points to durable gold demand:

- 89% expect global central-bank gold reserves to rise over the next 12 months.
- A record 45% plan to add to their own gold reserves & only 1% expecting a reduction.
- 84% believe gold will be a higher share of total reserves five years out (up from 76% last year).

De-dollarisation and geopolitical volatility

- **De-dollarisation:** The freezing of nearly US$300 billion in Russian assets after 2022, followed by renewed focus on Iran's roughly US$100 billion of blocked assets, has highlighted the geopolitical risks of holding reserves in dollars. This perceived weaponisation of the financial system is encouraging several countries to gradually diversify their reserves away from the US dollar, including towards gold.
- **Geopolitical Risk:** The US–Israel–Iran war, Strait of Hormuz disruption, an unresolved Russia–Ukraine conflict and a more fragmented NATO have entrenched a structurally higher risk environment. Gold has repeatedly proved an effective hedge during equity drawdowns, and that role is more valuable, not less, in today's multipolar landscape.

Major global research houses see good uptick in gold prices

Despite the correction, virtually every major bank has framed the pullback as a buying opportunity rather than a top, with year-end 2026 targets clustering well above current levels

Research House	Year-end 2026 target ($/oz)	% Uptick (from ~$4,000/oz)
J.P. Morgan	6,300 (floor $4,400–4,600)	+58%
Wells Fargo	6,100–6,300	+53% to +58%
UBS	6,200 (upside $7,200)	+55%
Bank of America	6,000 (12-month)	+50%
Goldman Sachs	5,400	+35%
Standard Chartered	5,100 (by mid-2027)	+28%
Commerzbank	5,000	+25%
Morgan Stanley	~4,800 (Q4 2026)	+20%

Source: GoldSilver compilation of bank research; J.P. Morgan, Goldman Sachs, Wells Fargo, UBS, BofA, Morgan Stanley, Commerzbank, Standard Chartered. Targets as published; not house forecasts.

We Stay Constructive on Silver

A sixth straight year of supply deficit

Per the Silver Institute's World Silver Survey 2026, the silver market ran a deficit for a fifth consecutive year in 2025 and is set for a sixth in 2026. While the gap is narrowing - as record-high prices curb price-sensitive jewellery and silverware demand and lift recycling and mine output - the market remains structurally short, with ~750 million oz of cumulative deficit since 2021 (close to a year of mine output).

Silver market balance (Moz)	2021	2022	2023	2024	2025	2026F	Cumulative
Mine production	823	822	831	822	847	847	4,992
Recycling	175	181	179	194	198	217	1,144
Total supply	**998**	**1,003**	**1,010**	**1,016**	**1,044**	**1,064**	**6,135**
Industrial demand	524	556	654	678	657	638	3,707
Total demand	**1,049**	**1,242**	**1,195**	**1,153**	**1,130**	**1,110**	**6,879**
Market deficit	*(51)*	*(239)*	*(185)*	*(137)*	*(86)*	*(46)*	*(744)*
Deficit (% of supply)	*-5%*	*-24%*	*-18%*	*-13%*	*-8%*	*-4%*	*-12%*

Source: The Silver Institute / Metals Focus, World Silver Survey 2026 (Apr 2026). 2024 figures derived from reported YoY changes; 2026 are forecasts. Figures rounded.

Crucially, ~60% of silver demand is industrial — solar, EVs, electronics, AI-infrastructure and power-grid build-out — while mine supply is structurally lagging (flat in 2026F). The October 2025 liquidity squeeze, which drove record lease rates, was a reminder of how tight physical availability has become.

Gold/Silver ratio ~69.4 (last), versus a long-run mean of ~71.6 — back in line after the early-2026 compression. Source: Bloomberg

The gold-to-silver ratio is now ~69.4, essentially back at its long-run mean of ~72. Earlier in 2026, silver's sharp outperformance had compressed the ratio toward ~50-55 level, leaving silver looking stretched relative to gold. It's harder correction since then has reverted the ratio back to fair value - in other words, silver's sell-off has cooled off an over-extended relationship rather than signalling fundamental weakness. With silver's higher beta, it tends to lead on the turn.

Our View

We maintain a positive long-term stance on both gold and silver. The current drawdown is a cyclical breather — driven by rising real yields, a firmer dollar and a hawkish Fed — within an intact structural bull market, not a break in the fundamentals.

Gold remains underpinned by robust central-bank buying, de-dollarisation and an elevated geopolitical risk premium; silver by a sixth straight year of supply deficit, resilient industrial demand. For investors, the correction is an opportunity to accumulate. We would maintain gold and silver as a strategic allocation of 5-10% of the overall portfolio, preferring ETFs (which qualify for LTCG after a one-year holding period, versus two years for index funds).

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