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A pause for thought in precious metals

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Gold and silver have seen a sharp correction, triggered by the nomination of Kevin Warsh as the potential next Fed Chair. However, we believe the broader trend remains intact: geopolitical risks, inflation concerns, and central bank purchases continue to support precious metals. At the same time, structural supply constraints are creating attractive opportunities across the wider commodity and resources sector.

The prices of gold and silver have experienced one of the most pronounced corrections in years over the past few days. Gold, which had been driven by a strong upward trend for months and climbed to around USD 5,600 per ounce, temporarily lost about USD 1,000 per ounce in just a few days. Silver came under even greater pressure, following a period of significant price gains in recent weeks. While these pullbacks may seem dramatic at first glance, they can be explained by a combination of technical factors and a clear catalyst.

In our view, the main reason for this abrupt move is that precious metals—especially silver—had become heavily overbought. Technical indicators had been signaling for weeks that price action and positioning had reached levels that, in the past, often led to sharp corrections. In such an environment, a single catalyst is typically enough to trigger a significant pullback. That catalyst arrived with the news that Kevin Warsh was nominated to succeed Jerome Powell as Chair of the US Federal Reserve. Warsh is seen as an advocate of tighter monetary policy, particularly regarding the Fed's balance sheet. This perception prompted an immediate reaction in financial markets, strengthening the US dollar and putting pressure on precious metals prices.

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Despite these developments, we see little reason for a fundamental trend reversal in gold. The overarching factors that have supported the rally in recent quarters remain largely intact. Political uncertainty, geopolitical tensions, questions about the Fed's long-term direction, and structural inflation risks continue to drive demand for real assets. Central banks have systematically increased their holdings, and we do not expect this behavior to change.

Looking beyond precious metals, there are attractive opportunities across the broader commodity sector. Energy, industrial, and precious metals markets are undergoing structural changes, driven by both geopolitical factors and long-term trends such as electrification, infrastructure investment, and global demand for critical metals. Years of underinvestment, especially in mining, have laid the groundwork for potential supply shortages. For investors, this means that a broadly diversified commodity allocation not only unlocks additional return potential but also provides valuable diversification versus traditional asset classes. These developments also create opportunities for equity investors, as many resource and mining companies—especially in the precious metals space—are highly profitable at current commodity prices.

In summary, we believe the recent correction in gold and silver does not warrant a fundamental rethink of the strategic role of precious metals or commodities. Rather, it offers investors a—potentially brief—pause for thought on how best to position themselves in commodities. We see the correction as a buying opportunity in an environment still shaped by uncertainty, structural inflation risks, and robust demand. Gold remains, in our view, an attractive satellite investment serving as a diversifying hedge and for long-term wealth building, while broader commodity exposure offers additional growth potential. For investors concerned about high volatility, structured products can help partially mitigate these risks.

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