ICBCS Precious Metals Market Outlook

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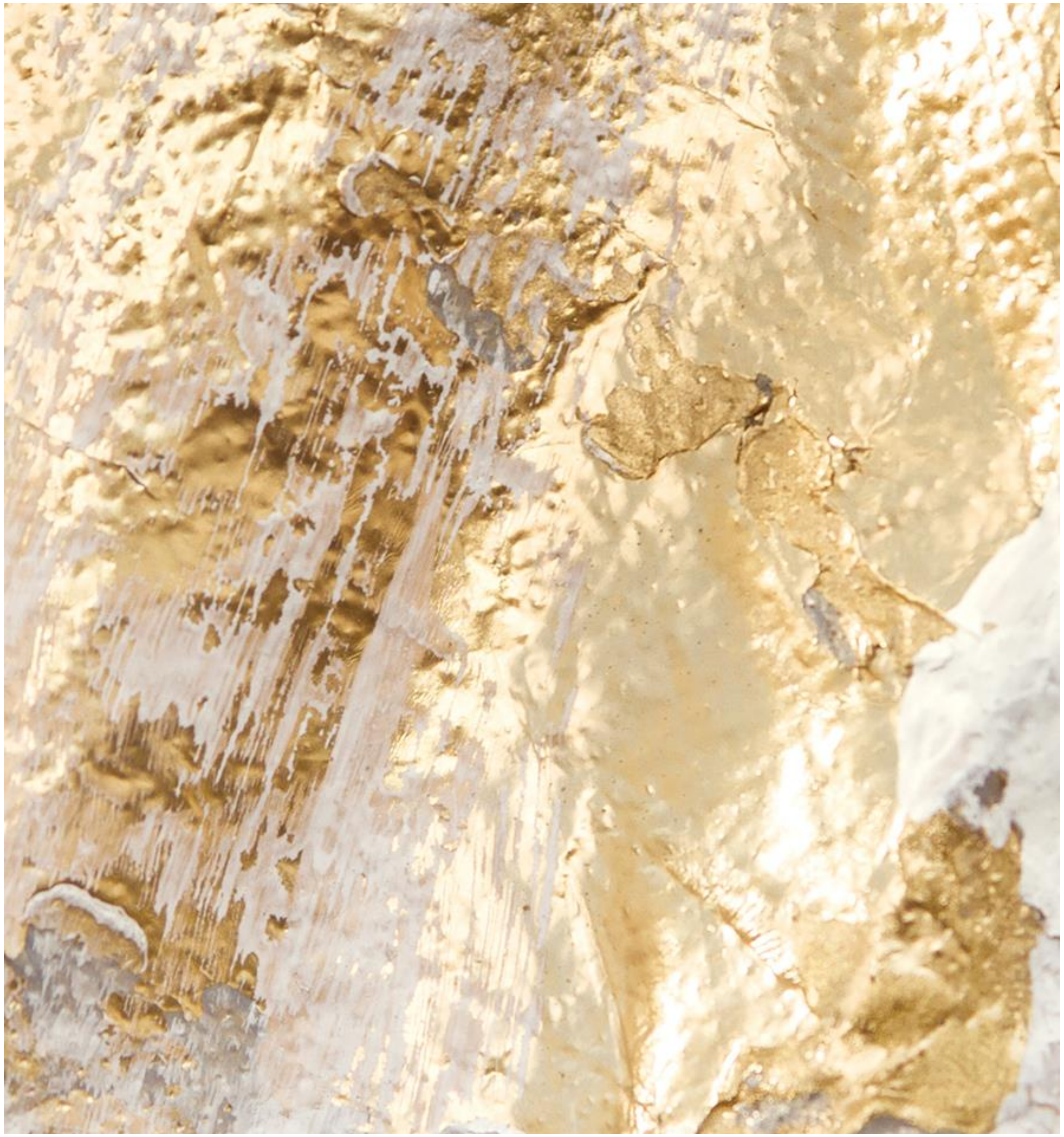
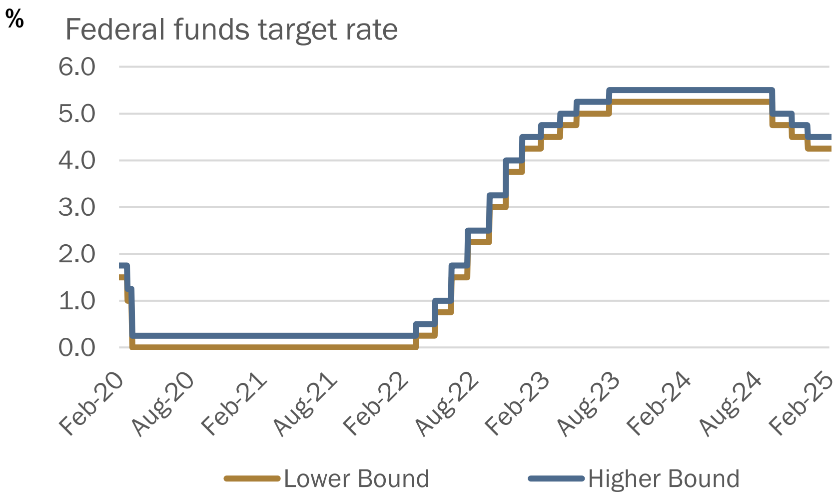


Global Economic Outlook

PUBLIC

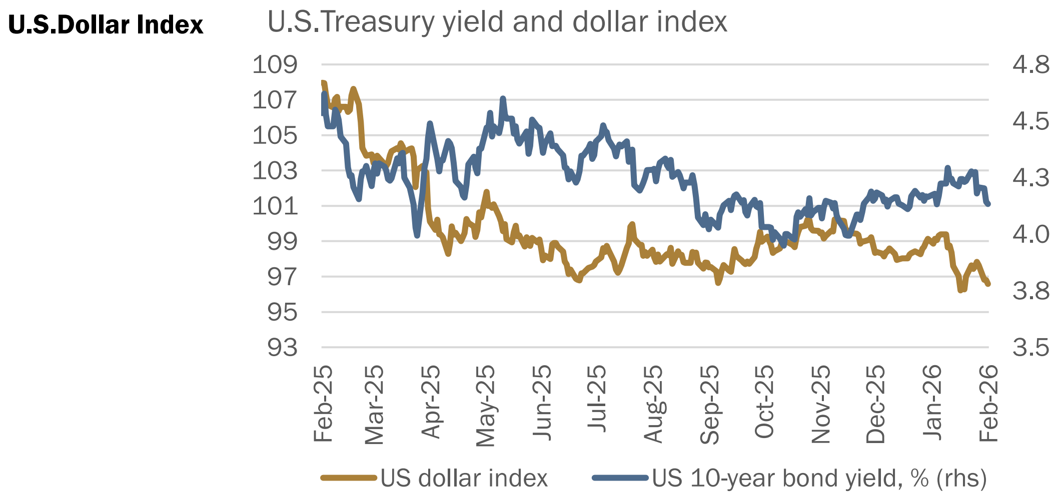
Markets Price In Steady Rates; Dollar Still Hovers Near a Three-Year Low



Source: Federal Reserve

U.S. Interest Rate

- The Fed kept interest rates steady at the January FOMC meeting, stating that U.S. economic activity has been expanding solidly. This is the first time since July that the Fed paused its rate-cutting cycle, having lowered rates three times last year.
- Trump officially announced on January 30 that he would nominate Kevin Warsh as Chair of the Federal Reserve. Walsh emphasised the need for a "regime change" at the Fed, arguing that while fighting inflation, the Fed should shrink its balance sheet and advance structural reforms to create the conditions for lower interest rates. The rates market is taking a more cautious stance, with current pricing suggesting that the next rate cut is unlikely to come before June this year.



Source: Bloomberg

U.S. Treasury Yield and Dollar

- The U.S. dollar delivered a notable rebound at the end of January after Trump nominated the more hawkish Kevin Warsh as the next Fed Chair. Warsh advocates for faster rate cuts but, paradoxically, also supports an aggressive reduction of the Fed's massive balance sheet—a policy mix that would tighten liquidity conditions and has helped strengthen the dollar.
- However, the release of weaker December retail sales have kept June rate-cut expectations above 70%. With inflation still manageable, a sluggish labour market, and a rapidly expanding government debts, the Fed is ultimately likely to continue lowering interest rates to support the recovery. Against this backdrop, the medium-term outlook for the dollar remains bearish.

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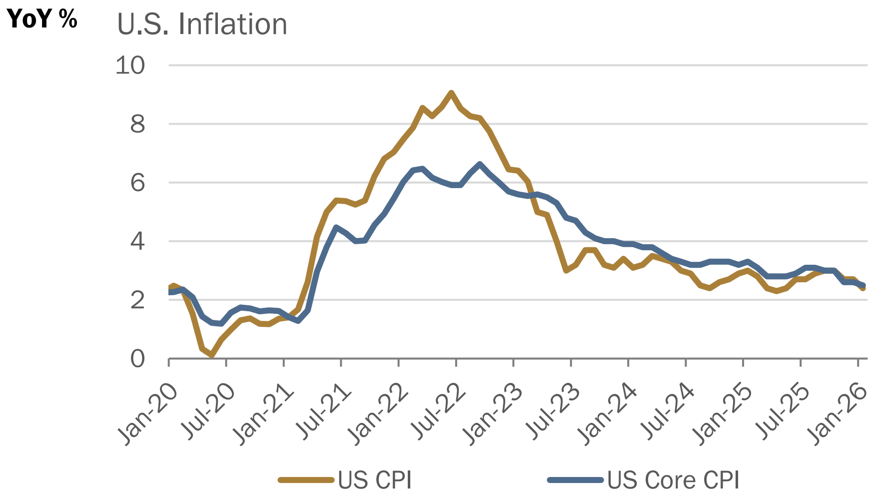
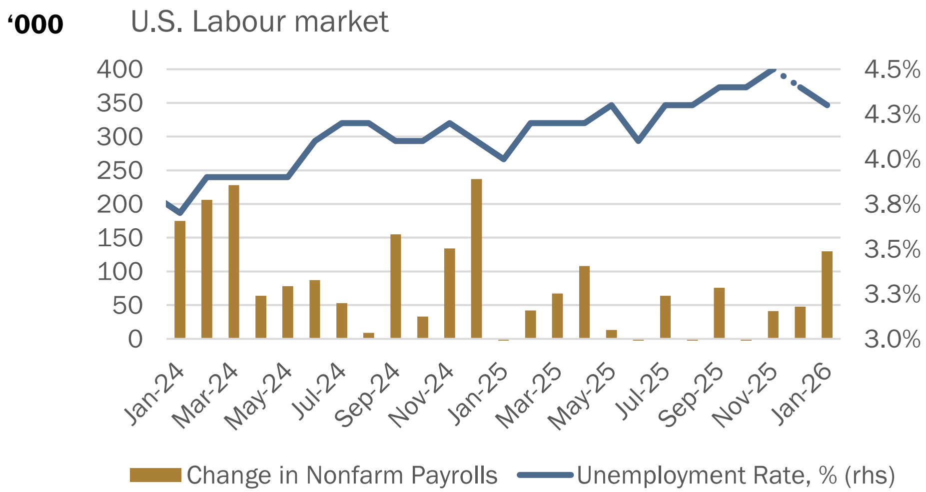
A stronger U.S. Labour Market Reduced the Urgency for Fed Rate Cuts



Source: Bureau of Labour Statistics

U.S. CPI and Core CPI

- U.S. inflation in January was generally mild, with CPI easing on a year-over-year basis and coming in below expectations. Core CPI also slowed to its lowest annual pace since 2021, although monthly core inflation remained resilient, driven by firm services prices.
  - U.S. CPI rose 2.4% y/y in January, easing from December's 2.7% and coming in below expectations of 2.5%. CPI increased 0.2% m/m, also softer than both forecasts and the prior reading of 0.3%.
  - Core CPI rose 2.5% y/y, matching expectations and edging down from 2.6% previously. Core CPI increased 0.3% m/m, in line with forecasts and slightly above December's 0.2%.



Source: Bureau of Labour Statistics

U.S. NFP and Unemployment Rate

- U.S. employment growth in January reached its highest level since December 2024, while the unemployment rate unexpectedly declined, reflecting resilience after a weak labour market in 2025.
  - Nonfarm payrolls increased by 130,000 in January, well above market expectations of 65,000. The unemployment rate edged down to 4.3%, compared with expectations and a prior reading of 4.4%. Average hourly earnings rose 0.4% month-on-month, higher than the expected 0.3%.
  - At the same time, the Bureau's annual benchmark revision significantly lowered last year's employment figures, highlighting significant distortions in earlier estimates.

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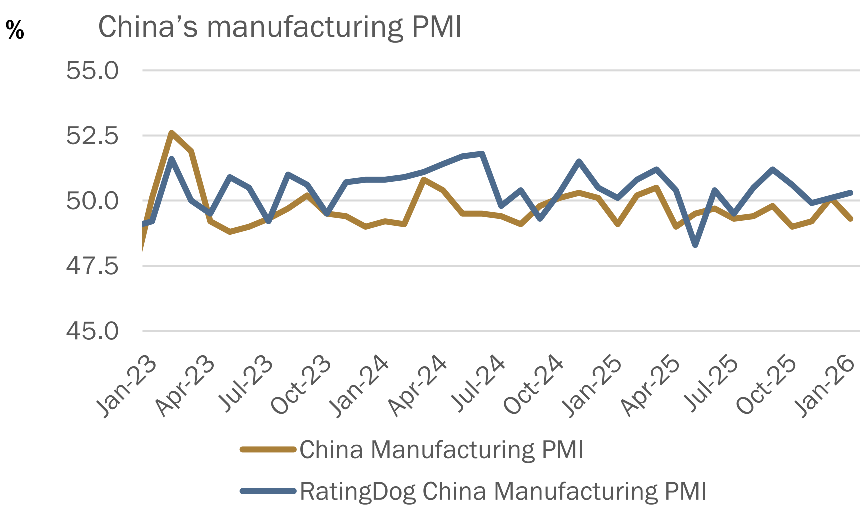
China's Factory Activity Faltered in January amid Soft Demand

Source: National Bureau of Statistics of China



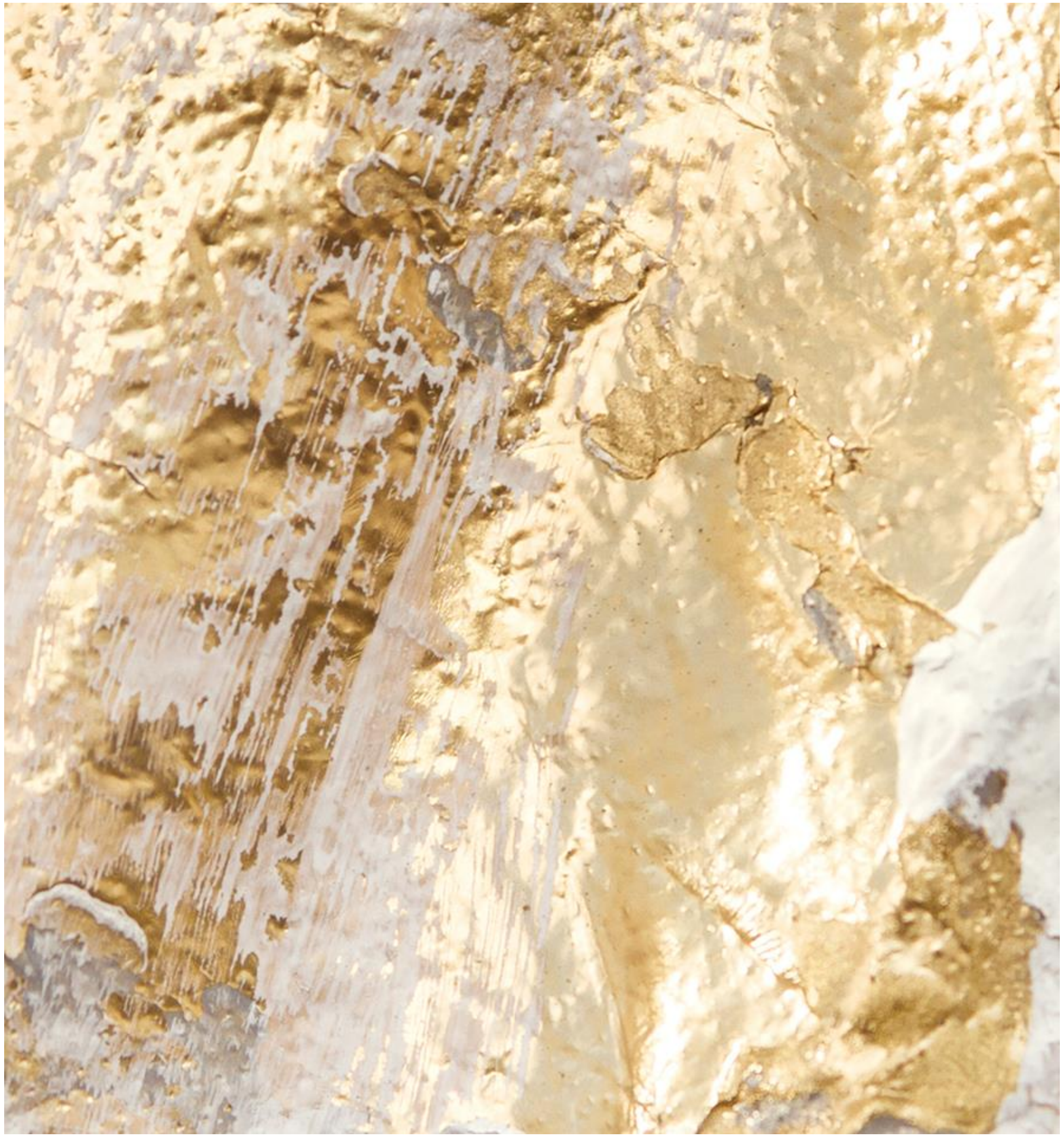
Source: China Federation of Logistics and Purchasing; S&P Global

China's Industrial Production and Retail Sales

- China's economy met its full-year growth target of 5% in 2025, but the sharp cooling in consumption and the decline in investment have cast a shadow over China's economic outlook in 2026.
  - Industrial production rose 5.2% y-o-y in December, beating expectations of 5.0% and accelerating from November's 4.8%. Retail sales grew just 0.9% y-o-y, missing forecasts of 1.0% and slowing from 1.3% in November, marking the weakest pace since late 2022.
  - Fixed-asset investment contracted 3.8% last year, worse than economists' forecast for a 3.1% drop. Investment in property development continued to decline as a real estate crisis dragged on.

China's Manufacturing PMI

- The NBS data showed China's factory activity faltered in January as weak domestic demand dragged down production at the start of the new year.
  - The official manufacturing PMI dropped to 49.3 in January, from 50.1 in December, below the 50-mark separating growth from contraction. It missed a forecast of 50.1. some types of manufacturers traditionally enter a slow period in January.
  - The RatingDog China Manufacturing PMI rose to 50.3 in January from 50.1 in December, beating forecasts of 50.0. The latest reading indicated a slight expansion in factory activity but the fastest growth since last October, as output growth accelerated modestly amid higher new orders.



Gold Market Analysis and Price Outlook

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Global Gold Demand Hit a Record in 2025, but Jewellery Demand Falls

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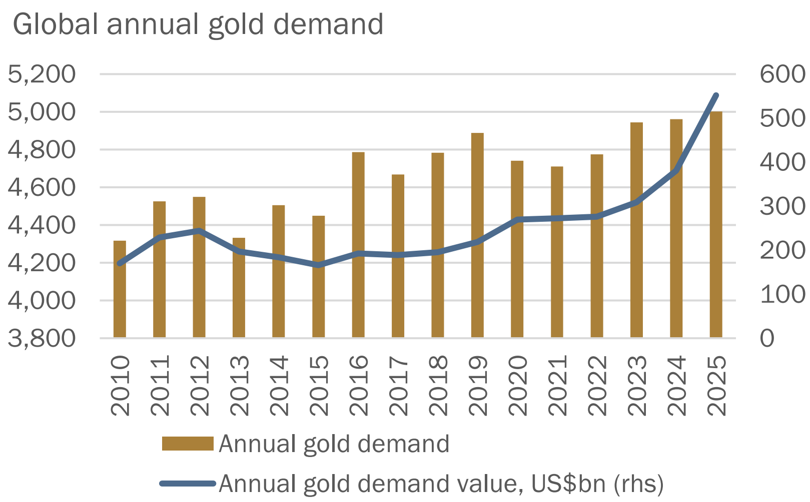
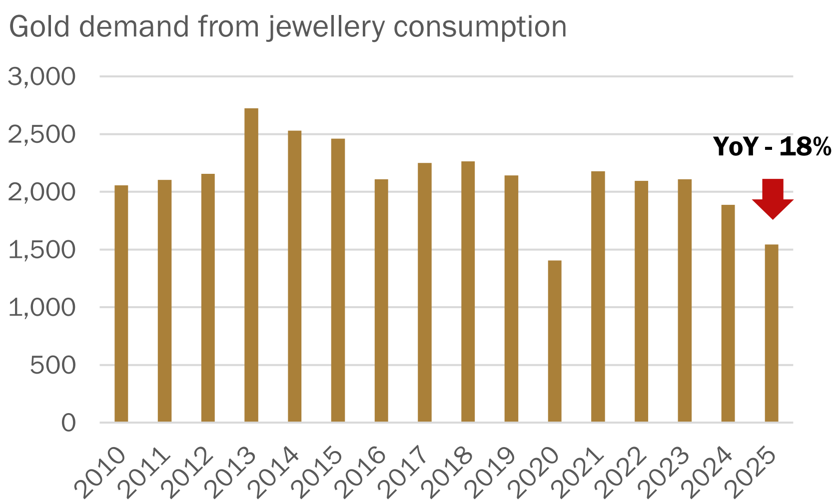


Source: WGC

Global Gold Demand Hits Record High in 2025

- Total global gold demand surpassed 5,000 tonnes in 2025, including OTC, marking the highest level on record. Supported by 53 new all-time highs in the gold price, the total value of annual demand jumped 45% y/y to US$555bn. Fourth-quarter demand reached 1,303 tonnes, the strongest Q4 ever, boosted by 175t of ETF inflows and a 12-year high of 420t in bar-and-coin investment. Investment continued to dominate the demand landscape.
- By industry, investment-dominated growth, while central bank buying remained historically elevated; meanwhile, jewellery demand softened in volume but hit a record high in value, and technology demand stayed broadly stable.

Tonnes



Source: WGC

Record Bullion Prices Led to a Big Fall in Gold Jewellery Demand in 2025

- Gold demand from jewellery consumption fell 18% y/y to a five-year low of 1,542 tonnes in 2025, with volumes declining across all major markets. Despite weaker volumes, the value of global jewellery demand surged to a record US$172bn (+18%), as elevated prices more than offset reduced physical buying.
- Both India and China saw demand fall by 24% y/y. In China, Q4 Demand volumes sank to their lowest for more than 15 years as VAT reform, a lacklustre economy and a late Chinese New Year compounded the impact of the record gold price. In India, festival- and wedding-related buying boosted Q4 jewellery q/q, but a sharp y/y drop was an inevitable consequence of the record gold price.

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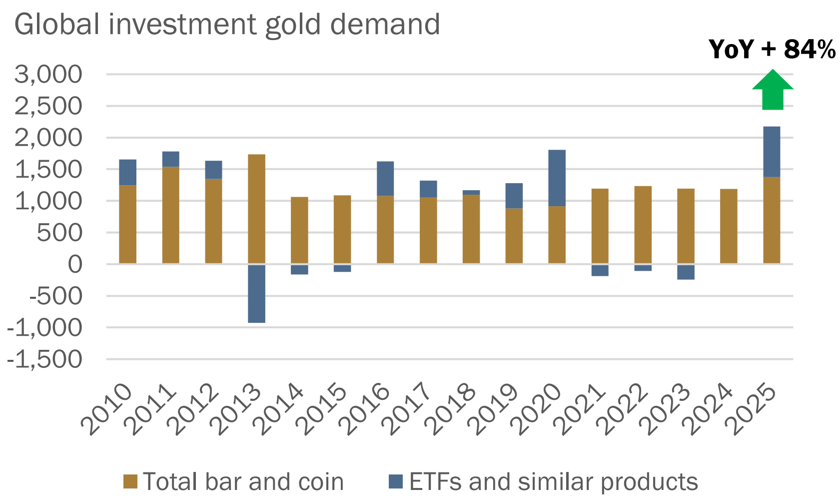
Investment Demand Hit New Records in 2025, ETFs Holdings Keep Rising

Tonnes

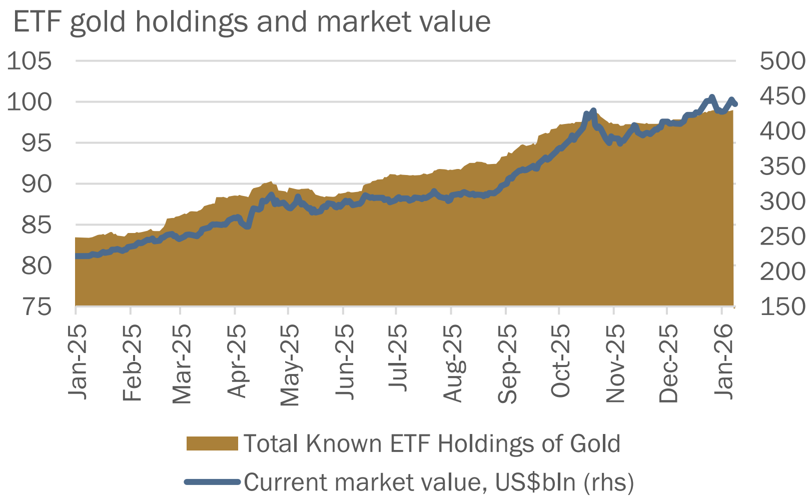


Source: WGC

Gold Investment Demand Breaks New Record in 2025

- Annual investment demand surged to a new record in 2025, driven primarily by ETFs, which added over 800 tonnes of inflows and generated a record US$89bn in value. Rising prices attracted investors, and the resulting ETF inflows further amplified gains, with North American funds capturing more than half of the global increase and Asia posting the second-strongest rise.
- Bar and coin investment also strengthened, rising 16% y/y to a 12-year high of 1,374t. Q4 demand reached 420t, the strongest quarter in more than a decade. The overwhelming driver of this surge was the sharp increase in the gold price, which heightened investors' desire for safe-haven assets and boosted retail participation across major markets.

Million troy ounce



Source: Bloomberg

Gold ETFs Extend Gains Even After Late-January Price Drop

- Global gold ETFs saw a record-breaking 2025 with annual inflows of US$89bn as gold prices surged more than 62%. This unprecedented demand pushed total assets under management to an all-time high of US$545bn, more than doubling from the previous year. Total ETF Gold holdings increased by more than 18% in 2025 to 98.95 million ounces on December 31.
- Trump's late-January nomination of Kevin Warsh as the next Fed Chair was seen as bearish for gold, prompting profit-taking, a sharp price drop, and some ETF outflows. Even so, the broader trend of ETF accumulation has persisted. As of February 11, ETF gold holdings are up 1.2% year-to-date to 100.14 million ounces, with a market value of USD 509.15 billion.

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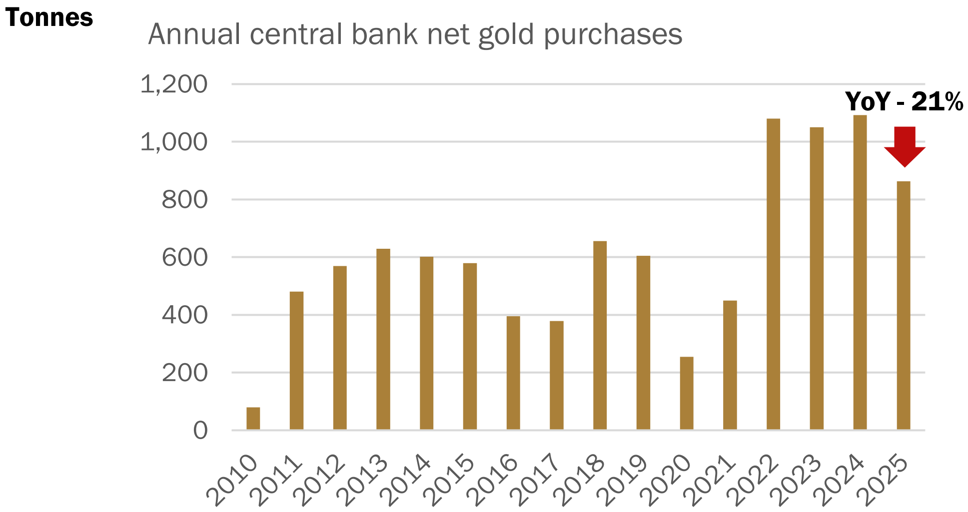
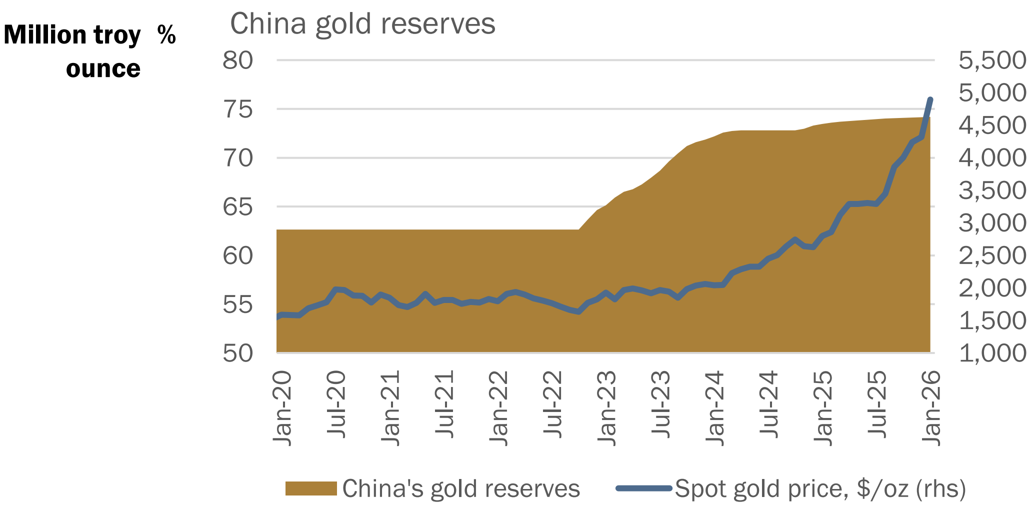
2025 Central Bank Gold Buying Slipped but Far Above Historical Averages



Source: Metals Focus, Refinitiv GFMS, ICE Benchmark Administration, WGC

Central Bank Gold Purchases Remained Resilient in 2025

- Central bank gold buying remained resilient in 2025 even as gold prices hit record highs. Full-year net purchases reached 863 tonnes. Although this fell short of the 1,000-tonne-plus levels seen in each of the previous three years, demand was still well above the 2010–2021 annual average of 473 tonnes.
- Poland led global buying once again, adding 102 tonnes over 2025, lifting its gold reserves to 550 tonnes (28% of total reserves). Kazakhstan also increased holdings by 57 tonnes for the year, its largest annual addition since 1993. Other big buyers included Brazil, Azerbaijan, and China, which were among the top contributors to global net purchases in 2025. WGC expect the trend to continue into 2026.



Source: Bloomberg; The People's Bank of China

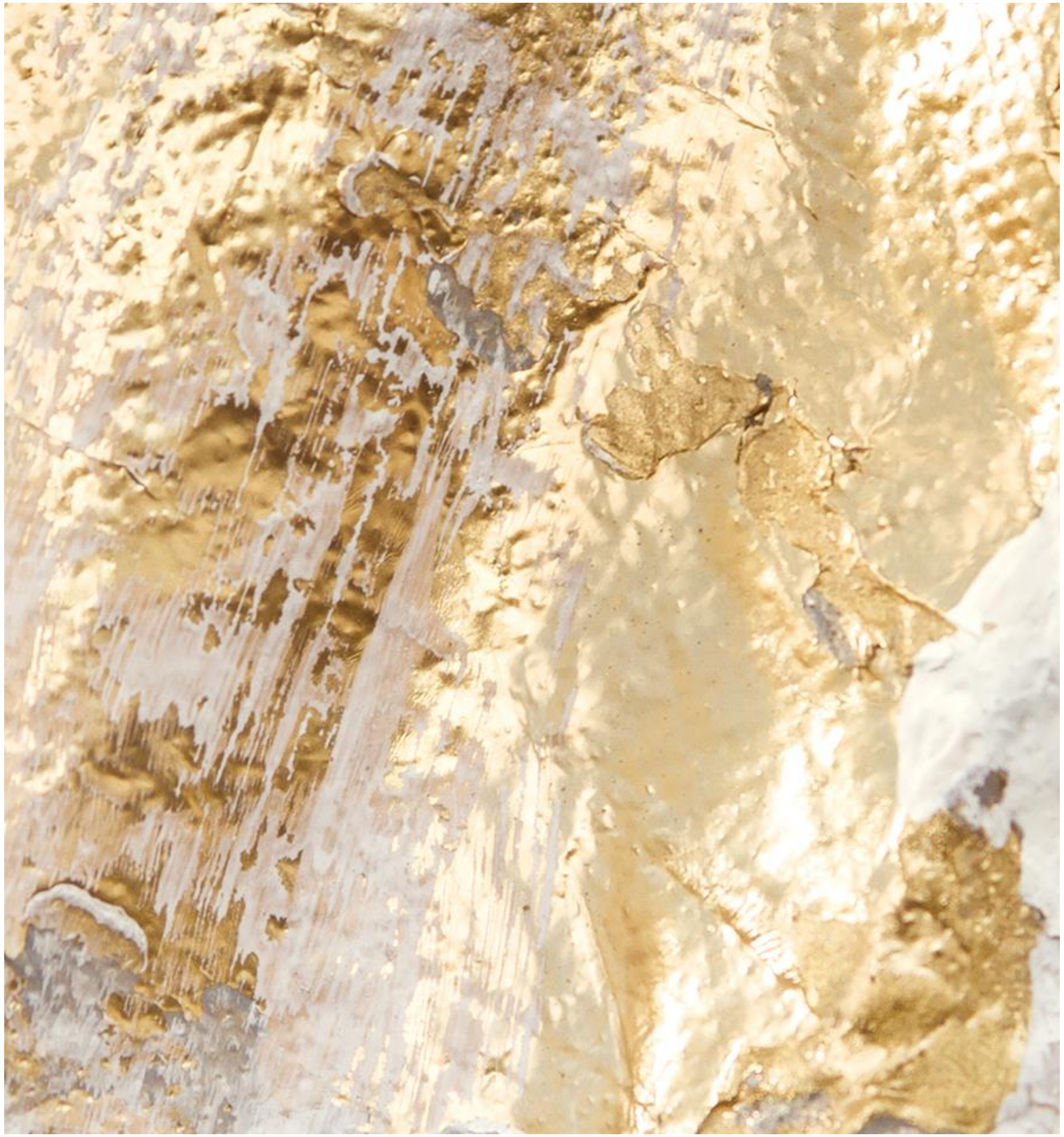
China's Central Bank Extended Its Gold-Buying Streak to 15 Months

- In January 2026, the People's Bank of China added 40,000 troy oz of gold to its reserves, extending its gold buying streak to 15 months. By the end of January, China's total gold holdings had risen to 74.19 million troy oz; the value of China's gold reserves increased to $369.58 billion from $319.45 billion a month earlier.
- The PBOC's small-scale gold purchases over several months help with asset diversification without causing price volatility. Besides, Chinese regulators have advised financial institutions to rein in their holdings of US treasuries amid risks and market volatility. This will reinforce investors' preference for the precious metal as a safe, reliable asset in geopolitical turmoil.

Gold Faces Near-Term Volatility But Retains A Bullish Long-Term Outlook

Factors Influencing Gold Price Outlook	
Bullish	● The U.S. has increased military deployments in the Middle East and warned vessels to avoid Iranian waters, intensifying U.S.–Iran tensions. ● Political positions taken by Japanese Prime Minister Sanae Takaichi have heightened Japan–China tensions, supporting safe-haven demand. ● Gold-backed ETFs continue to increase holdings amid heightened geopolitical risk. ● Technical indicators show gold trading above key moving averages, signalling strong upward momentum. ● COMEX gold inventories have decreased slightly this year, though still well above December 2024 levels. ● Sharp cooling in China's consumption and investment has darkened near-term economic sentiment; China's factory activity faltered in January as weak domestic demand dragged down production. ● The stronger-than-expected January NFP reduced the urgency for the Fed to cut rates before mid-2026. ● Given the U.S.'s large and expanding debt burden, the Fed is still likely to cut rates later in 2026. ● The IMF forecasts global GDP growth to slow to 3.1% in 2026 due to higher U.S. tariffs. ● Despite recent price volatility, Most institutions remain bullish on gold for 2026 and expect further upside. ● Global central banks will continue increasing gold reserves for strategic and long-term risk management. ● WGC data shows total gold demand and investment demand hit an all-time high in 2025, strengthening long-term investor confidence.
Bearish	● Fears of an AI-driven equity bubble have led to stock-market sell-offs that may spill over into commodities. ● Exchanges have raised gold margin requirements due to overheated market conditions, temporarily cooling prices. ● The sharp gold price plunge at the end of January prompted some risk-averse investors to reduce exposure and turn pessimistic. ● Trump's nomination of the more hawkish Kevin Warsh as the next Fed Chair has strengthened the dollar. ● The volume of loco London gold held in vaults has risen significantly over the past two months, easing supply tightness.

Source: ICBCS



Silver Market Analysis and Price Outlook

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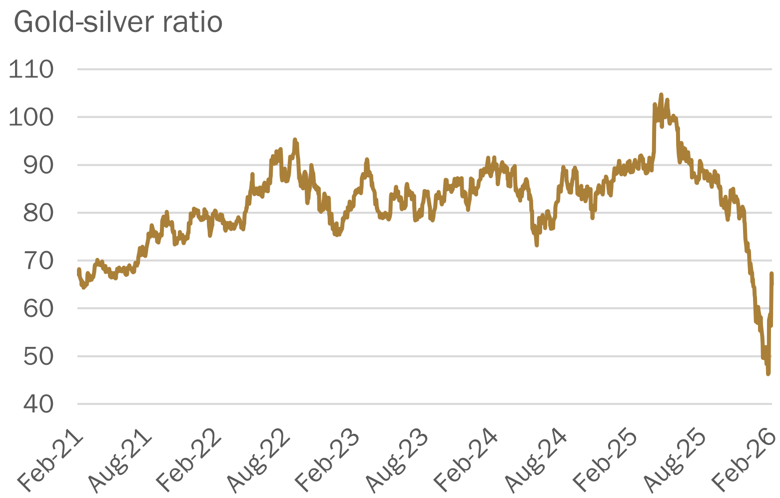
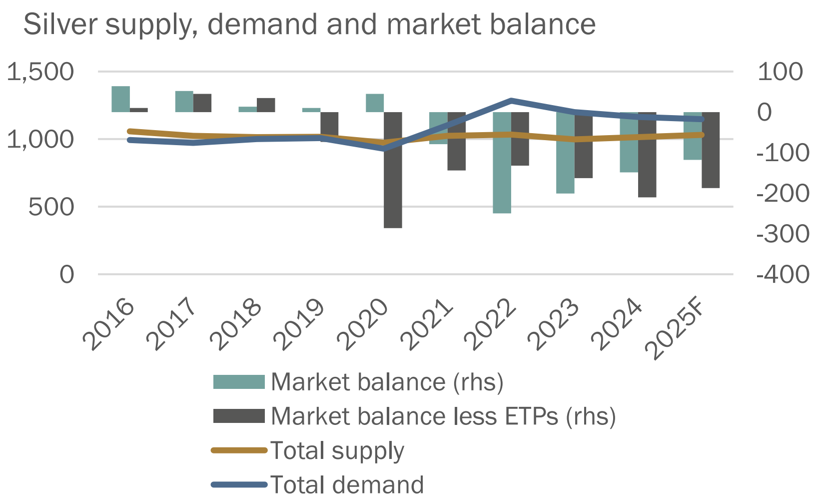
Silver Prices Plunge, Yet Global Market Remains in Deficit for Fifth Year

Ratio



Source: Bloomberg

Million troy ounces



Source: The Silver Institute

Silver's Steep Correction Drives a Sharp Rebound in the Gold-Silver Ratio

- The gold-silver ratio has been on a clear downtrend since the second half of 2025, as tight physical silver supply and strong market sentiment pushed silver prices up far faster than gold. This trend continued into January 2026, with the ratio dropping to 46 on January 27, the lowest level since 2011, indicating a period of extreme silver overvaluation.

- The trend reversed sharply after the January 30 precious-metals sell-off. With its smaller market size, silver fell much more steeply than gold — at one point losing 45% from its late-January peak — causing the ratio to rebound to around 67. As dip-buyers returned and risk-aversion persisted, silver prices partially recovered, bringing the gold-silver ratio back to the 60–62 range.

Global Silver Market Faces Fifth Consecutive Year of Deficit

- The Silver Institute forecasts global silver demand in 2025 to decline slightly by 1% y-o-y to 1,148.3 million ounces. A sharp rise in silver prices has weighed on consumer demand for silverware and silver jewellery. In contrast, net physical investment demand surged 7% y-o-y, underscoring silver's role as a safe-haven asset amid heightened geopolitical and economic uncertainty.

- On the supply side, global silver output is expected to rise by 2% y-o-y to 1,030.6 million ounces. The market will remain in deficit for the fifth consecutive year, though the shortfall is projected to narrow to 117.6 million ounces. This persistent supply tightness has provided strong fundamental support silver prices last year.

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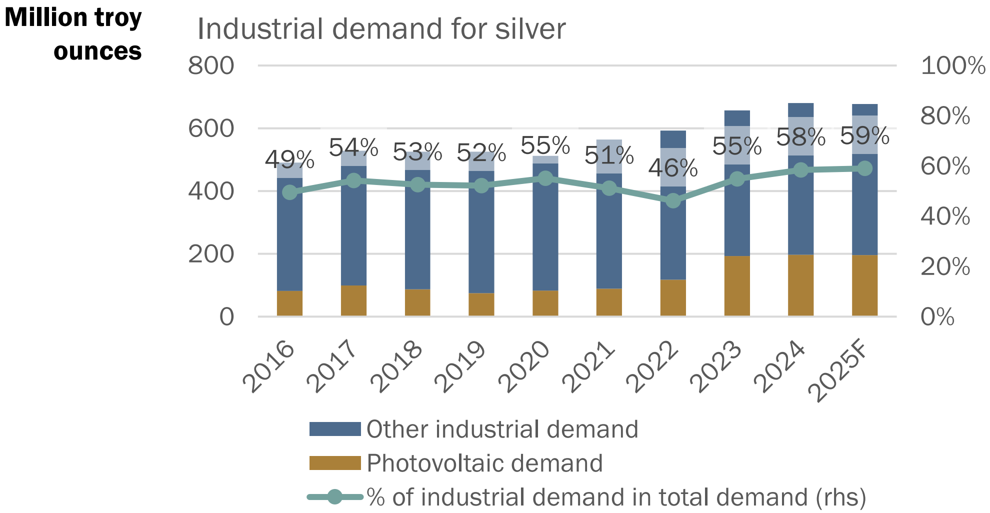
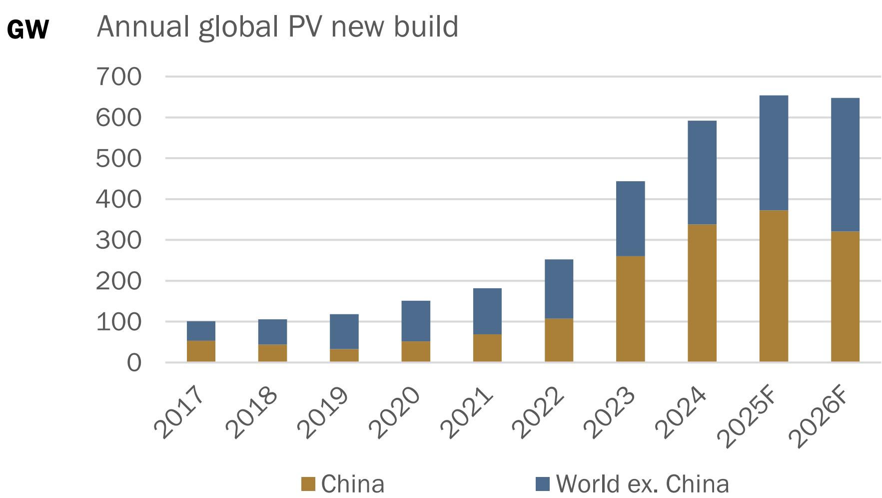
Silver Consumption Rises on Strong Industrial Demand, Led by PV



Source: The Silver Institute

Industrial Demand Emerges as the Core Driver of Global Silver Consumption

- Silver's unique combination of unmatched electrical conductivity and high stability makes it an indispensable material in the global transition toward green energy. According to data from The Silver Institute, the industrial sector remains the dominant force behind rising global silver demand, driven by rapid expansion in photovoltaics, electric vehicles (EVs), and AI-related infrastructure.
- In 2025, industrial silver demand reached 677.4 million ounces, accounting for nearly 60% of total global consumption. Photovoltaic demand alone has surged more than 1.6 times over the past five years, with its share of total industrial silver consumption rising from 17% in 2016 to 29% in 2025.



Source: BNEF

China's Dominance in Solar Manufacturing Shapes Long-Term Silver Demand

- By 2026, China accounts for over 80% of global PV manufacturing capacity. Because a solar module's lifespan exceeds 25 years, the silver embedded in each panel is rarely recovered economically, meaning large volumes of silver are effectively locked away in solar farms worldwide and removed from market circulation for decades.
- BloombergNEF forecasts 649 GW of new global PV installations in 2026—slightly below 2025 and the first annual decline since 2000. The sector is entering a low-growth phase. Still, installations are expected to rebound to 688 GW in 2027 as the US adjusts to new market conditions and emerging regions expand, indicating a mild recovery ahead.

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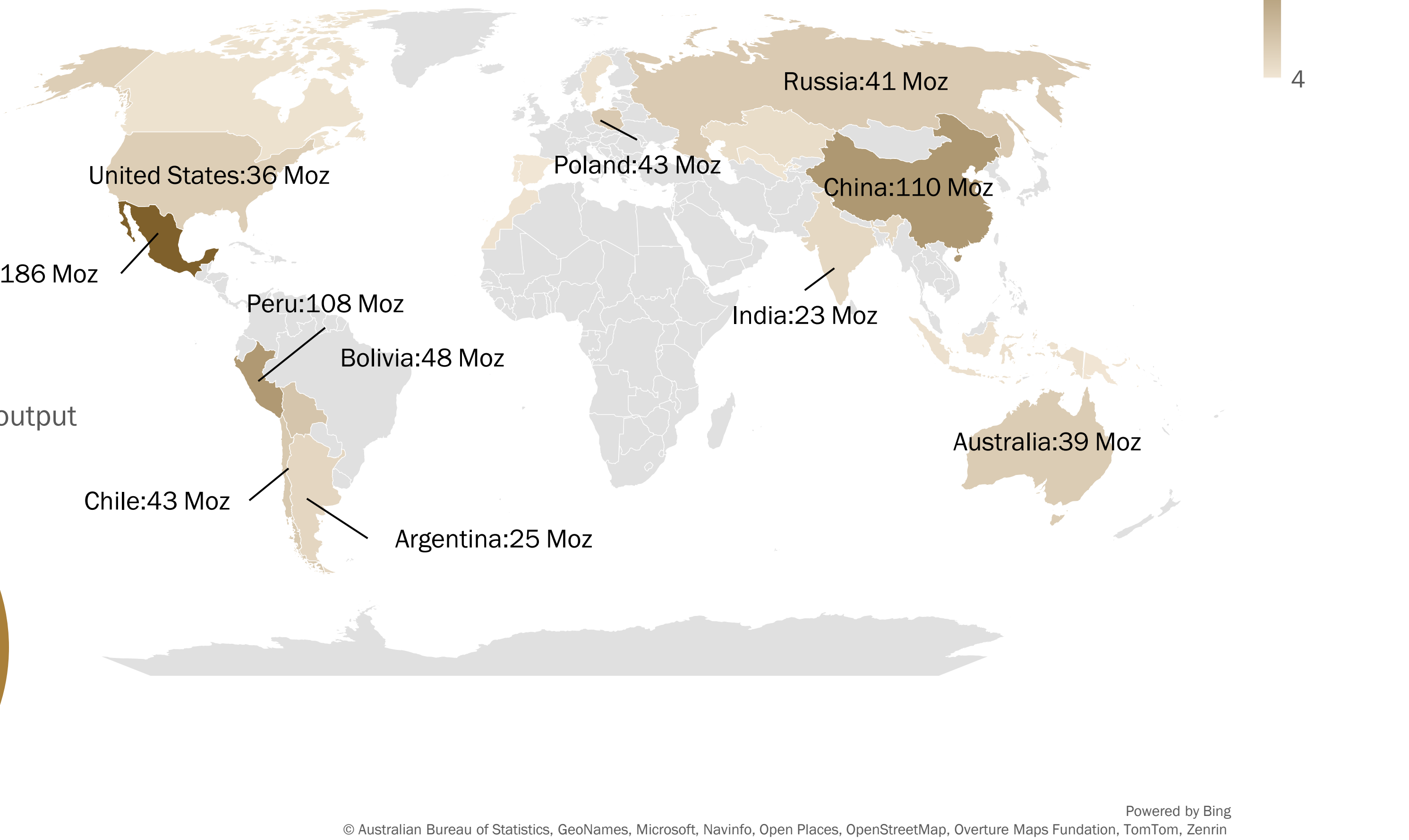
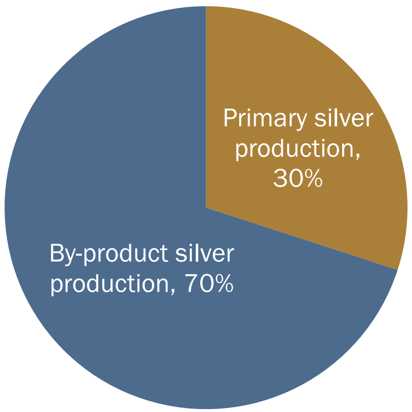
Structural Bottlenecks Hinder Silver Mine Output Despite High Prices

Top 20 Silver producing countries in 2024

More than **70%** of global silver supply is extracted as a by-product of mining other metals such as copper, lead, and zinc. As a result, changes in silver mine output are driven primarily by demand dynamics in these base-metal markets rather than by silver prices themselves.



Composition of global silver mine output



Source: The Silver Institute; ICBCS

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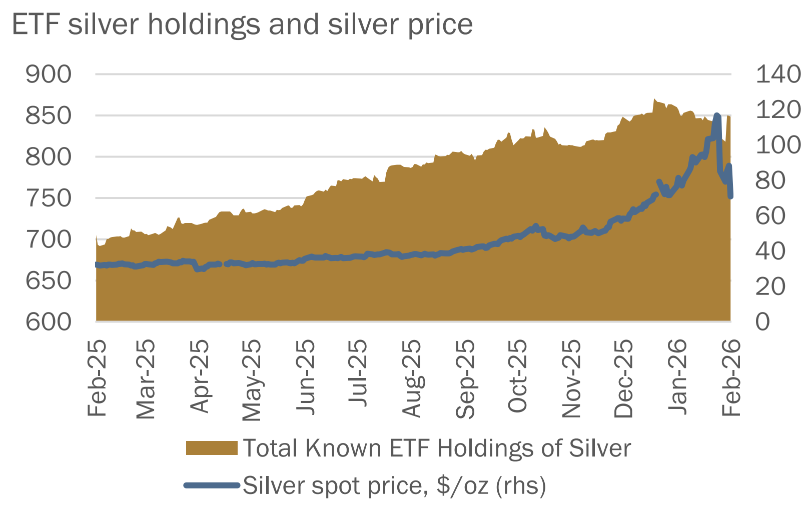
Large Swings in Highly Leveraged Silver Market Trigger Margin Increases

Million ounces



Source: Bloomberg

Leveraged ETF Liquidations Trigger Late-January Silver Price Collapse

- ETF silver holdings grew by 20.6% y-on-y in 2025. Entering 2026, silver prices hit a historic high of $120.9/oz on January 29 before a sudden collapse the following day. The sharp decline was accelerated by large-scale liquidations from the biggest leveraged silver ETF, ProShares Ultra Silver ETF, which offloaded several billion dollars' worth of silver exposure.
- In the first week of February, ETF silver holdings had a modest rebound, but as of February 10, the YTD change remained negative at –2.4%. Total ETF silver holdings stood at 842 million oz, compared with the December 2025 peak of 872 million oz. At current prices, the market value of global ETF silver holdings amounts to USD 70.27 billion.

Million contracts

Source: SHFE

Soaring Silver Volumes Trigger Margin Hikes Across Chinese Exchanges

- A wave of buying by Chinese speculators, from individual investors to large equity funds venturing into silver, has resulted in the metal finishing 2025 strongly and setting fresh records over the past month. SHFE silver futures trading volume has surged significantly since October 2025.
- As silver prices rapidly corrected at the end of January, the sharp volatility prompted exchanges to step in to cool the market. Both the Shanghai Gold Exchange and the Shanghai Futures Exchange raised margin requirements for silver contracts and tightened daily price-limit rules. These measures aim to safeguard overall market stability and prevent excessive volatility in overseas markets from spilling over into the domestic trading environment.

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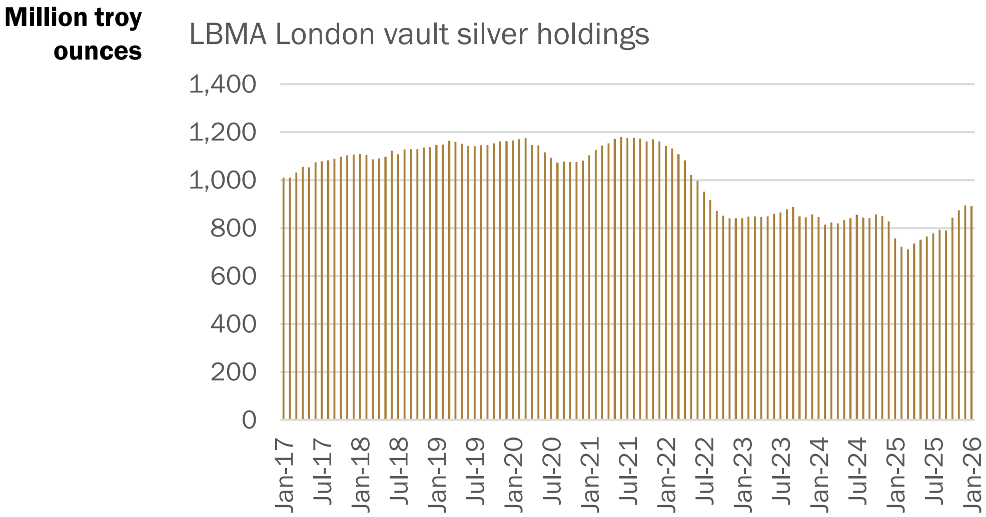
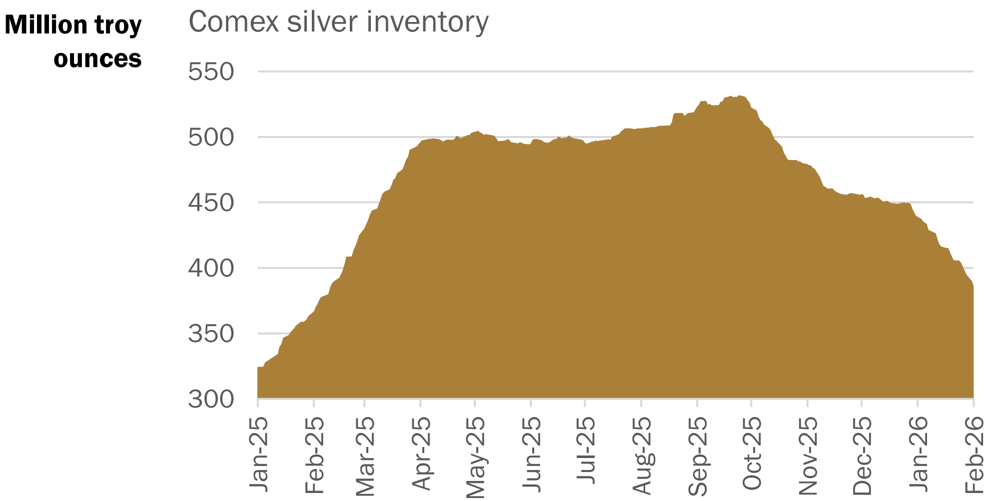
Silver Inventories Decline on Strong Physical Demand and Tariff Delays



Source: LBMA



Source: Bloomberg

Strong Physical Silver Demand Drives Sharp Inventory Declines

- Apart from photovoltaics, silver plays a critical role in EVs and AI data centres due to its excellent electrical conductivity and corrosion resistance. To maintain performance standards, it is difficult for manufacturers to substitute silver with other metals, making demand from these sectors relatively resilient to short-term price fluctuations.
- Strong physical demand has sharply depleted silver inventories. LBMA stocks are down about 75% from their 2019 peak, leaving only one to two months of global consumption—well below the three-month safety line. Most of this silver has flowed into solar, automotive, and semiconductor production, becoming embedded in products and unlikely to return to the market in a short term.

U.S. Delays Tariffs on Silver While Comex Silver Stocks Keep Falling

- The U.S. added silver to its critical minerals list in 2025 and began preparing for potentially steep tariffs—moves that had already kept large volumes of silver in U.S. warehouses, tightening physical supply abroad and fuelling the 2025 global short-covering rally. On January 15, the Trump administration opted to delay broad tariffs on silver and platinum, instead pursuing bilateral negotiations.
- COMEX silver inventories have continued to decline, falling from 531 million oz on October 3 last year to 395 million oz on February 10—an approximate 25.6% drop. Silver will most likely avoid tariffs in the end, or the U.S. may grant exemptions to major exporting countries such as Canada and Mexico.

Silver Consolidates; Structural Deficits Keep Long-Term Outlook Bullish

Factors Influencing Silver Price Outlook	
Bullish	• Although Kevin Warsh increases uncertainty around the Fed's future policy path, the U.S. dollar hovering near a three-year low continues to provide support for silver prices. • The sharp sell-off in late January flushed out large leveraged long positions, reducing the likelihood of another steep price correction in the very near term. • With COMEX silver inventories continuing to decline, tightness in other regions is being partially alleviated. • ETF holdings of silver have pulled back in early 2026, but remain at the highest level since July 2022. • The Silver Institute forecasts a global silver market deficit for the fifth consecutive year, keeping fundamentals supported. • Strong physical demand in recent years has driven LBMA silver stocks down 75% from their 2019 peak, now sitting below the safety threshold. • Roughly 70% of silver is extracted as a by-product of mining other metals, meaning that even if silver prices rise, supply growth remains structurally constrained. • China-led global expansion of the solar PV industry keeps large volumes of silver locked in equipment and is unlikely to return to the market in the short term. • Rapid expansion in EVs and AI data centers will continue to drive structural silver demand growth, supporting a strong long-term outlook.
Bearish	• The recent collapse in silver prices has reduced risk appetite among more conservative investors, pushing the market into a consolidation phase. • As with gold, overheating conditions earlier led exchanges to raise margin requirements for silver, contributing to a temporary cooling of prices. • China's persistent weakness in industrial production and manufacturing PMIs continues to weigh on silver's industrial demand outlook. • The significant rally in silver prices last year has weakened demand for silverware and silver jewellery. • Silver will most likely avoid tariffs in the end, or the U.S. may grant exemptions to major exporting countries.

Source: ICBCS

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