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## Gold and Silver on the Rise: An Insightful Analysis

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Knowledge Series

January 2026

Volume 7 (Series 10)



## ❖ Introduction

Gold and silver are among the oldest forms of money known to civilization. For centuries, they have served as reliable stores of value and symbols of trust across economies. However, in the modern era of fiat currencies, digital payment systems, and complex financial instruments, precious metals were often regarded as outdated investment options.

In recent years, this perception has shifted significantly. A combination of slowing economic growth, rising inflation, geopolitical conflicts, and mounting government debt has renewed interest in gold and silver as safe-haven assets. This revival is not driven by short-term market speculation, but by growing recognition of systemic risks within the global financial framework.

The resurgence of precious metals reflects more than a temporary market movement; it indicates a broader change in global investment behaviour. There is a renewed emphasis on capital preservation, liquidity, and historically proven reliability. In periods of economic and financial uncertainty, the enduring confidence in gold and silver reaffirms a fundamental economic principle: when uncertainty prevails, capital naturally gravitates toward time-tested and trusted assets.

## ❖ The Global Economic Slowdown and Investor Fear

The global economy is going through a period of slow and uncertain growth. Rising risks at both economic and political levels have increased fear among investors, which has led to a shift toward safer investment options such as gold and silver.

### ✓ Slowing Global Economic Growth:

The global economy is experiencing a prolonged phase of deceleration. Advanced economies face weak consumption, aging populations, and high borrowing costs, while emerging markets struggle with capital outflows and currency pressures.

- Many countries are facing reduced industrial production and lower consumer spending.
- High inflation in recent years has resulted in higher interest rates, making borrowing costly.

- Businesses are delaying investments, and corporate profits have become uncertain.
- Stock markets have turned volatile, increasing the risk for investors.

### ✓ Geopolitical Tensions and Conflict Risk:

Geopolitical instability has become very common in recent years. Conflicts and tensions across different parts of the world have created uncertainty in the global environment. For instance,

- The Russia-Ukraine war has disrupted energy supplies, food exports, and global trade.
- Conflicts and instability in the Middle East have raised concerns over oil supply and economic stability.
- Sanctions, trade restrictions, and political uncertainty have added pressure on global markets.

### ✓ Rising Investor Uncertainty and Risk Aversion

During periods of economic slowdown and political instability, investor psychology changes:

- Investors become more cautious and avoid high-risk investments.
- The priority shifts from earning high returns to protecting existing wealth.
- Confidence in financial institutions, currencies, and government policies weakens.



These situations create serious risks for the global economy by disturbing supply chains, affecting financial markets, and causing instability in currencies. In such uncertain conditions, Gold and silver tend to perform well during these times

because they are physical assets with limited supply and are not dependent on the performance of any single country or financial system. Owing to their historical ability to preserve value during crises, these precious metals continue to be trusted safe-haven assets in uncertain times.

### ❖ Central Bank Buying – The Silent Force Behind Rising Prices

Central bank gold purchases have emerged as a major yet often unnoticed factor behind the recent rise in gold prices. Across the world, central banks are increasing their gold reserves as part of a strategic move to diversify away from excessive dependence on the US dollar.

#### Why Central Banks Are Buying More Gold?

- To reduce reliance on the US dollar and dollar-denominated assets
- To protect reserves from global financial instability and geopolitical risks
- To safeguard against inflation, currency depreciation, and sanctions
- To hold a reserve asset that carries no credit or default risk

#### Key Countries Leading Gold Accumulation-

- **China:** Gradually increasing gold reserves to diversify its foreign exchange holdings and reduce exposure to US Treasuries.
- **India:** The Reserve Bank of India has raised the share of gold in its reserves as a hedge against global volatility and currency risk.
- **Turkey:** Has significantly increased gold holdings to support reserve stability amid domestic currency fluctuations.



Thus, Central banks purchase gold in large quantities and typically hold it for the long term, which reduces the supply of gold available in the open market. This continuous and steady demand from central banks, in turn, creates sustained upward pressure on gold prices.

### ❖ The Interest Rate Connection – When Yields Fall, Gold Shines

Interest rates play a crucial role in influencing the demand and price of gold. Unlike financial instruments such as bonds, fixed deposits, or savings accounts, gold does not generate interest or regular income. Therefore, the decision to invest in gold is largely influenced by the level of returns available from other investment options.

#### How Low Interest Rates Support Gold Prices

- When interest rates are high, deposits and bonds offer better returns, making gold less attractive.
- When interest rates are low or expected to fall, returns from savings and bonds decrease.
- As a result, holding money in gold feels less costly because investors are giving up less interest income.

#### Effect of Falling or Low Interest Rates

- When interest rates fall or are expected to fall, returns from savings accounts and bonds decline.
- The difference between earning interest and holding gold becomes smaller.
- Investors feel that keeping money in gold is less costly because they are giving up lower interest income.
- This encourages investors to shift their money from interest-bearing assets to gold.

Therefore, when interest rates decline or are expected to decline, gold gains appeal because alternative investments offer lower returns. This reduces the opportunity cost of holding gold, increases investor demand, and ultimately pushes gold prices higher, reinforcing its role as a safe and

stable investment during uncertain economic conditions.

#### ❖ Why is silver experiencing a significant price increase?

Silver is distinct from most other metals because it serves a dual role—it is both a precious metal for investment and a crucial industrial metal. Investors traditionally buy silver as a hedge against inflation, currency fluctuations, and economic uncertainty. At the same time, silver has extensive industrial applications that make its demand highly sensitive to technological and industrial trends.

#### ✓ Key drivers of silver demand include:

- **Renewable energy applications:** Silver is a critical component in solar panels due to its high electrical conductivity.
- **Technology and electronics:** Used in electric vehicles, batteries, semiconductors, and 5G telecommunication equipment.
- **Industrial growth impact:** Global investment in renewable energy and advanced technologies increases industrial consumption.
- **Dual demand effect:** When industrial and investment demand rise simultaneously, silver prices experience significant upward pressure.



This combination of investment and industrial demand explains why silver has recently seen a pronounced price rally, making it one of the most closely watched metals in global markets.

#### ❖ How do ETFs and global investment funds affect gold prices?

Unlike silver, gold is predominantly bought for wealth preservation and investment. Modern investors often prefer Exchange Traded Funds (ETFs) to physical gold because they provide a convenient way to gain exposure to the metal without storing it. Leading ETFs, such as the SPDR Gold Trust, are backed by physical gold reserves. When global investors pour money into these ETFs, fund managers must purchase significant quantities of physical gold to maintain the backing. This increased demand reduces the available supply of gold in the open market. In accordance with basic supply-demand principles, lower supply and higher demand lead to rising prices. In addition, global investment flows amplify this effect. Economic uncertainty, inflationary fears, and geopolitical tensions often drive large-scale purchases through ETFs, making these financial instruments a critical driver behind gold's recent surge.

#### ❖ What role does India play in the rising gold prices?

India is one of the largest consumers of gold in the world, and domestic factors significantly influence the market. Gold carries deep cultural and social significance in India, being central to weddings, festivals, and other celebrations. Seasonal spikes in demand, particularly during festivals like Diwali, Dhanteras, and the wedding season, push domestic prices higher. Moreover, India imports almost all of its gold, which is priced in US dollars. When the rupee weakens against the dollar, importing gold becomes more expensive. Import duties, taxes, and other regulatory charges further add to the cost, causing domestic gold prices to rise faster than global benchmarks. In addition to cultural and currency factors, ongoing investment demand in India—where households traditionally view gold as a safe-haven asset—contributes to upward price momentum.

### ❖ How do these factors combine to explain the surge in gold and silver?

The recent rally in precious metals is the result of a confluence of global and regional dynamics. For silver, the combination of growing industrial demand driven by renewable energy, electric vehicles, and advanced technology, together with traditional investment interest, has created strong upward pressure. For gold, global ETF inflows and broader investment demand have reduced supply in the market, leading to price increases worldwide.

In India, cultural demand, rupee depreciation, and import costs have amplified domestic price growth.

In essence, the surge in gold and silver reflects both macroeconomic trends—such as inflation concerns, technological growth, and geopolitical uncertainty—and localized factors, such as seasonal buying patterns and currency movements. Understanding these intertwined forces is key to appreciating why these metals continue to capture investor attention and maintain their status as safe-haven assets.

### ❖ The Supply Side Constraints

The current trend in gold and silver prices has been highly influenced by supply side constraints. Unlike other markets, an increase in supply in metals cannot be easily achieved by leveraging an increase in prices, as metals cannot be produced easily. The nature of this industry remains rigid and rising production costs further add to it. Thus, a decrease in availability of supplies, with an increase in demands, amplifies markets, and this, in turn, affects prices.

#### Key Supply-Side Constraints:

- **Decrease in world Mine production:** World gold and silver mine production has been stagnant as old mines are being depleted, and new mines take up to 8 to 15 years to come online.

- **Labor shortages:** There is a talent gap in the mining sector, which results in slowed production and delayed project implementation and growth.
- **High cost of extraction:** With lower ore grades, there is more material to be processed to extract one ounce of metal, which, when combined with expensive energy costs as well as more stringent environmental conditions, contributes to rising production costs.
- **Overall Effect:** There is an element of tight supply, so the increased demand translates immediately to steeper prices.

### ❖ Why Countries Are Moving Away from the USD

De-dollarization refers to the gradual reduction in global reliance on the US dollar for trade, reserves, and international transactions. For decades, the dollar has dominated the global financial system, but recent geopolitical tensions, rising US debt levels, and the use of financial sanctions have encouraged several countries to seek alternatives. This shift does not mean the dollar is disappearing, but it does signal a move toward a more diversified and multipolar currency system.

#### Key Drivers of De-Dollarization:

- **Geopolitical sanctions risk:** Countries facing or fearing US financial sanctions are reducing dollar dependence to protect their trade and reserves from potential restrictions.
- **Bilateral trade in local currencies:** Nations such as China, Russia, India, and Middle Eastern economies are increasingly settling trade in local currencies rather than USD.
- **Rising US debt and monetary expansion:** Concerns over long-term US fiscal stability and inflation risks reduce confidence in holding large dollar reserves.
- **Growth of alternative payment systems:** New financial messaging and settlement systems (e.g., China's CIPS, regional

payment platforms) provide substitutes to US-dominated networks like SWIFT.

As more countries diversify away from the dollar, demand for USD assets moderates, while interest in alternative reserve assets including gold strengthens, contributing to upward pressure on precious-metal prices.



#### ❖ Gold & Silver Prices: Justified Rally or Bubble?

The recent surge in the prices is supported by multiple fundamental factors. These include tight mining supply, rising industrial demand (especially for silver in electronics and renewable energy), strong central bank gold purchases, safe haven buying amid geopolitical uncertainty, and de-dollarization efforts by several countries. Alongside these fundamentals, increased speculative and momentum-based trading has further accelerated price movements.

#### Key Assessment Points:

- **Fundamental support exists:** Supply constraints, growing industrial use, central bank gold accumulation, and currency diversification trends create genuine long-term demand strength.
- **Limited supply response:** Mining output cannot rise quickly, making higher prices sustainable when demand expands.
- **Speculative activity present:** Sudden sharp price jumps, high trading volumes, and retail investor inflows indicate momentum-driven buying beyond fundamentals.

- **Bubble risk indicator:** If prices rise significantly faster than physical demand growth or inventory drawdowns, short-term corrections become likely.

Current prices are largely supported by strong fundamentals, but short-term speculative buying has likely pushed prices above near-term equilibrium, making periodic corrections possible even within a longer-term upward trend.

#### ❖ What could happen Next?

##### ✓ Outlook Explanation:

The future direction of gold and silver prices will largely depend on macroeconomic and geopolitical developments. Inflation trends, central bank monetary policies, and global political stability will shape investor sentiment and demand for safe-haven assets. As supply remains relatively inflexible, even moderate shifts in these factors can lead to noticeable price movements.

- **Persistent inflation:** If inflation remains elevated, demand for gold and silver as inflation hedges could keep prices supported.
- **Monetary policy shifts:** Interest rate cuts or a weaker US dollar would likely strengthen precious metal prices, while prolonged high rates may limit upside.
- **Geopolitical tensions:** Escalating global conflicts or trade disruptions could trigger safe haven buying, pushing prices higher.
- **Global growth recovery:** Stronger economic activity could boost industrial silver demand, further supporting prices.

Prices are likely to remain volatile in the near term, with upside potential if economic uncertainty and policy easing persist, but short-term corrections possible if inflation cools and financial conditions tighten.

## ❖ Conclusion

- The rise in gold and silver prices reflects a deeper shift in global financial behaviour rather than a temporary market spike. Heightened inflation risks, geopolitical instability, and slowing economic growth have weakened confidence in traditional financial assets, prompting investors to seek safety in tangible stores of value. Gold has benefited from sustained central bank purchases and strong ETF inflows, which steadily absorb market supply and provide long-term price support.
- Silver's rally has been further strengthened by its unique dual character. Alongside its role as a hedge against uncertainty, rising industrial demand from renewable energy, electric vehicles, and advanced technologies has created structural pressure on supply. These demand forces are unfolding at a time when mining output remains constrained, limiting the market's ability to adjust quickly.
- In India, the global trend has been magnified by strong cultural demand, seasonal buying, a weaker rupee, and higher import costs, all of which push domestic prices higher than global averages. Together, these global and local factors explain why gold and silver continue to command investor confidence, reinforcing their position as both strategic investment assets and reliable safeguards in an uncertain economic environment.



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### Special Mention

Thank you, **Kushagra Mandhana**, **Varad Somani** and **Kritika Agrawal** for the compilation of this series.

### RRCO Corner

A Secret Santa event was organized on 24th December on the occasion of Christmas, where everyone came with wrapped surprises, gifts and big smiles. The activity created a joyful atmosphere, spreading happiness, excitement, and togetherness among everyone.



## Compliance Calander for the month of January 2026

| S.N. | Due Date   | Compliance  |
|------|------------|---|
| 1    | 07-01-2026 | Payment of TDS/TCS (Monthly)  |
| 2    | 07-01-2026 | Payment of Equalization Levy  |
| 3    | 07-01-2026 | ECB-2 Return  |
| 4    | 11-01-2026 | GSTR-1 (Monthly)  |
| 5    | 13-01-2026 | B2B Invoice Reporting through IFF (QRMP Scheme)   |
| 6    | 13-01-2026 | GSTR-6 (ISD Return)   |
| 7    | 15-01-2026 | Payment of ESIC and Return  |
| 8    | 15-01-2026 | Payment of PF and Return  |
| 9    | 15-01-2026 | Payment of LWF  |
| 10   | 20-01-2026 | Monthly GSTR-3B   |
| 11   | 20-01-2026 | GSTR-5A Return by OIDAR service providers   |
| 12   | 22-01-2026 | GSTR-3B (Quarterly - QRMP - Maharashtra, Karnataka and other states/UT specified)                                       |
| 13   | 24-01-2026 | GSTR-3B (Quarterly - QRMP - Punjab, Delhi, and other states/UT specified)   |
| 14   | 25-01-2026 | GSTR-3B (Payment under QRMP)  |
| 15   | 30-01-2026 | Form 26QB (Property), 26QC (Rent), 26QD (Contractor Payments), 26QE (Crypto Assets) challan-cum-statements for Dec 2025 |
| 16   | 31-01-2026 | Monthly Return of PTRC  |
| 17   | 31-01-2026 | AOC-4, MGT-7/7A ( <b>Extended due date</b> )  |
| 18   | 31-01-2026 | Quarterly TDS returns for form 26Q, 24Q, & 27Q  |