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The Sharp Perspective

#13 MONTHLY COMMENTARY

MARCH 2025

Gold's rally has gone from strength to strength, and is being driven by multiple factors, it looks robust. However, the escalation in trade wars could trigger a broad-based sell-off across markets, which could take gold with it, at least initially.

- **Any sell-off is** likely to be seen as a buying opportunity given that many of the bullish factors behind the gold rally are unlikely to go away any time soon
- **Tariffs are** also likely to be inflationary, or worse still, cause stagflation, which could boost demand for safe havens
- **The weaker** US dollar and US Treasury yields are also supportive factors for gold
- **Central banks** and ETF investors continue to show interest in gold, even if some fund selling has started to emerge
- **Geopolitical risks** remain elevated, the bombing of Gaza has restarted, China has held large-scale military drills around Taiwan and Russia is not accepting the US peace plan for Ukraine

Silver put in a strong performance, but still underperforms gold, and industrial demand is likely to be hurt by the trade wars.

There is a lot of bullish talk about the outlook for silver, but the gold/silver ratio at 1:96 highlights that the silver train has not left the station yet.

PGM prices struggle to hold above $1,000 per oz, and with industrial demand likely to be hurt by trade wars, the outlook remains subdued.

Low PGM prices increase the risk of production cuts. Any such cuts would increase the supply deficits and speed up the draw-down of stocks.

KEY TAKEAWAYS

- Gold's rally has been super-robust, but we wait to see if a broad based sell-off, prompted by the trade wars, leads to a more meaningful pullback in gold prices
- Given that all the bullish factors that have driven gold prices higher are unlikely to go away any time soon, any sell-off in price is likely to be short-lived, even if it is steep
- Geopolitical risks remain in force; indeed, they have escalated as China has stepped up drills around Taiwan, and China will need to retaliate against Trump's punitive tariffs
- Silver is well placed to outperform gold, but is failing to do so. The gold/silver ratio has climbed to 1:96...
- ...subdued industrial demand, which is likely to suffer more in this trade war environment is one reason why silver is underperforming, and the absence of central bank interest in silver is another
- PGM demand also threatens to be damaged by the US tariffs, especially as auto imports have had some of the highest tariffs imposed on them
- PGM supply deficits are helping to rebalance the markets, but inventories are high

No stopping gold, as the world seems more unstable than it has for a long time.

Gold's ascent is fueled by geopolitical tensions, economic uncertainty, and growing global debt, with the rally approaching historic highs.

Gold prices set another series of record highs in March, as the world appears increasingly unstable on geopolitical, economic, climate, and humanitarian fronts — to name the most pressing. Gold's latest record high was just shy of $3,149 per ounce, set on 1st April. This means prices have already climbed 20% since the end of 2024 and are up 95% from the triple lows around $1,615 per ounce seen between September and October 2022.

What can past major rallies tell us?

So, how does the latest rally compare with previous mega rallies? The biggest this century was the 2001–2011 rally, which ran from $253 per ounce to $1,921 per ounce — a gain of 657%. It had its origins in the aftermath of the dot-com bubble, and was further spurred by the 9/11 terrorist attacks and the move towards ultra-loose monetary policy that followed. It was then fueled by the commodity super-cycle, and later by the response to the Global Financial Crisis (GFC) and the European debt crisis.

Major gold rallies this century

Rally	$ gain	% gain
2001-2011	$1,668	657%
2018-2020	$914	79%
2022-2025	$1,534	95%

The 2018–2020 rally, which saw gold rise from $1,160 to $2,074 per ounce, was driven by concerns over the US–China trade war, tensions in the Middle East with the US–Iran confrontation, Brexit, and strong central bank buying. The current rally is driven by various factors, many of which are similar to those previously mentioned. However, it is particularly influenced by the increase in geopolitical tensions, concerns about the uncertainty and unpredictability of President Donald Trump's policies, the massive levels of global debt, and the growing interest among BRIC nations in moving away from reliance on the US dollar and US Treasuries.

In dollar terms, this rally is approaching the gains seen during the 2001–2011 rally — although it has achieved this in just a fifth of the time. On a percentage basis, however, this rally could have significantly further to run — but can that be justified? Perhaps it could, if we are witnessing the emergence of a new world order — one where the US dollar's status as the world's reserve currency may start to diminish. Either way, the strength and resilience of the current rally suggest that something unusual is unfolding.

CHART 1

Gold $/oz - nominal annual averages

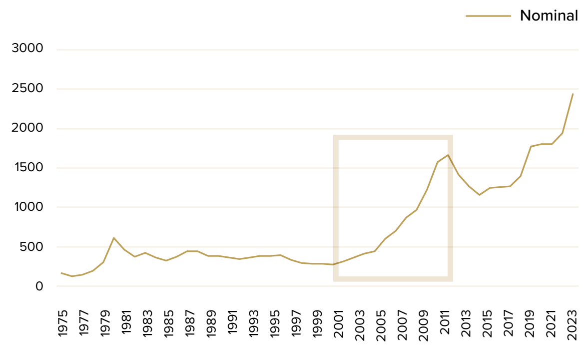
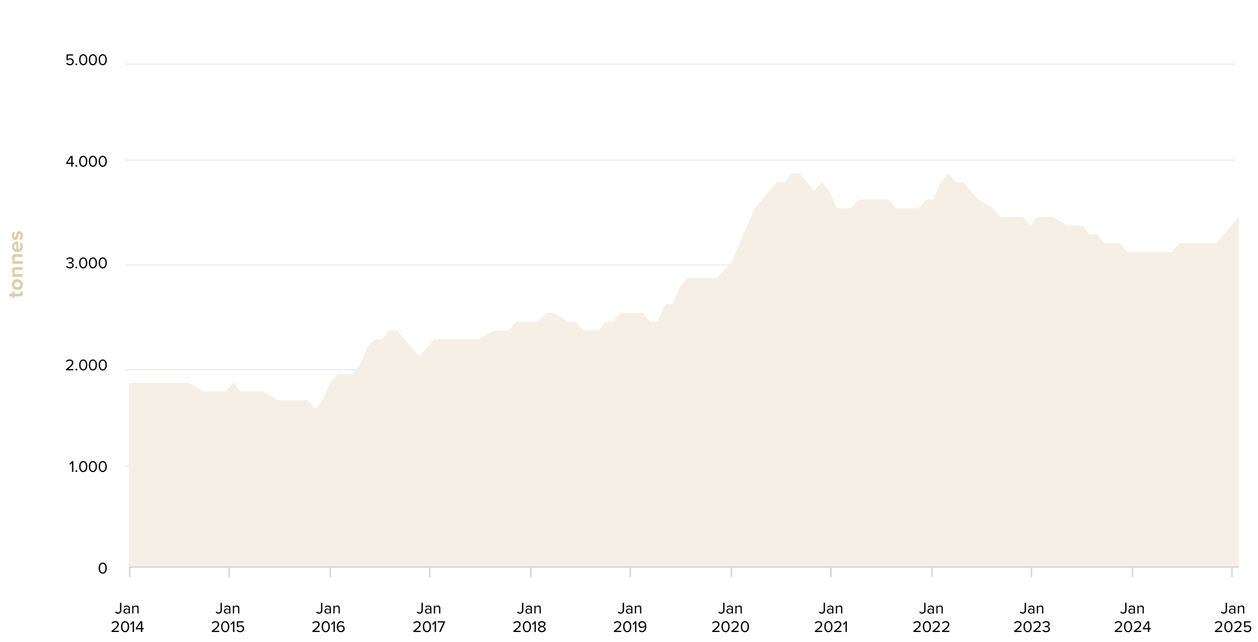


CHART 2

Gold ETFs - AUM

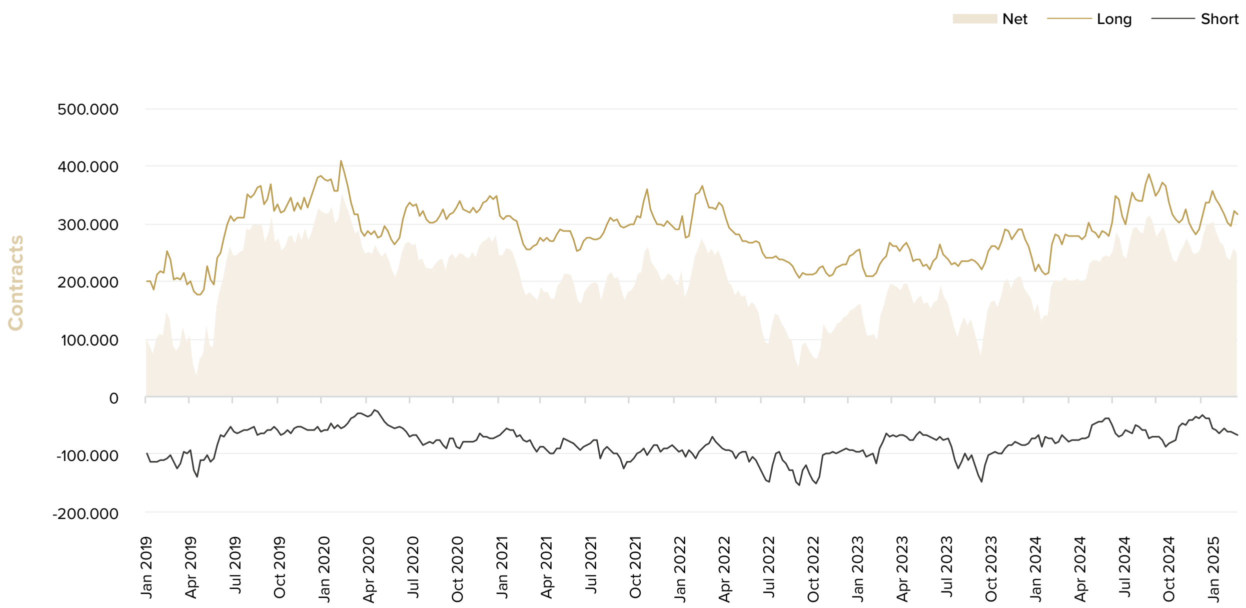


Central Bank buying continues

Central banks reportedly purchased a net 18 tonnes of gold in January, with emerging market countries being the most active — including Uzbekistan (8t), China (5t), and Kazakhstan (4t). Poland and India each bought three tonnes, the Czech Republic acquired two tonnes, and Qatar added one tonne. The main sellers were Russia (-3t), Jordan (-3t), and Kyrgyzstan (-2t). China also purchased a further five tonnes in February. In total, central banks bought a net 1,045 tonnes in 2024, marking the third consecutive year in which purchases have exceeded 1,000 tonnes.

CHART 3

Gold - Fund long, short and net position on Comex



ETF buying continues

The inflow of gold into gold exchange-traded funds (ETFs) continues, with 72.6 tonnes purchased in the first three weeks of March, following nearly 100 tonnes bought in February. The ETFs were late to join the gold rally — they only turned net buyers in May 2024, around 19 months after the rally began in October 2022. Since May last year, they have bought a net 346 tonnes. ETFs now hold 3,425.9 tonnes, which is still 12.5% below the peak of 3,915 tonnes seen in October 2020. Between that peak and the resumption of net buying, ETFs liquidated a net 836 tonnes of gold.

Fund activity was mixed in March

Funds trading Comex gold were once again net sellers in March, with the net long fund position falling to 249,796 contracts by 25 March, down from 261,625 contracts at the end of February. Most of the change came from short selling rather than long liquidation. The long position dropped by just 376 contracts to 316,572 contracts, while shorts increased their exposure by 11,453 contracts to 66,776 contracts.
The net long position has now fallen by 52,712 contracts from the early February peak of 302,508 contracts. As the chart shows, the market remains predominantly long, but the gross long position is still 22% below its peak, which was established when Covid-19 first struck.

Gold stocks soar on Comex

The threat of broad-based tariffs being applied to US imports has continued to drive gold deliveries into Comex warehouses. Stocks stood at 44.1 million ounces (Moz) by the end of March, up from 39.5 Moz at the end of February, 21.9 Moz at the start of the year, and an average of around 17.7 Moz throughout 2024. The rush to import now is likely to result in a dearth of imports later, as Comex stocks now equal roughly five years of US gold consumption. Meanwhile, the London Bullion Market Association (LBMA) reported that 8,477 tonnes of gold were stored in London vaults — approximately 6.2 times the amount now held in Comex warehouses

CHART 4
Spot Gold ($ per oz)

Gold Statistics

	2021	2022	2023	2024	Q4 2024	Q1 2025	Feb 25	Mar 25
London prices								
$/oz	1.799,87	1.801,17	1.942,99	2.386,42	2.662,47	2.862,28	2.895,71	2.982,50
£/oz	1.308,41	1.457,43	1.562,57	1.866,06	2.077,17	2.271,36	2.310,03	2.309,94
€/oz	1.308,41	1.457,43	1.796,32	2.206,46	2.495,63	2.718,29	2.780,67	2.758,98
Parity prices								
Australian - A$/oz	2.393	2.590	2.924	3.619	4.081	4.562	4.596	4.738
South Africa Rand/kg	26.519	29.139	35.952	43.505	47.643	52.960	53.536	54.594
Japan Y/g	197.644	241.248	273.806	361.653	405.537	436.362	439.742	444.929
India Rupee/oz	133.434	142.184	160.596	199.820	224.866	247.906	251.813	258.342
COMEX - futures contracts								
Stocks ('000oz)#	33.805	23.180	19.191	21.908	21.908	44.112	39.454	44.112
Vol (million contracts)*				60,24	13,77	14,39	3,88	5,18
OI ('000 contracts)#				459,42	459	506	490	506
CFTC (Futures Only Data) non-commercial								
Net Positions#	268.872	213.157	136.880	247.629	247.629	249.796	261.625	249.796

Figures are period averages unless marked by *, indicating total in the period, or #, indicating value at the end of the period.
~ = data not available yet, italics = estimates,OI= Open Interest on the exchange

BROAD-BASED TARIFFS ON US IMPORTS HAVE DRIVEN GOLD DELIVERIES INTO COMEX WAREHOUSES, WITH STOCKS RISING TO 44.1 MILLION OUNCES BY MARCH, WHILE LONDON VAULTS HOLD 8,477 TONNES, ABOUT 6.2 TIMES COMEX HOLDINGS.

Summary

Gold's bull market remains robust, and with so many different driving forces, it is difficult to see what could bring it to an end. Even if some concerns are alleviated, others are unlikely to disappear any time soon. That said, there is no room for complacency, as markets rarely move in straight lines. The most likely single event that could cause a temporary end to the rally would be a broad market rout — prompting investors to sell liquid assets, such as gold, to raise funds for margin calls on less liquid holdings. Given that Trump appears poised to initiate trade wars with multiple countries, it's hard to see how this won't have a major impact on global trade and economic growth. That, in turn, could trigger a significant stock market correction and a liquidation-driven sell-off. We've already seen some gold selling in early April, but it remains to be seen whether this marks the beginning of broader panic selling as the tariff wars escalate.

Silver falls further behind gold, suggesting even greater catch-up potential.

Silver prices performed strongly in March, rising to $34.61 per ounce, up 11.1% from $31.16 per ounce at the end of February.

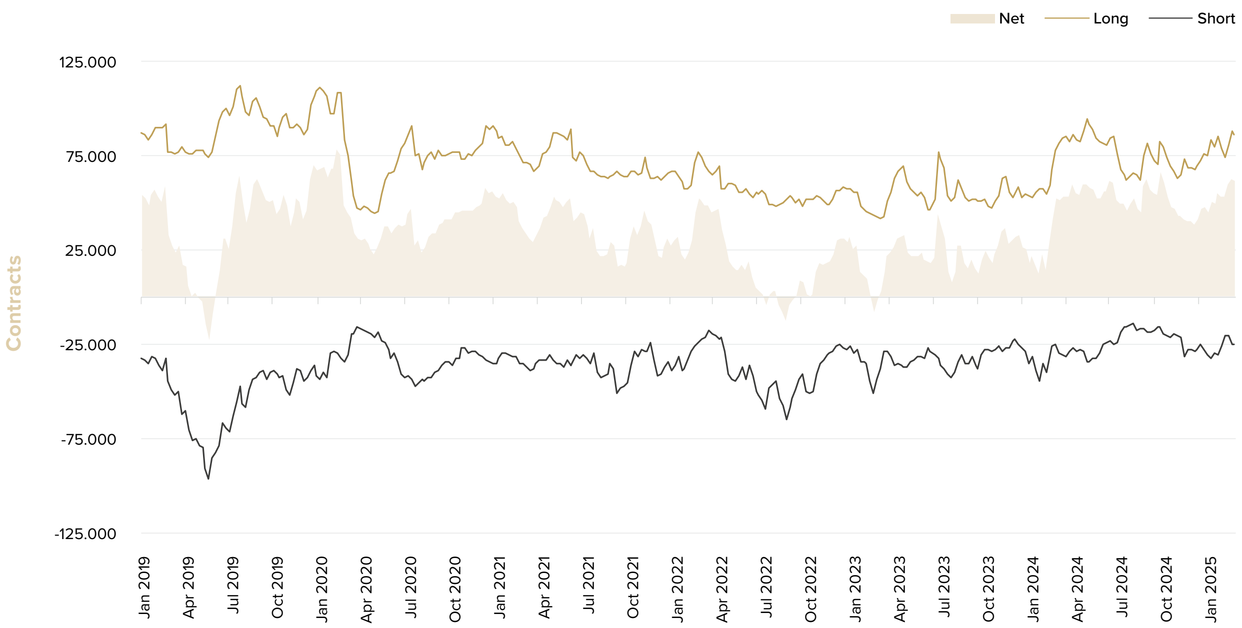
This marked the highest level since October last year, when prices peaked at $34.86 per ounce. However, despite the strong performance, silver has still failed to keep pace with gold — as reflected in the gold/silver ratio, which rose to 1:96 in early April, up from 1:92 in February. While silver has followed gold's lead, it appears to have been held back by a combination of subdued industrial demand and a lack of central bank buying, with central banks remaining focused primarily on gold purchases.

Trump's tariffs: another Headwind

President Donald Trump's latest round of tariffs, announced on 2 April, looks set to have a significant impact on global trade. US trade with China is expected to be hit hardest, with combined tariffs now reaching as high as 54%. While the US no longer imports many solar panels from China — having shifted its supply to countries such as Vietnam, Thailand, Malaysia, and Cambodia — silver is used in a wide range of applications, including electric vehicles (EVs), computers, mobile phones, and medical and water purification technologies. As a result, demand is likely to suffer. Indeed, sentiment across industrial metals has already weakened following the tariff announcement, with silver prices down 3.6% the morning after the news.

CHART 5

Silver - Fund long, short and net position on Comex



Funds increase exposure to silver

Funds trading Comex silver increased their net long position by 8,088 contracts during March, bringing the total to 60,950 contracts — the highest level since October 2024. This was driven by an addition of 7,243 long contracts and a reduction of 845 short contracts. The gross long position stood at 85,712 contracts, still well below the peak of 111,282 contracts seen in July 2019.

CHART 6

Spot Silver ($ per oz)

Silver Statistics

	2021	2022	2023	2024	Q4 2024	Q1 2025	Feb 25	Mar 25
London prices (US$/oz)								
Spot London price	25,14	21,73	23,39	28,24	31,34	31,91	32,18	33,18
Parity (London) Prices								
Japan (Y/g)	2.761	2.911	3.296	4.283	4.772	4.865	4.887	4.950
India (Rupee/oz)	1.864	1.715	1.933	2.365	2.646	2.764	2.799	2.874
COMEX - futures contracts								
Stocks ('000oz)#	355,7	299	253,9	318,9	318,9	478,5	413,8	478,5
Vol (million contracts)*				21,6	4,74	4,21	1,67	1,33
OI ('000 contracts)#				151,1	151,1	171,0	146,3	171,0
CFTC (Futures Only Data) non-commercial								
Net Positions#	26.458	31.027	31.863	40.163	40.163	60.950	52.862	60.950
Other Indicators								
Gold/Silver ratio#	1:78	1:76	1:86	1,9	1:90	1:96	1:90	1:96

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Silver catch-up potential?

Despite the recent pullback in silver prices following the tariff announcements, many analysts remain bullish on silver's outlook. In fact, silver appears to be a bull market in waiting, with forecasters highlighting the current supply deficit, the expected resurgence in industrial and manufacturing demand as new technologies are adopted, and increasing investment interest — particularly from the retail segment, where "you don't have to be rich to buy silver." As such, the elevated gold/silver ratio may mean the price pullback is viewed by many as a buying opportunity.

Summary

Normally, when gold is surging, silver tends to outperform — but that hasn't been the case for most of the 2022–present rally. The exception came last summer, when the gold/silver ratio dropped to 1:73, coinciding with a strong rally in industrial metals — notably when copper hit its record high. Given the long-term outlook for silver remains strong, we now wait to see whether the current weaker tone will be viewed as a buying opportunity.

A month of two halves for the PGMs – strength followed by weakness.

The PGM prices have generally been under pressure in recent years due to weak industrial demand and excess inventories, but there is now a risk of demand getting worse.

Platinum and palladium prices gained ground through much of March, but weakened towards the end of the month and more sharply in early April, ahead of the release of Trump's reciprocal tariffs. The onset of the new tariffs put pressure on all metals — even gold. The platinum group metals (PGMs) remain the weaker players in the precious metals sector, due to subdued demand and no shortage of supply, following the accumulation of inventories during past market surpluses. At their March peaks, platinum and palladium prices were up by 11.6% and 9.3%, respectively since the start of the year, while gold and silver had both risen by just under 20%.

Tariffs to damage demand

Trump's tariffs have targeted vehicle imports, which are expected to disrupt vehicle sales and further dampen global demand for auto catalysts. In addition, PGMs are used across various industries — including the production of glass, fertilizers, and electronic components — so the broad increases in global tariffs are likely to negatively impact industrial demand for these metals.

Waiting for inventories to be drawn down

While demand remains subdued — and could weaken further in the near term due to tariff-related disruptions — PGM supply is tightening, particularly for platinum. The market has been in a supply deficit since 2023, gradually reducing the substantial stockpiles built up between 2016 and 2022. Some of this surplus metal has been absorbed into exchange-traded funds (ETFs), which tends to make it relatively "sticky" (less likely to re-enter the market quickly).

More recently, fears surrounding US tariffs have triggered a significant inflow of PGMs into CME warehouses, echoing trends seen in gold and silver. At the end of March, platinum and palladium stocks in CME warehouses stood at 630,614 oz and 78,872 oz, respectively — up from 269,972 oz and 38,530 oz at the end of 2024. This build-up in exchange stocks may increase the apparent supply surplus in the short term.

Funds decrease exposure in March

Funds trading Nymex platinum were indecisive in March — first selling, then buying, then selling again. Overall, the net long position declined to 13,558 contracts, down from 16,176 contracts at the end of February, and significantly lower than the mid-month high of 20,507 contracts. In palladium, fund positioning became more polarized. The gross long position rose to 8,436 contracts (from 6,692), while the gross short position climbed to 16,745 contracts (from 14,826), indicating growing divergence in market views.

CHART 7
Platinum – Fund long, short and net position on Nymex

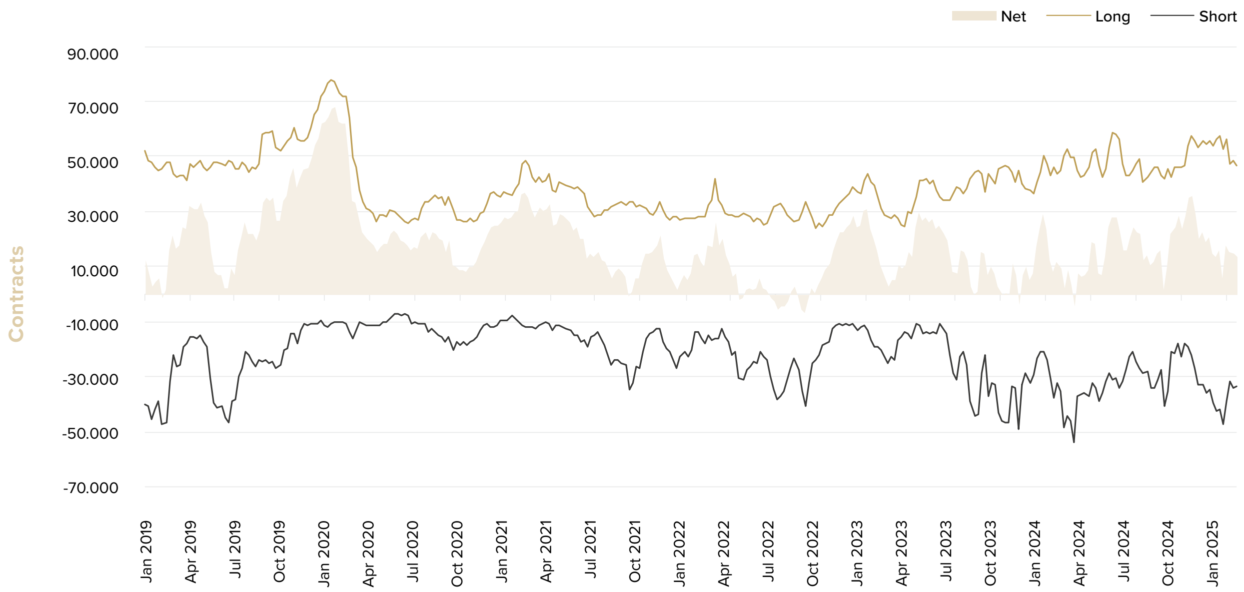


CHART 8
Palladium- Fund long, short and net position on Comex

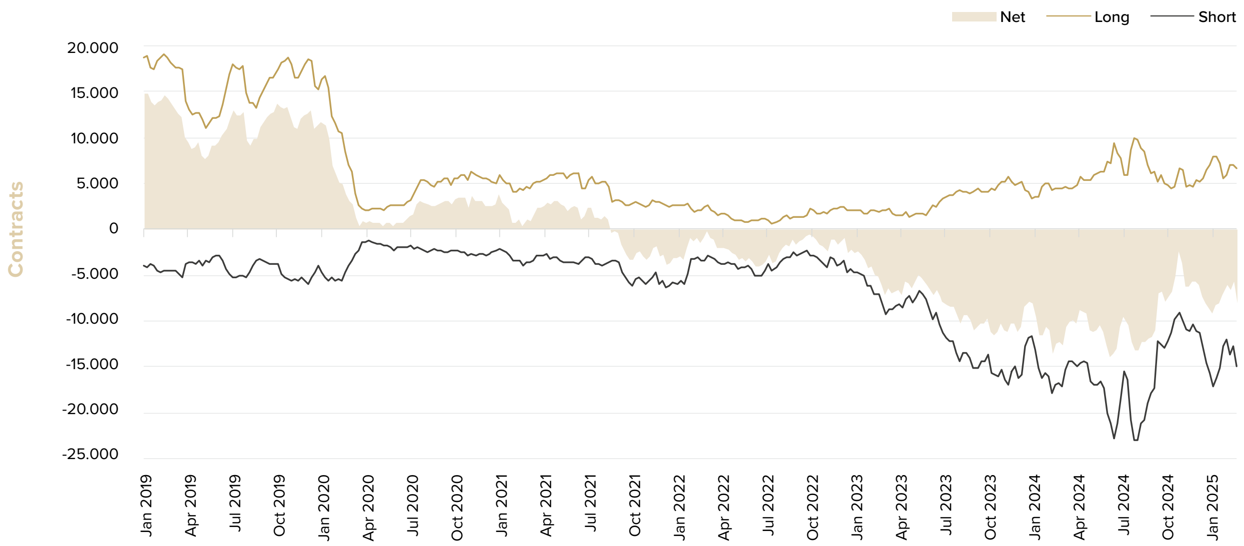
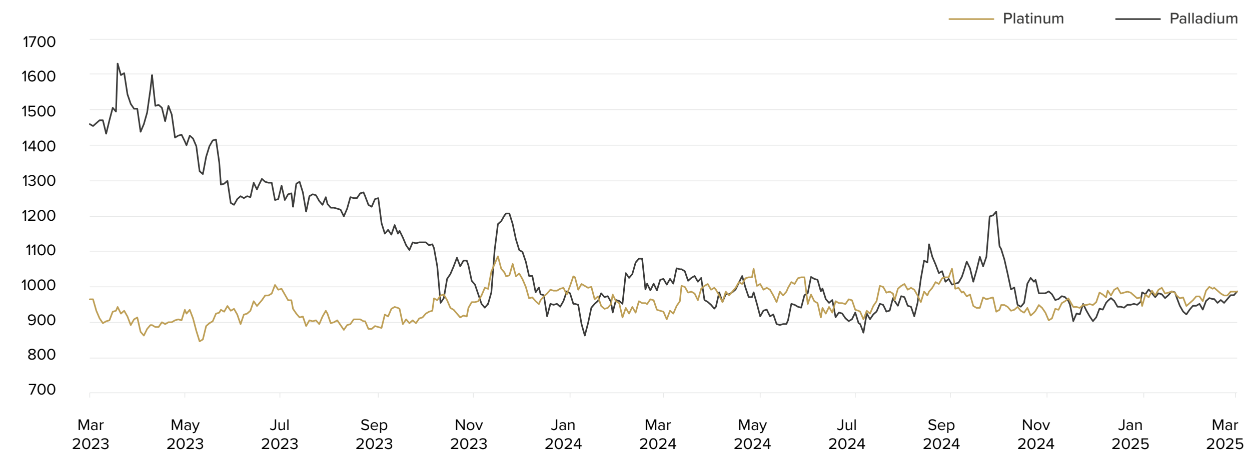


CHART 9
Spot Platinum & Palladium ($ per oz)



PGM Statistics

	2021	2022	2023	2024	Q4 2024	Q1 2025	Feb 25	Mar 25
London Prices (US$/oz)								
Platinum	1091,24	961,24	966,88	955,205	965,98	969,53	979,38	980,31
Palladium	2398,86	2108,33	1338,69	983,20	1010,77	961,76	974,03	958,60
Japanese Parity Prices (Y/g)								
Platinum	119.829	128.748	136.253	144.787	147.102	147.884	148.728	146.243
Palladium	263.419	282.390	188.648	148.911	153.891	146.730	147.915	143.003
South African Parity Prices (Rand/kg)								
Platinum	16.078	15.551	17.891	17.438	17.280	17.943	18.107	17.944
NYMEX Stocks ('000oz)								
Platinum#	482,00	167,20	206,20	269,97	269,97	630,61	552,04	630,61
Palladium#	95,2	53,4	36,7	38,5	38,5	78,9	79,2	78,9
CFTC (Futures Only Data) non-commercial#								
Platinum	4.469	24.666	23.662	15.648	16	13.558	16.176	13.558
Palladium	-3.109	-2.206	-7.801	-8.089	-8,089	-8,309	-7.134	-8.309
Other Indicators (US$/oz)#								
Pt-Au spread	-858	-747	-1.056	-1.703	-1.703	-2.166	-1.935	-2.166
Pt-Pd spread	-966	-723	-113	12	12	20	27	20

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PGM PRICES REMAIN LOW, WITH TRADE WARS AND WEAK DEMAND ADDING PRESSURE.

Summary

PGM prices remain depressed, and with weak demand being one of the key issues, the shift towards increased trade wars does not bode well for these metals — particularly as the global automotive market is facing some of the highest tariffs.

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