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The Sharp Perspective

#15 MONTHLY COMMENTARY

MAY 2025

Gold's Rally Pauses in May, but Bullish Drivers Remain—and Risks May Intensify

- **As US President Donald Trump** plays havoc with global trade there is a risk that other countries stand up to Trump and the currently dire situation deteriorates
- **Gold prices** have corrected by around ten percent, which seems orderly given the 116% gain since October 2023
- **Funds reduced** their gross long position by 34% since it peaked in early-February, and shorts have started to cover into the recent price rebound. We are waiting to see when the funds start to buy again
- **ETF investors** have reduced holdings by less than one percent in recent weeks, but they still hold less gold today than when ETF holdings peaked in 2020, when prices were 43% lower
- **Geopolitical risks** remain elevated and the changes underway are not temporary - a new world order is forming and there are significant risks as this happens

Is Silver's Bullish Potential Ready to Be Unleashed?

Silver prices set fresh highs for the year; investors may be ignoring weak industrial demand, instead seeing opportunity given silver's underperformance

Chinese Demand for Platinum Jewellery Could Be a Gamechanger, While Palladium Risks Falling Behind

Supply fundamentals for both metals are tightening, but only platinum has the brighter demand outlook. That said, the auto industry faces fresh headwinds that could impact both metals

KEY TAKEAWAYS

- Gold prices have seen a 10.8% correction, but the market has absorbed fund selling well. The correction seems limited, given the 116% rally since October 2023
- All the bullish factors that have driven gold prices higher have not gone away and unfortunately are unlikely to, so any sell-off in price is likely to be short-lived
- Trump's policies are disrupting the world order, the unfolding of a new world order brings with it much uncertainty and risk – little wonder gold remains sought after
- A new world order is unlikely to accept the dollar as the reserve currency – in the long term this will have far reaching consequences to markets. Is gold starting to reflect this?
- Silver may be starting to break it's shackles – are more investors starting to see it as being under-valued compared with gold? Silver's time in the limelight lies ahead
- Platinum prices have rallied as Chinese interest in platinum jewellery has picked-up. Not surprising given platinum is a third of the price of gold – it used to trade at a premium

Gold Holds Steady Amid Global Turmoil: Rally Set to Resume

After a brief consolidation in May, gold regains strength as geopolitical tensions intensify, the dollar weakens, and investors seek safety amid a shifting world order.

Gold prices peaked at $3,500 per oz on April 22, they then spent the first half of May oscillating down to a low of $3,121.55 per oz, seen on May 15, before a rebound got underway. May was the first month this year that did not see gold prices set a fresh high, but with prices correcting 10.8% from the high, the market has had time to reset itself. While there has been some profit-taking and fund long liquidation, there was no rush to the exits by investors or speculators, which suggests the market is both orderly and not concerned about the bull run ending. Indeed, very little has changed, the structural issues the world faces are still in place, some have escalated, a few have de-escalated - but only temporarily it would seem, and some new ones have risen with the US Defense Secretary Pete Hegseth commenting about China's ambitions over Taiwan, saying "The threat China poses is real, and it could be imminent,…".

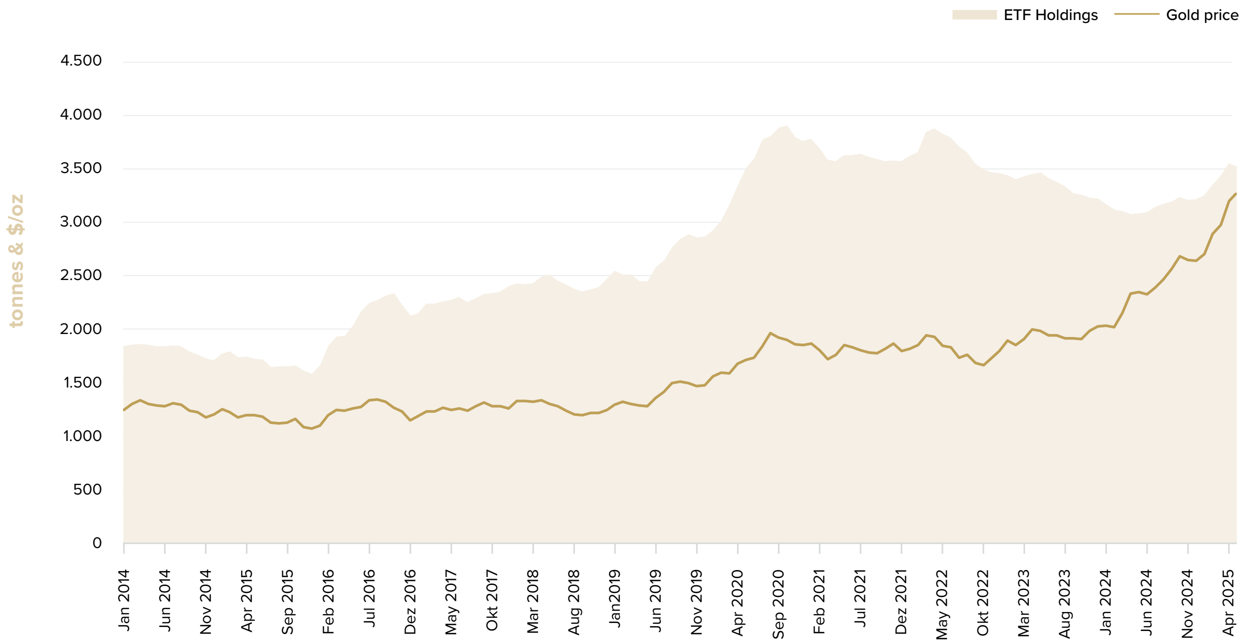
Geopolitics getting worse

Geopolitical issues have been running high for several years, notably with Russia's invasion of Ukraine, the Israeli/Middle East conflict, China's more aggressive stance in the South China Sea and a host of conflicts in Africa, Syria, Yemen and Kashmir. The latter is particularly alarming given India and Pakistan are two nuclear-armed states. Indeed in this environment, globalisation is struggling to continue and as the world fragments once again into blocs, a new world order is being formed, but what will it look like? Former UK Foreign Secretary David Miliband said recently that "The problem is that it's much more clear what we are inflecting from – a world in which the US was the anchor of the global system – but it's not clear what we're inflecting to". In this uneasy environment, Trump's trade wars with virtually everyone may just be the excuse aggressive leaders need to push ahead with their plans as the US has in effect ostracised most of its friends, the non-aligned countries, and the foreign entities of concern. With the United States indicating a desire to reduce its global role, other regional powers are likely to step in to fill the void. As a result, a new world order is likely to emerge. If this happens, it is unlikely that the US dollar will remain the world's reserve currency for long. This is something global markets are not prepared for, but it may be reflected in the rising value of gold and the weaker dollar. Taking this further - as any fade in the dollar's power will likely take years, gold may well find itself underpinned for years as the structural change unfolds.

Trump's recklessness bullish for gold

As there seems no stopping Trump's toing and froing over tariffs, trade deals, geopolitics and how he handles himself in the public eye, countries, companies, individuals and markets remain on tenterhooks. Equity and bond markets, as well as the dollar, seem to be the most reactive to his every word. So while Trump is at the helm, markets will remain at risk. Trump's recklessness is therefore likely to remain bullish for gold as more investors seek out safe-havens. Also, if more sovereign wealth funds and central banks decide to reduce their exposure to the US, then that could also provide solid support for gold.

CHART 1
Gold ETFs – AUM & Gold price



The East has led, will the West follow?

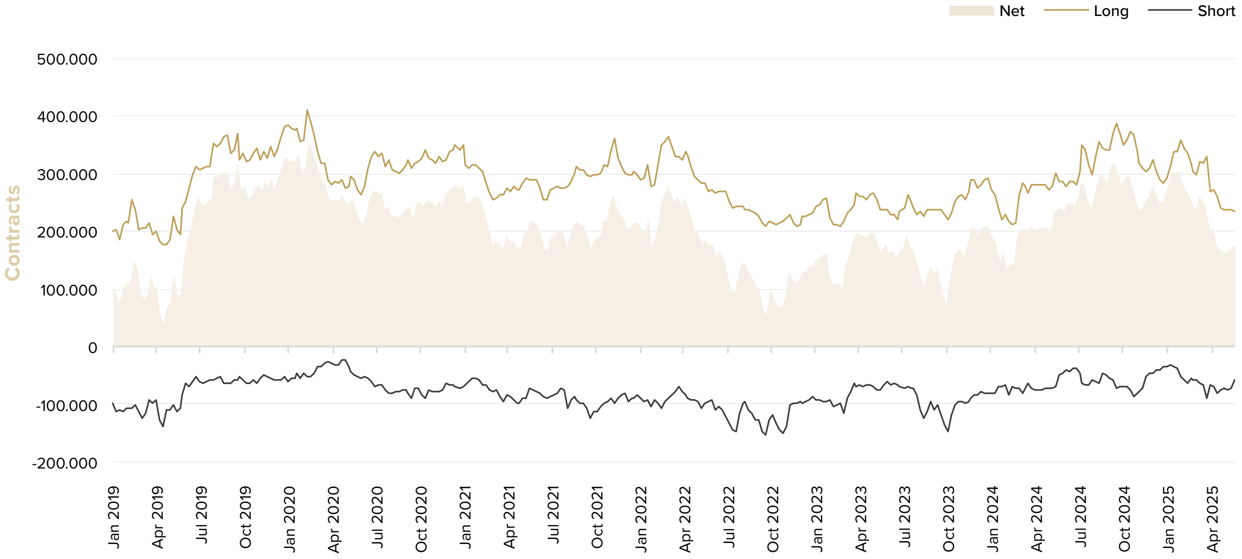
Eastern investors, especially India and China, have long had a strong affinity to physical gold, while many western investors' go-to investments tend to be equities and bonds. As financial markets could be at risk from financial turbulence, we wonder whether there will be a Western swing to more tangible assets. We have pointed out before that EFT investors were late to the gold rally, maybe there are many western investors who have still not invested in gold. It is noteworthy that the current holdings in ETFs remain below record levels—3,528 tonnes in late May, compared with a peak of 3,915 tonnes in October 2020—even though current gold prices are 72% higher than when ETF holdings were at their highest. This suggests that western investors' gold holdings may be relatively low given the increased risks.

ETF selling, central bank buying slows

Investors in ETF sold a net 31 tonnes of gold between 25th April and 23rd May. This was the second month that there had been net selling since the ETFs returned as net buyers in May 2024. The first month of net selling was last November. That said, May's selling came after large buying in April when the ETFs bought a net 123 tonnes, compared with an average of 46 tonnes over the past 12 months. Central banks bought a net 12 tonnes of gold in April, according to the World Gold Council, this was 12% lower than in March and below the 12-month average of 28 tonnes.

IF MORE SOVEREIGN WEALTH FUNDS AND CENTRAL BANKS DECIDE TO REDUCE THEIR EXPOSURE TO THE US, THEN THAT COULD ALSO PROVIDE SOLID SUPPORT FOR GOLD.

CHART 2
Gold – Fund long, short and net position on Comex



Fund shorts start to cover

The net long fund position peaked at 302,508 contracts in early February, after which it shrunk to 161,209 contracts in mid-May, but has since started to climb again on short-covering and stood at 174,184 contracts on May 27. From peak to trough, longs liquidated 118,309 contracts and shorts added 22,990 contracts. All in all, with the gross long position correcting by 55%, there has been significant profit-taking, leaving room for another buying opportunity should funds still see upside potential. While the gross short position grew into the price correction, it peaked at 89,502 contracts in early April, but has already started to shrink and was back at 59,903 contracts in late May.

End of rally, or just a pause?

We asked in last month's report whether we had seen the "end of the rally, or just a pause?" Amidst the world's turmoil and the bleak path it seems to be treading, gold continues to shine as a steadfast beacon for investors, offering stability in an ever-changing financial landscape. As such, we think interest in gold will remain strong, with prices just consolidating for now.

CHART 3
Spot Gold ($ per oz)

Gold Statistics

	2021	2022	2023	2024	Q4 2024	Q1 2025	Apr 25	May 25
London prices								
$/oz	1.799,87	1.801,17	1.942,99	2.386,42	2.662,47	2.862,28	3.209,81	3.279,25
£/oz	1.308,41	1.457,43	1.562,57	1.866,06	2.077,17	2.271,36	2.443,00	2.453,78
€/oz	1.308,41	1.457,43	1.796,32	2.206,46	2.495,63	2.718,29	2.862,29	2.907,12
Parity prices								
Australian - A$/oz	2.393	2.590	2.924	3.619	4.081	4.562	5.111	5.095
South Africa Rand/kg	26.519	29.139	35.952	43.505	47.643	52.960	60.736	59.442
Japan Y/g	197.644	241.248	273.806	361.653	405.537	436.362	463.348	474.540
India Rupee/oz	133.434	142.184	160.596	199.820	224.866	247.906	274.766	279.383
COMEX - futures contracts								
Stocks ('000oz)#	33.805	23.180	19.191	21.908	21.908	44.112	41.367	38.350
Vol (million contracts)*				60,24	13,77	14,39	5,83	6,16
OI ('000 contracts)#				459,42	459	506	443	409
CFTC (Futures Only Data) non-commercial								
Net Positions#	268.872	213.157	136.880	247.629	247.629	249.796	163.318	174.184

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

WE THINK INTEREST IN GOLD WILL REMAIN STRONG, WITH PRICES JUST CONSOLIDATING FOR NOW.

Summary

Given the level of fund long liquidation, gold prices have held up well, especially when you consider how far prices have climbed over the past year. While markets might get some cheer if trade deals are reached, which could reduce demand for gold, there are many larger issues, including huge government debt, the emerging new world order and the geopolitical risks that come with that, and de-dollarisation, that are unlikely to go away anytime soon, meaning gold is likely to remain sought after for a long time to come.

Silver Breaks Higher as Safe-Haven Appeal Grows

After years of underperformance, silver rallies past key resistance levels as global tensions rise, supply remains tight, and investor interest returns.

Silver had significantly underperformed gold since March, as seen by the gold/silver ratio lurching up to a peak of 1:107 in April, from either side of 1:90 in the first quarter of the year. But, this may be changing as we roll into June, as the ratio has since fallen back to 1:97. Does this mean the pent-up bullishness in silver is finally being unleashed? It is still early-days, but silver's 5.6% rally on June 2, bodes well. Silver has breached the March high at $34.61 per oz, with the high on June 2 being $34.79 per oz, it now needs to take out last October's high at around $34.86 per oz. The October high was the highest prices had been since October 2012.

But, is the time right for silver?

At first glance, this may not seem like the right time for silver to break out, with manufacturing still contracting across major economies and PMIs below 50 in May. However, silver could gain on its safe-haven appeal. While gold has led the way—up 25.4% year-to-date—silver, up 14% by end-May, may have room to catch up. A high gold/silver ratio, growing demand from electrification and tech sectors, and a projected fifth consecutive year of supply deficits could offset weak industrial sentiment and the lack of central bank support that gold has enjoyed.

CHART 4
Silver – Fund long, short and net position on Comex

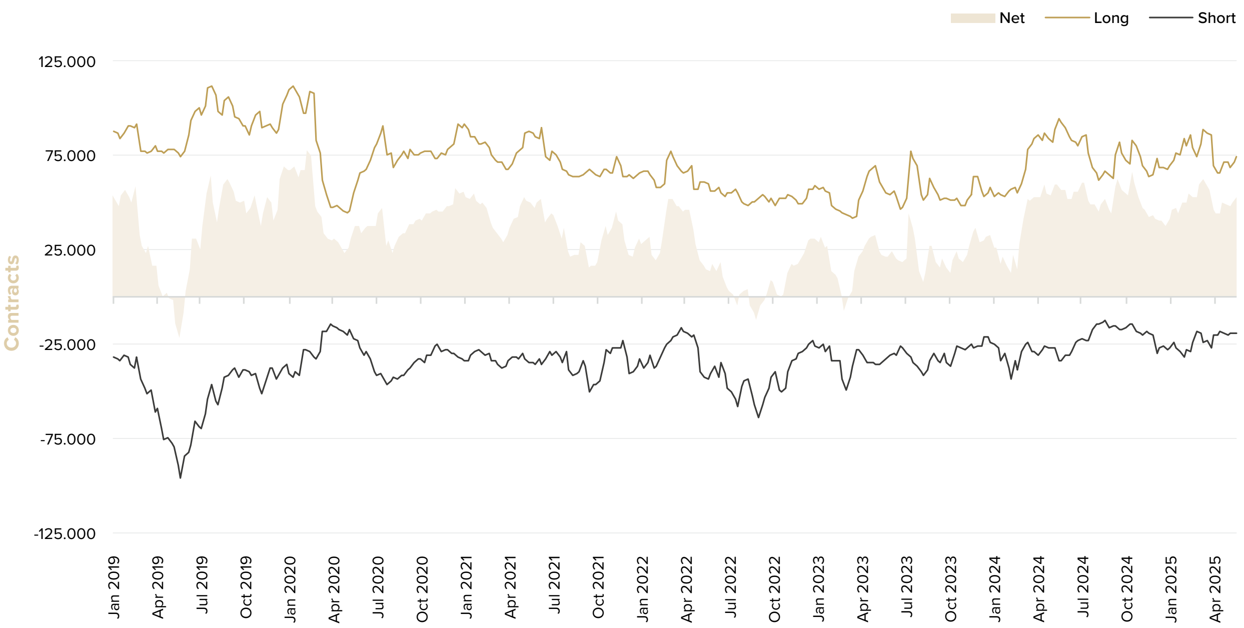
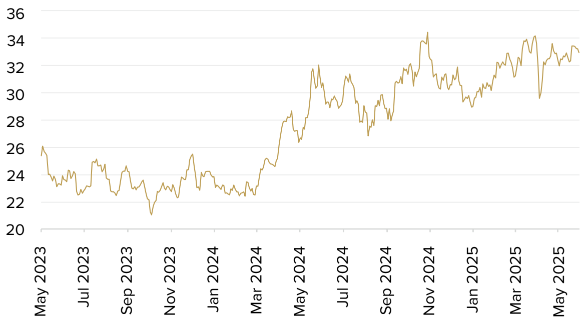


CHART 5
Spot Silver ($ per oz)



Funds return as buyers

The funds trading Comex silver have started to increase their net long position again, which climbed to 53,012 contracts by May 27, up from a recent low of 43,949 contracts on April 15. The recent peak was at 62,298 contracts in mid-March. Since the peak, the longs have cut their position by 14,361 contracts and the shorts have also cut their position by 5,075 contracts. The fact shorts closed out positions while prices were trading sideways, suggest sentiment is getting more bullish overall.

Summary

As we have mentioned previously, there is a significant anticipation for silver prices to rise as demand is set to grow at a faster pace as the energy transition expands geographically and the AI evolution gains momentum. Another year of supply deficit this year, which will be the fifth year in a row, should also be supportive. Silver has often been referred to as 'poor man's gold', the fact silver has significantly underperformed gold, may mean investors start to see silver as a relatively cheap safe-haven that has pedigree. The added bonus is that silver often outperforms gold in upward moves, something it has not done in recent years, but that's not to say it won't do so again. With gold at $3,350 per oz, a more normal gold/silver ratio of 1:80 would put silver nearer $42 per oz, which would still be below the all-time high of $50 per oz. So plenty of upside opportunity still.

Silver Statistics

	2021	2022	2023	2024	Q4 2024	Q1 2025	Apr 25	May 25
London prices (US$/oz)								
Spot London price	25,14	21,73	23,39	28,24	31,34	31,91	32,26	32,70
Parity (London) Prices								
Japan (Y/g)	2.761	2.911	3.296	4.283	4.772	4.865	4.657	4.732
India (Rupee/oz)	1.864	1.715	1.933	2.365	2.646	2.764	2.762	2.786
COMEX - futures contracts								
Stocks ('000oz)#	355,7	299	253,9	318,9	318,9	478,5	500,9	495,4
Vol (million contracts)*				21,6	4,74	4,21	2,07	1,09
OI ('000 contracts)#				151,1	151,1	171,0	137,9	147,8
CFTC (Futures Only Data) non-commercial								
Net Positions#	26.458	31.027	31.863	40.163	40.163	60.950	49.943	53.012
Other Indicators								
Gold/Silver ratio#	1:78	1:76	1:86	1,9	1:90	1:96	1:101	1:97

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Platinum Shines with 13.7% Surge in May as Chinese Demand Rebounds

Platinum rises on tightening supply, renewed jewellery demand, and fund inflows, while palladium trails on softer demand and lingering bearish sentiment.

Platinum and palladium prices put in strong performances in May and while the metals did not hold on to all the gains seen earlier in the month, they still ended up 9% and 3.3% respectively. While tightening fundamentals and the potential for further production cuts were supportive factors, the catalyst seems to have been a pick-up in Chinese platinum imports and reports that Chinese interest in platinum jewellery has picked-up again, given how much cheaper it is than gold. The World Platinum Investment Council has upped its forecast for Chinese platinum jewellery fabrication demand growth this year to 15%, from its earlier forecast for 5%.

Tightening fundamentals

Low prices, aging mining infrastructure in South Africa's PGM industry, less capex due to low prices and the weak outlook for demand, combined with lower recycling rates, due to fewer ICE vehicles on the roads, have all helped to tighten supply in the PGM market that was already experiencing supply deficits. Whereas the market has been able to balance supply and demand by drawing down inventories that had built up when the markets were in surplus, the market is aware that stocks can only last for so long. But, the poor outlook for palladium demand has meant South African producers are scaling back production of palladium, more than platinum. The scaling back of investment in the PGM industry will in time lead to growing tightness in all PGMs.

Shortages of rare earths could hit demand

In addition to US tariffs potentially hitting demand for new vehicles, vehicle production could also be hit if China restricts the exports of rare earths and magnets. China may well use its dominance in critical minerals as leverage in trade negotiations with the US. Already auto companies in Europe, the Americas and India have warned that disruption to supply could lead to auto manufacturing shutdowns. As such, the PGM market might be about to face new headwinds.

Funds buy into Pt, but cut Pd exposure

Funds have bought back into platinum in recent weeks having cut exposure in March and early-April. The fund position fell from a recent peak of net long 20,570 contracts in mid-March, to net short 794 contracts on April 8, but had returned to net long 25,343 contracts by May 27, with the chart showing fresh buying and short-covering. In palladium, the net short position grew to a peak of 10,918 contracts at the end of April, but has since shrunk to net short 7,526 contracts. Clearly the funds remains bearish on palladium, but bullish on platinum.

CHART 6
Platinum – Fund long, short and net position on Nymex

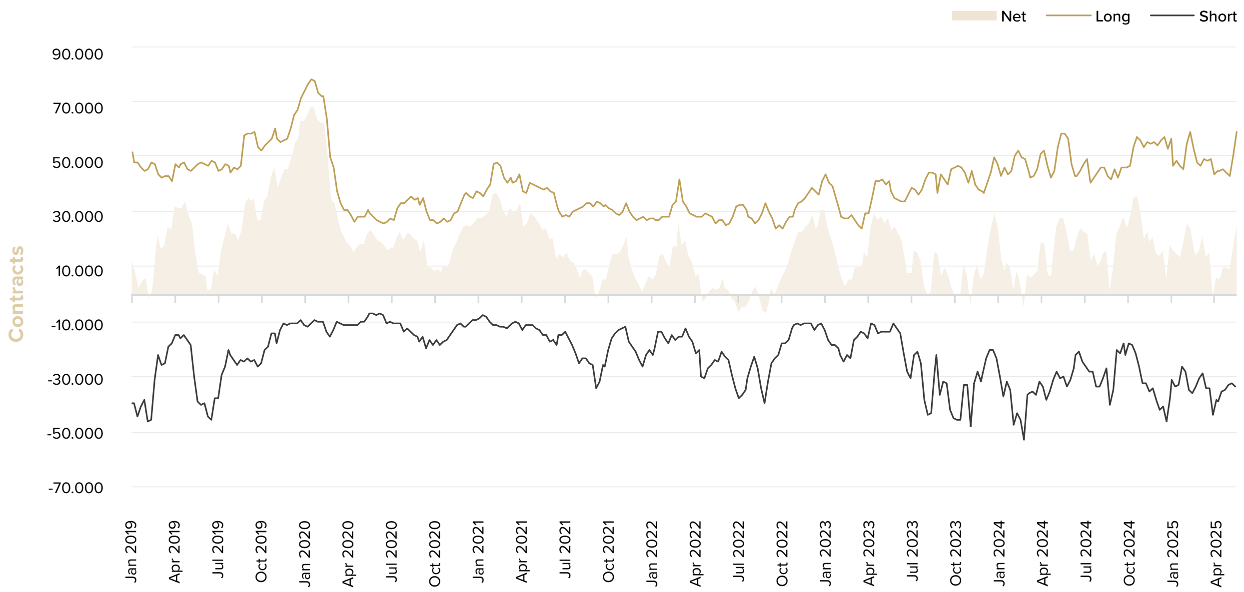


CHART 7
Palladium – Fund long, short and net position on Comex

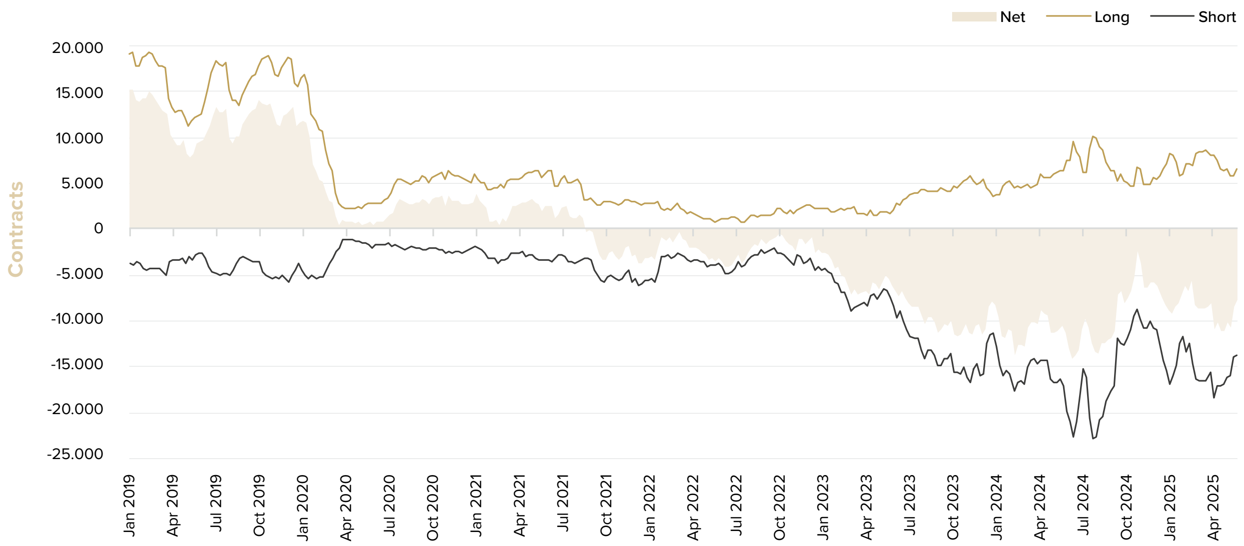
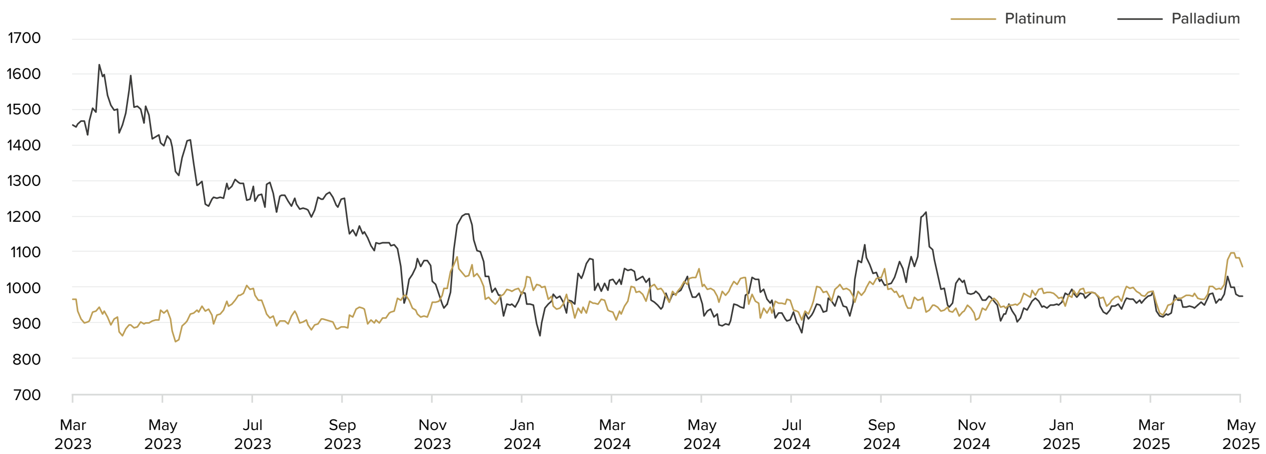


CHART 8
Spot Platinum & Palladium ($ per oz)



PGM Statistics

	2021	2022	2023	2024	Q4 2024	Q1 2025	Apr 25	May 25
London Prices (US$/oz)								
Platinum	1091,24	961,24	966,88	955,205	965,98	969,53	958,93	1018,70
Palladium	2398,86	2108,33	1338,69	983,20	1010,77	961,76	943,63	973,45
Japanese Parity Prices (Y/g)								
Platinum	119.829	128.748	136.253	144.787	147.102	147.884	138.425	147.416
Palladium	263.419	282.390	188.648	148.911	153.891	146.730	136.216	140.868
South African Parity Prices (Rand/kg)								
Platinum	16.078	15.551	17.891	17.438	17.280	17.943	18.145	18.466
NYMEX Stocks ('000oz)								
Platinum#	482,00	167,20	206,20	269,97	269,97	630,61	447,40	370,91
Palladium#	95,2	53,4	36,7	38,5	38,5	78,9	56,2	56,0
CFTC (Futures Only Data) non-commercial#								
Platinum	4.469	24.666	23.662	15.648	16	13.558	9.962	25.343
Palladium	-3.109	-2.206	-7.801	-8.089	-8,089	-8,309	-10.918	-7.526
Other Indicators (US$/oz)#								
Pt-Au spread	-858	-747	-1.056	-1.703	-1.703	-2.166	-2.275	-2.280
Pt-Pd spread	-966	-723	-113	12	12	20	10	90

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THE WORLD PLATINUM INVESTMENT COUNCIL HAS UPPED ITS FORE-CAST FOR CHINESE PLATINUM JEWELLERY FABRICATION DEMAND GROWTH THIS YEAR TO 15%, FROM ITS EARLIER FORECAST FOR 5%.

Summary

The outlook for platinum is looking brighter now that the Chinese are once again interested in platinum jewellery and given platinum's $2,275 per oz discount to gold, that seems logical. Both PGMs may suffer if the auto industry is impacted by trade wars.

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