

Gold and Silver's Record-Breaking 2025

With precious metals posting a standout year, let us unpack the recent price action

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Dear Reader,

As 2025 draws to a close, gold and silver have delivered one of the most remarkable performances in decades, shattering records and outperforming most asset classes amid global uncertainty. Their surge has been driven by a rare combination of safe-haven demand, structural industrial needs, and a shifting monetary landscape that continues to challenge traditional asset allocation frameworks.

This mid-month market insight explores the recent price action, the key drivers behind this move through a historical lens, and the structural forces shaping precious metals today. More importantly, it examines what this environment means for investors as markets transition into a new phase and how gold and silver fit into portfolios beyond short-term price movements.

Recent Price Behavior: A Year of Historic Gains

2025 has been a banner year for precious metals. Gold started the year near \$2,650 per ounce and has surged over 62% year-to-date, repeatedly hitting all-time highs, including levels above \$4,300 in recent sessions. The rally has been steady, with brief consolidations giving way to new peaks, fueled by consistent buying pressure. Silver, known for its volatility, has outperformed dramatically, more than doubling from around \$30 at the start of 2025 to current levels near \$63 – an increase of over 100%. It has seen sharp ascents, with record highs in recent months and persistent deficits amplifying moves. This performance marks one of gold's strongest years in recent history and silver's best since the volatile 1970s-1980s era.

Main Drivers: From Safe Havens to Structural Demand – A Historical Lens

The surge in gold and silver prices isn't random; it's rooted in a confluence of macroeconomic, geopolitical, and industrial factors, many of which echo historical patterns but with modern twists.

- **Geopolitical Tensions and Safe-Haven Appeal:** Ongoing conflicts, such as the Russia-Ukraine war and U.S.-Venezuela frictions, have bolstered demand for precious metals as hedges against uncertainty. This mirrors past rallies, like gold's spike during the 1979-1980 oil crisis and Iran hostage situation, when prices jumped from \$200 to over \$800 per ounce (equivalent to about \$3,000 today adjusted for inflation). Similarly, silver's infamous 1980 Hunt Brothers squeeze drove it to \$50 amid global instability. In 2025, these tensions have amplified the safe-haven bid, with gold up 25% year-to-date amid persistent inflation and economic jitters.
- **Central Bank Buying and De-Dollarization:** Central banks, led by China, have been voracious buyers, adding to reserves as a diversification strategy away from the U.S. dollar. This trend, accelerating since 2022, has absorbed supply that might otherwise depress prices. Historically, central bank accumulation played a role in the 2008-2011 bull market, when gold quadrupled amid the financial crisis. Today, it's a key driver, with global demand outpacing mine production and recycling.



- **Monetary Policy and Inflation:** Fears of sticky inflation and Federal Reserve rate cuts have supported prices, as lower rates reduce the opportunity cost of holding non-yielding assets like gold. This echoes the 1970s stagflation era, when gold rose over 2,000% as inflation eroded fiat currencies. In 2025, despite the Fed's cautious stance — trimming inflation forecasts while upgrading growth outlooks — the policy environment has favored metals. Unsustainable global debt and the "slow death of fiat money" further fuel this, as noted in investor discussions.
- **Industrial Demand (especially for Silver):** Silver's dual role as an industrial metal has supercharged its rally. Demand from solar panels, electric vehicles (EVs), and data centers has created persistent deficits, with lease rates rising due to delivery stress. This structural shift differentiates 2025 from past cycles; in 2010-2011, silver doubled amid recovery demand, but today's green energy boom adds a new layer. Gold benefits indirectly, but silver's industrial use (over 50% of demand) has led to forecasts of explosive gains.
- **Supply Constraints:** Both metals face deficits, with new mine output lagging demand. Historical parallels include the 2000s commodity supercycle, driven by emerging market growth. In 2025, this has layered onto investor inflows via ETFs and retail buying.

Overall, these drivers represent a "complex layering of investor motivations," challenging traditional analysis and signaling a transformation from pure havens to speculative assets.

Where We're Headed: Bullish Forecasts with Upside Risks

Looking ahead, industry sentiment remains broadly optimistic for precious metals as we enter 2026. Many market observers expect gold and silver to continue their strong performance, supported by solid fundamentals, though some volatility is likely along the way. Several macroeconomic factors underpin this positive outlook. Central banks worldwide continue to accumulate gold as part of a de-dollarization strategy, and private investors have sustained robust safe-haven demand amid global uncertainties. Both gold and silver also tend to thrive when inflation is high or monetary policy shifts toward easing, since falling interest rates lower the opportunity cost of holding these non-yielding assets. At the same time, silver benefits from strong industrial demand in areas like solar energy, electric vehicles, and electronics, fueling structural supply deficits that further support its price. Taken together, these tailwinds suggest that 2025's record rally in precious metals is more of a foundation than a finale, leaving gold and silver well-positioned to build on their strength in the year ahead (even if normal price fluctuations occur).

Final Thoughts

Gold and silver's stellar 2025 run has reinforced their role as defensive holdings in investment portfolios, valued more for risk mitigation and wealth preservation than for aggressive returns. For instance, adding gold can help stabilize a portfolio heavily tilted toward high-growth sectors (such as AI-driven megacap tech stocks) by dampening volatility when equity markets swing. Silver, while historically more volatile, shares some safe-haven characteristics and can play a complementary role in diversification alongside gold. Moreover, as interest rates decline, the opportunity cost of holding gold diminishes, increasing its appeal as a strategic hedge in a low-yield environment. In sum, treating precious metals as a form of portfolio insurance — rather than a source of high returns — highlights their usefulness in preserving wealth and stabilizing returns amid uncertainty.

As this eventful year draws to a close, we extend our warmest wishes to you and your family for a joyous holiday season and a prosperous New Year ahead.

Warm Regards,

Nico



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