CPM Group

SILVER LINING IN RADICAL TIMES

YEAR-END 2025

TURN CHANGE INTO OPPORTUNITY WITH PRECIOUS METALS

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Precious Metals: Mid-October Rally Followed by Healthy Correction

Gold and silver prices rose to record highs in the middle of October, and while platinum and palladium did not, they did reach multi-year highs. Prices for all of the exchange traded precious metals declined during the second half of October, although they remained at a historic high level. This should not be too surprising given the pace at which prices rose and the highest levels they reached.

The decline can be attributed primarily to profit-taking by short-term momentum traders. A positive tone, primarily from President Trump, on the then upcoming meeting between Trump and Xi Jinping regarding a trade agreement may have been a catalyst for this short-term profit-taking as well.

As discussed below, the current agreement between the U.S. and China is a temporary stopgap to stabilize the relationship between the two countries. The issues between them are far from resolved and there remain several, both political and economic, that provide ongoing support to precious metal investment demand.

U.S. – China Trade Status: A Temporary Truce

The meeting between Xi and Trump ended with an agreement to a one-year pause on various trade restrictions put in place by both countries earlier in the year.

The U.S. agreed to lower its fentanyl tied import duty from 20% to 10%, suspend for a year a restriction on U.S. companies selling technology like semiconductors to Chinese firms, and also suspend port fees on Chinese owned vessels. China meanwhile agreed to suspend for a year its export controls on rare earth minerals, resume its purchases of U.S. agricultural products, suspend retaliatory tariffs on U.S. agricultural products, and terminate various investigations into monopoly and dumping by American semiconductor firms.

These suspensions are temporary and designed to provide an opportunity for negotiations with less damage to both economies and the world economy. This is a tactical and fragile truce and does not resolve the deep structural differences between the two countries.

It should also be noted that despite a 10% reduction in tariffs on Chinese imports the overall U.S. average tariff rate on Chinese imports stands at roughly 47%, which is up from 20.7% on 1 January 2025 and 2.7% in 2017.

The weighted average applied tariff rate on all imports into the U.S. stood at 18.2% at the start of November, according to the Tax Foundation. According to the World Bank, the weighted average applied tariff rate was 1.5% in 2022.

These tariffs are expected to both increase inflation and weigh on consumption. While these negative impacts are not being fully felt at this time, they should be over the next few months.

Fed's Two-Sided Risks: Inflation and Unemployment

At the Federal Open Market Committee press conference in the final week of October Chairman Jerome Powell stated that tariffs have pushed up the prices of some goods, resulting in higher inflation.

The Fed's current base case is that the tariffs will have a one time impact on inflation, but does not rule out the possibility that the effects could be more persistent. This risk is expected to make the Fed more conservative in lowering rates going forward. Chair Powell mentioned several times that an interest rate cut at the December meeting was not a foregone conclusion. Subsequent comments by several FOMC members have reinforced this stance. CME Group's Fedwatch showed that the market had assigned a 90.5% probability of a 25 basis points (bps) cut at the Fed's December meeting, on 28 October. This probability dropped to 63% three days later.

While the Fed sees upside inflation risk, it also sees downside risk to employment. Based on employment data issued prior to the October meeting, the Fed felt that the risk of unemployment needed greater attention, resulting in the 25 bps cut. With no further official employment data available due to the government shutdown, the Fed is now flying relatively blind. ADP provides some privately generated data, and the statistics it released on 5 November indicated weak employment conditions. In the absence of official government data, the Fed may deem it necessary to take no action at the December meeting.

On the employment side, there have been decreases in both labor supply and demand. This has prevented the unemployment rate from skyrocketing. On the inflation side, while the tariff impact is creeping into prices, a lot of the import tax is being absorbed by businesses and not passed onto consumers.

Over the next several months there could be greater clarity regarding the true impact of tariffs on inflation and whether demand for labor will slip faster than the supply. While inflation is being held down somewhat by businesses absorbing tariff impact, the unemployment rate is being controlled by the reduced supply of labor due to immigration controls. Both these factors could have a reduced impact in the coming quarters, making it very difficult for the Fed to control inflation and support the labor market at the same time. Already there have been several announcements by various large corporations regarding job layoffs, accelerating the possibility of labor demand falling faster than supply. While this is bad for the economy, it is good for precious metals investment demand.

The Fed also announced that it will halt its quantitative tightening (the shrinking of its balance sheet) starting on 1 December. As a result, the Fed will reinvest its principal payments from both Treasury securities and Agency securities back into Treasury bills. Tightening money market liquidity is the primary driver for this move and loosens policy without a rate cut.

U.S. Government Shutdown

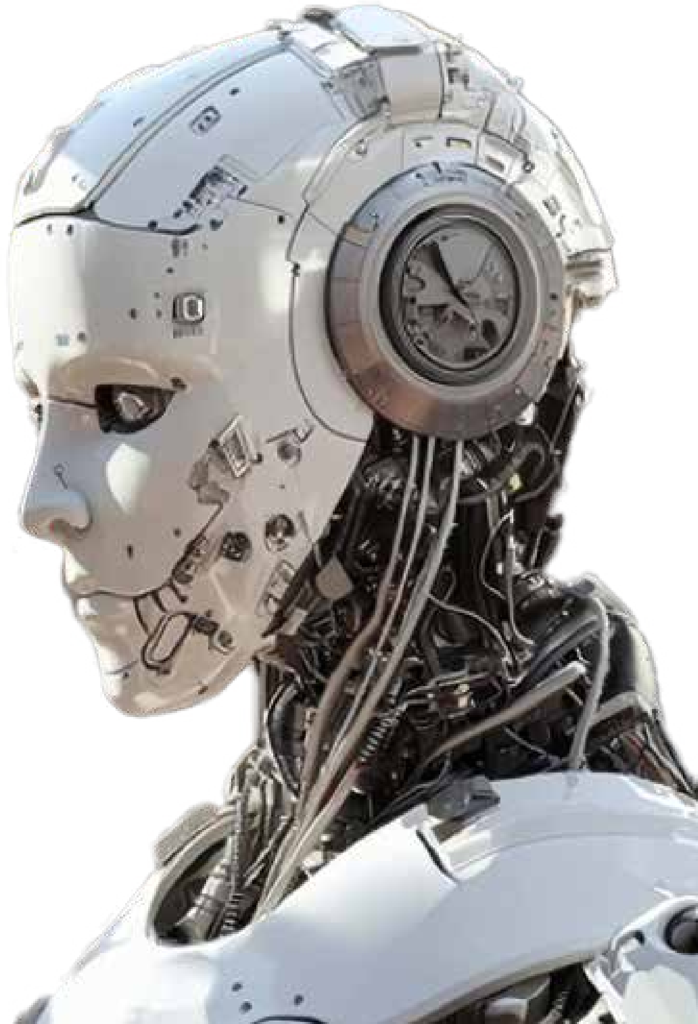
The government has been shut down for more than a month at the time of writing this report in early November. The Congressional Budget Office estimates a 0.5 percentage point annualized real gross domestic product (GDP) loss for every two weeks that the shutdown continues. Based on this calculation, the current shutdown has already shaved off one percentage point of real GDP growth for the year.

The shutdown reduces discretionary spending among those furloughed and places financial strains on contractors and small businesses that service the federal government, which could push these businesses to lay off their workers, broadening the negative effects of the shut down. Some of this lost economic activity should be reversed when the government reopens, but there is the permanent loss of real GDP coming from the work that furloughed employees did not perform, which will continue to rise the longer the shutdown continues.

Equity Markets At Record Levels

Equity markets, meanwhile, are at record levels, kept there by record corporate profits and optimism about artificial intelligence (AI). While companies are growing and increasing profits, they are doing so while simultaneously cutting jobs or hiring fewer people, a large part of which can be explained by the increased use of AI in businesses.

While on the surface strong equity markets can seem like a headwind for gold and silver investment demand, there is in fact a likely increase in demand from investors to diversify their assets amid numerous political and economic challenges and risks.



MARKETS IN SUMMARY

GOLD

Gold prices reached record intraday and settlement prices of

$4,398

and

$4,359.40,

respectively, on 20 October.

CHART 1 Three-Month Gold Price Projections

Prices pulled back on 21 October, falling to a settlement price of $4,109.10. Prices continued to decline into the end of October, touching an intraday low of $3,901.30 on 28 October.

Gold prices are expected to consolidate in the near term. Such consolidation is common following a period of sharp price gains as have been observed since the end of August. Gold prices rose roughly $1,000 in a matter of around two months. The strong gains in gold prices had drawn short-term momentum traders into the market. The recent sell-off can be viewed as a healthy correction. Prices are expected to spend much of the next few weeks between $3,900 and $4,060. A break toward $3,775 or $4,160 should not be ruled out. In fact, when prices break out of their current short-term trading range, they may well break in both directions, perhaps dropping first and then sharply rebounding back toward October's higher price levels.

Please see Chart 1.

The fundamentals for the gold market are unchanged. Uncertainty regarding various political and economic issues has been the primary driving force for investors to diversify their portfolios with gold in recent years and this uncertainty is still very much alive. The recent break in gold prices is a good buying opportunity in our view for longer term investors. While CPM Group expects gold prices to consolidate in a volatile fashion in the near term, its medium to long term expectation is for gold prices to continue rising.

Central Bank Gold Demand

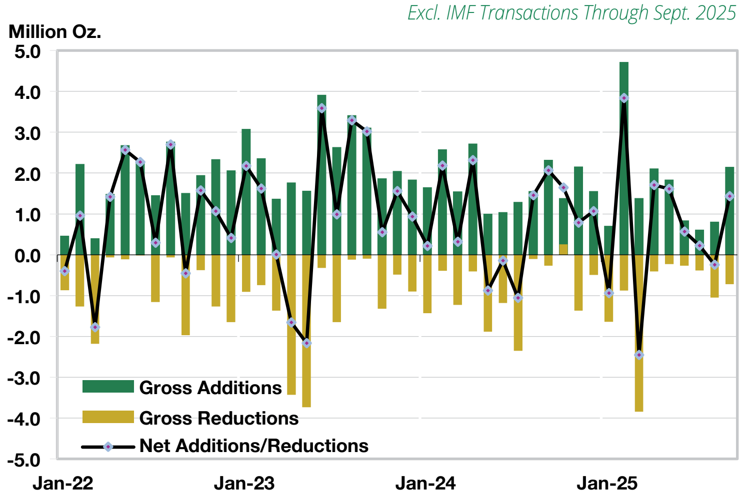
Central banks remained net buyers of gold during the first three quarters of 2025, adding 5.8 million ounces to their holdings on a net basis during this period.

Central banks have played an important role alongside investors in helping to drive gold prices higher this year. Central banks have historically shown a tendency to be sensitive to rising and high gold prices. And while this still is true, it is worth noting that there was an uptick in central bank gold purchases during September when gold prices broke out of their four-month consolidation phase. The uptick in September purchases suggests that these entities remained interested in buying gold and were looking to get in before further price gains.

A total of 13 central banks reported purchases during September, three of which were first time buyers in 2025 in recent times. These three were the central banks of Brazil, Guatemala, and El Salvador, which added 498,000 ounces, 197,000 ounces, and 14,000 ounces, respectively. In addition to these central banks, others also stepped in as buyers during September. The total reported purchases by central banks in September stood at 2.133 million ounces, or around 26% of gross purchases by central banks during the first three quarters of this year.

Please see Chart 2.

Chart 2: **Monthly Changes to Central Bank Gold Holdings**
Excl. IMF Transactions Through Sept. 2025



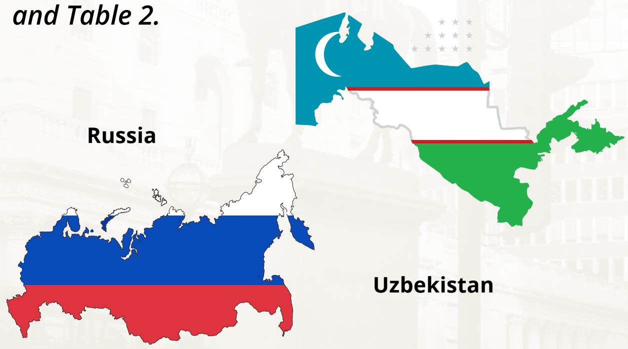
MARKETS IN SUMMARY

GOLD

Purchases may have slowed in October as gold prices rose to unprecedented levels and at a very rapid pace. That said, the recent relative weakness in prices is likely to result in increased central bank buying activity during November. November data will not be available until early next year, however.

Central banks that were sellers of gold during September collectively reduced their holdings by 719,000 ounces during the month. The central banks of Russia and Uzbekistan were the only two that were net sellers during September, reducing their holdings by 579,000 ounces and 140,000 ounces during the month.

Please see Table 1 and Table 2.



Changes in Central Bank Gold Reserves in 2025 — **Table 1**

Million Troy Ounces

	Year-End End 2024	YTD 2025	Net Change 2024-2024	Month of Reporting to IFS
Countries Increasing Reserves				
Poland	14.41	16.57	2.158	Sept.
Kazakhstan	9.13	10.17	1.042	Sept.
Ghana	0.98	2.16	1.177	Sept.
China	73.28	74.06	0.780	Sept.
Czech Republic	1.65	2.15	0.504	Sept.
Brazil	4.17	4.67	0.498	Sept.
Iraq	5.23	5.49	0.264	Sept.
Cambodia	1.49	1.75	0.256	Sept.
Turkey	20.91	21.15	0.238	Sept.
Australia	2.28	2.50	0.224	Sept.
Guatemala	0.22	0.42	0.197	Sept.
Qatar	3.56	3.73	0.166	Sept.
India	28.17	28.30	0.129	Sept.
Serbia	1.55	1.66	0.114	Sept.
Bulgari	1.31	1.38	0.066	Sept.
Egypt	4.08	4.13	0.055	Sept.
Indonesia	2.53	2.58	0.054	Sept.
Jordan	2.30	2.35	0.052	Sept.
Slovenia	0.10	0.13	0.027	Sept.
Zimbabwe	0.09	0.11	0.026	Sept.
Philippines	4.20	4.22	0.022	Sept.
UAE	2.39	2.41	0.016	Sept.
El Salvador	0.04	0.06	0.014	Sept.
Malta	0.01	0.01	0.005	Sept.
Subtotal Gross Increases			**8.337**	
	Year-End End 2024	YTD 2025	Net Change 2024-2025	Month of Reporting to IFS
Countries Decreasing Reserves				
Russia	75.01	73.78	-1.234	Sept.
Uzbekistan	12.30	11.62	-0.680	Sept.
Singapore	7.07	6.56	-0.509	Sept.
Kyrgyz Republic	1.23	1.16	-0.062	Sept.
Germany	107.76	107.71	-0.041	Sept.
Mexico	3.87	3.86	-0.005	Sept.
Mongolia	0.24	0.25	-0.009	Sept.
Subtotal Gross Decreases			**-2.522**	
Subtotal Net Changes			**5.815**	

TABLE 2 — **GOLD STATISTICAL POSITION TABLE**

	2017	2018	2019	2020	2021	2022	2023	2024	2025p	2026p
Total Supply	132.0	131.0	128.1	125.4	126.5	127.2	129.7	130.5	133.1	134.4
% Change Year Ago	1.6%	-0.08%	-2.2%	-2.1%	0.8%	0.6%	1.9%	0.6%	2.0%	1.0%
Total Fabrication Demand	97.0	98.1	93.9	77.3	91.0	90.4	93.5	85.5	84.5	83.1
Change Year Ago	3.7%	1.1%	-4.2%	-17.7%	17.8%	-0.8%	3.5%	-8.6%	-1.2%	-1.7%
Total Official Transactions	10.8	16.9	17.3	8.2	10.0	11.0	14.6	8.8	7.5	8.0
% Change Year Ago	36.3%	55.9%	2.6%	-52.7%	22.9%	9.4%	32.8%	-39.9%	14.5%	6.7%
Total Net Private Investment	24.2	16.1	16.9	39.9	25.4	25.9	21.6	36.2	41.1	43.3
% Change Year Ago	-14.9%	-33.4%	4.8%	136.7%	-36.5%	2.0%	-16.8%	68.1%	13.5%	5.3%
Total Stock Demand	35.0	33.0	34.2	48.1	35.4	36.9	36.2	45.0	48.6	51.3
% Change Year Ago	-3.7%	-5.8%	3.7%	40.8%	-26.4%	4.1%	-2.0%	24.4%	8.0%	5.5%

*p indicates projected figures.

MARKETS IN SUMMARY

SILVER

Silver prices finally set a fresh record in October when they touched an intraday high of $49.965 on 9 October. The previous intraday high was $49.82 reached on 25 April 2011. Prices continued to rise during October 2025, reaching an intraday high of $53.765 on 17 October. The highest settlement price for silver, however, was reached on 16 October when prices settled at $53.295. As with gold, silver prices have also declined following their recent record highs. That said, prices have stabilized around $47.25, still very high levels from an historical perspective.

Silver prices are more volatile than gold and large price swings could be experienced in the coming weeks even as prices may move in a sideways fashion. While prices are largely expected to move between $46.25 and $48.75 in the short term, a break to the downside toward $42 or to the upside toward $50.50 should not be ruled out.

Please see Chart 3.

CHART 3 **Three-Month Silver Price Projections**

Silver's ability to remain in the $46 to $49 range in the near term is crucial in building investor confidence. One of the biggest challenges that silver faced over the past several years was investors feeling disappointed by silver's relative lackluster performance, especially compared to gold. If silver is able to consolidate at these elevated levels, it should form the basis from which prices rise higher. This is CPM Group's base case scenario.

The factors that have driven silver prices to present levels are still valid risks in the market. Deteriorating global relations, especially between the United States and various large economies around the world coupled with various political and economic problems both in the United States and other countries around the world should help to keep investors interested in adding silver as a portfolio diversifier.

Please see Table 3.

TABLE 3 **SILVER STATISTICAL POSITION TABLE**

	2017	2018	2019	2020	2021	2022	2023	2024	2025p	2026p
Total Supply	1,020.1	1,034.6	1,010.5	985.7	1,032.0	1,039.4	1,026.7	1,056.8	1,093.6	1,135.8
% Change Year Ago	-5.4%	1.4%	-2.3%	-2.5%	4.7%	0.7%	-1.2%	2.9%	3.5%	3.9%
Total Fabrication Demand	927.0	935.6	918.9	865.1	891.5	954.7	984.5	986.6	959.3	927.8
% Change Year Ago	3.5%	0.9%	-1.8%	-5.9%	3.1%	7.1%	3.1%	.2%	-2.8%	-3.3%
Net Surplus or Deficit	93.1	98.9	91.6	120.7	140.4	84.7	42.2	70.2	134.3	207.9

*p indicates projected figures.

PLATINUM

After rising along with gold earlier, platinum prices were dragged lower alongside gold during the second half of October. Despite the pullback, platinum still is trading at its highest levels since 2013. This highlights the generally favorable investor sentiment toward the entire precious metals complex at this time.

Much of the gains in platinum prices can be attributed to investor demand. A combination of strong gold prices, the start of a seasonally strong period, and concerns over the supply side of the market are all factors that are expected to remain supportive of platinum in the near future. Platinum is expected to move in a sideways fashion, with support at $1,480 and resistance at $1,610.

Please see Chart 4.

CHART 4 **Three-Month Platinum Price Projections**

While platinum's supply side fundamentals are supportive of the metal's price, fabrication demand is not particularly compelling. While auto sector demand has been holding up, there are risks to lower demand in coming quarters as a result of the potential for slower economic growth. This makes platinum prices particularly sensitive to gold price action. As stated above, the price of gold is expected to move sideways in the near future, with the potential for prices to rise in the medium to long term. While platinum prices are expected to act similarly to gold in the near term, unless there is a fundamental improvement in platinum fabrication demand or a meaningful supply shock, platinum may struggle to rise in a similar fashion to gold in the medium to long term. Platinum prices instead may move sideways at relatively elevated levels in the near future.

Please see Table 4.

TABLE 4 **PLATINUM STATISTICAL POSITION TABLE**

	2017	2018	2019	2020	2021	2022	2023	2024	2025p	2026p
Total Supply	7,260	7,335	7,348	6,451	6,992	6,660	6,796	6,653	6,612	6,761
% Change Year Ago	0.6%	1.0%	0.2%	-12.2%	8.4%	-4.8%	2.0%	-2.1%	-0.6%	2.3%
Total Fabrication Demand	7,095	7,180	7,061	6,216	6,541	6,233	6,577	6,558	6,543	6,560
% Change Year Ago	0.6%	1.2%	-1.7%	-12.0%	5.2%	-4.7%	5.5%	-0.3%	-0.2%	0.3%
Net Surplus or Deficit	166	155	287	235	452	427	219	96	69	200

*p indicates projected figures.

PALLADIUM

Palladium prices have seen the tamest gains among precious metals. As with the other metals in the group, palladium prices rose during the first half of October and declined during the second. Prices have been consolidating, with support around the $1,400 level. All the precious metals are expected to move in a sideways volatile fashion over the next few months. Palladium is the most volatile of the exchange traded precious metals. This could mean that prices will see some large swings in the coming weeks. On the downside, palladium prices could slip as low as $1,275, meanwhile, on the upside a run to $1,750 cannot be ruled out.

Please see Chart 5.

CHART 5 **Three-Month Palladium Price Projections**

Like platinum, palladium is supported by supply concerns, while the fabrication demand side of the equation is not particularly strong.

The U.S. has initiated an anti-dumping investigation on Russia's palladium supply. While the final decision on this matter is not due until August 2026, it should provide some support for palladium prices.

On the demand side, passenger vehicle sales in major markets have been holding up so far this year. During the first three quarters of 2025, passenger vehicle sales in the United States, Europe, Japan, and China were up 4.3%, 1.5%, 5.3%, and 9.2% respectively over the corresponding period in 2024.

MARKETS IN SUMMARY

PALLADIUM

The U.S. passenger vehicle market is particularly supportive of palladium fabrication demand because of its low electric vehicle market penetration, and U.S. consumers' preference for larger vehicles that require more PGMs.

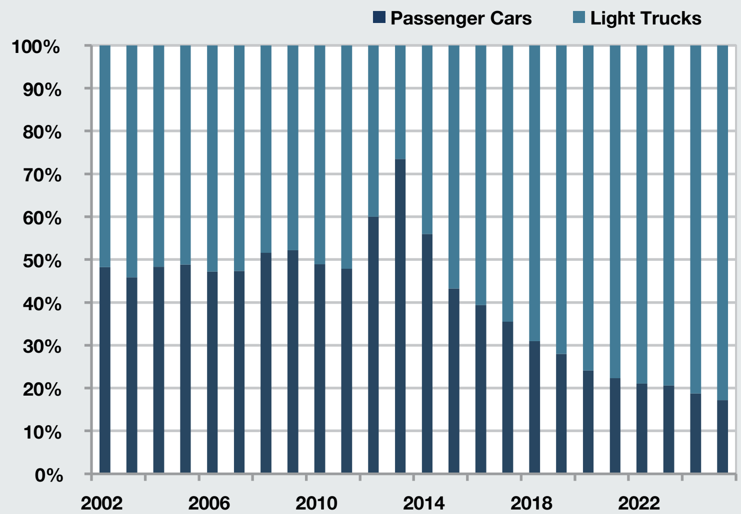
Light duty trucks accounted for a fresh record

82.8%

of the U.S. passenger vehicle market.

Please see Chart 6.

CHART 6 **Ratio Of U.S. Cars And Light Truck Sales**



China's passenger vehicle market is the largest in the world by a large margin, and is less supportive of palladium fabrication demand. In part because of its focus on smaller vehicles and significant electric vehicle market share. Battery electric vehicles (BEVs), which do not require an auto catalyst, accounted for around 52% of the Chinese passenger vehicle market during the first nine months of this year. Demand for these vehicles is likely to rise during the last quarter of 2025, as the Chinese government plans to tighten the requirements for subsidies on these vehicles starting 2026.

In Europe too, there has been healthy growth in demand for BEVs. Sales of these vehicles rose by 25.4% during the first three quarters of this year and these vehicles accounted for around 18% of European market share during the first nine months of 2025, compared to a market share of 14.7% during the same period in 2024.

Please see Table 5.

TABLE 5 **PALLADIUM STATISTICAL POSITION TABLE**

	2017	2018	2019	2020	2021	2022	2023	2024	2025p	2026p
Total Supply	9,492	9,608	9,872	9,090	9,530	9,098	9,268	9,232	9,147	9,213
% Change Year Ago	2.0%	1.2%	2.7%	-7.9%	4.8%	-4.5%	1.9%	-0.4%	-0.9%	0.7%
Total Fabrication Demand	9,761	9,960	9,902	8,588	9,031	8,797	9,227	9,195	9,076	9,382
% Change Year Ago	4.1%	2.0%	-0.6%	-13.3%	5.2%	-2.6%	4.9%	-0.4%	-1.3%	3.4%
Net Surplus or Deficit	-269	-352	-30	502	499	301	41	37	70	-169

*p indicates projected figures.

CPM Group LLC

CPM Group is a fundamentally based commodities research shop. We develop our own proprietary estimates of gold, silver, platinum, and palladium supply and demand on a global basis, drawing on every resource we can find, including our own extensive list of contacts involved in precious metals around the world. We have been doing this sort of research and analysis since the 1970s, far longer than anyone else in the business. We also undertake research in specialty metals, base metals, energy and agricultural commodities. We are known for our basic fundamental research, a wide range of financially oriented consulting services, and our expertise in using financial derivatives to structure financing for producers, refiners, industrial users, and investors interested in either hedging or investing in commodities.

Our investment philosophy is simple: We are value investors who base our decisions on what to buy, sell, hold, or avoid on the fundamentals of each asset, and the macro-economic, financial and political environmental factors that we expect will affect that asset's value. We have concerns, expressed in this report and elsewhere, about long-term imbalances in government deficit spending, public and private debt, and a wide range of other economic and political factors. We don't expect the world's financial system to collapse, however. That is not the way the world tends to work. More likely economic outcomes in the real world lie between the extremes of cataclysmic collapses and nirvana. We advise our clients – and practice what we preach – to have some of their wealth in gold and silver as an insurance policy against a catastrophic failure, but we also advise them to invest other portions of their money in precious metals and other assets based on the assumption that that sort of failure does not occur. We focus on investing based on likely scenarios, but with an eye always open to outlying events that take the world's markets by surprise. We have watched investors who were so worried about a collapse that they missed some of the largest stock and bond market rallies of all times over the past 30 years, while watching their safe haven assets fluctuate eight-fold in value up and down, and then up and down again. We prefer our clients to buy and sell precious metals and other assets based on cyclical and other developments, while also maintaining that long-term insurance policy in case the levee breaks.

For more information on precious metals investing and on specific gold, silver, platinum, and palladium investment products, please contact:

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