PERSPECTIVES Viewpoint Commodities

Gold & silver in demand, oil price range seems limited

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Key takeaways

- Gold performed well in 2024, outperforming most asset classes and it continued its record hunt in 2025. Diversification likely to continue driving demand from central banks, private investors and institutional investors.
- Silver posted a gain of around 21% in 2024. It made a strong start into 2025, trading 10% higher than at the beginning of January.
- Oil markets are expected to be in surplus in 2025 and to keep prices range bound. Strong non-OPEC supply means OPEC+ will provide crucial support for prices. Russia sanctions' impact expected to be minimal.

Golden times – how long will they last?

Gold performed exceptionally well in 2024, outperforming most major asset classes and proving to be a strong portfolio diversifier. Over the course of the year the gold price set around 40 new all-time highs. It rose around 26% in 2024, due to its role as an effective hedge against the heightened (geo-) political uncertainty and market volatility.

A re-pricing of interest rate expectations was the key challenge to gold prices in late 2024, and this continued into early 2025 following the strong U.S. labour market data in December and January. Despite notable gains for the USD and government bond yields, gold prices have been arguably resilient. This in turn reflects rising economic and geopolitical uncertainties in the wake of U.S. President Trump's expected and planned economic and trade policies. In addition, sharp gains in equity valuations have encouraged some institutional investors to turn to gold to diversify their portfolios.

Investors' confidence in gold was also reflected in limited profit-taking in the futures and ETCs in December. More importantly, the desire to short gold remained muted, with gross shorts on the CME for instance falling to their lowest since June 2024.

Furthermore, price support from the official sector remained solid. Central bank buying exceeded 1,000 tonnes (t) for the third year in a row, accelerating sharply in Q4 to 333t. After a six-month hiatus, the People's Bank of China announced a 5t and 10t rise in gold holdings in November and December respectively.

Some analysts suspect that it may have acquired even more gold through OTC transactions. Elsewhere, regular buyers such as Poland, India and Turkey continued adding gold in late 2024. Countries such as Kazakhstan and Uzbekistan, which had been actively trading gold on both sides, also bought small volumes. Recently, central banks seem to have taken advantage of temporary pullbacks in the gold price as entry points, while sales remained limited and mostly tactical as the price rose.

As we look forward, all eyes are focused on what Trump's second term may mean for the global economy and the financial markets. Trump's presidency may provide a boost to the domestic economy but could equally elicit a fair degree of nervousness among investors around the world (the first trading days in February already demonstrated this starkly). In January, investors benefitted from an early wave of risk-on flows, but potential trade conflicts and inflationary forces could easily spill over into subpar economic growth.

The market consensus on key macro variables such as GDP, yields and inflation – if taken at face value – suggests positive but much more modest growth for gold in 2025. Upside could come from stronger-than-expected central bank demand, "safe haven" demand, or from a rapid deterioration of financial conditions leading to flight-to-quality flows.

Conversely, a reversal in monetary policy, leading to higher interest rates, would likely bring challenges – especially looking at the Fed. In addition, China's contribution to the gold market will be key: consumers have been on the sidelines while investors have provided massive support. But these dynamics depend on the effects of trade, tariffs, stimulus and perceptions of risk. India is also likely to remain the usual source of strong gold demand in 2025.

At the moment, the market consensus is that the Fed will cut interest rates no more than twice in 2025, each by 25 basis points. Gold prices have handled the pricing-out of further possible interest rate cuts in recent weeks remarkably well. However, European central banks will continue cutting rates by a larger amount. The USD should be trading at EUR/USD 1.02 by the end of the year, not significantly stronger than it is now.

The actions of the Fed and the direction of the USD will continue to be pretty important drivers for gold. But just as the past few years have shown, these two are not the only factors that determine gold's performance.

Its final price performance might depend on the interaction of the following four key drivers.

1) U.S. fiscal and trading policy

A more business-friendly fiscal policy combined with an America-first agenda is likely to improve sentiment among domestic investors and consumers. This will likely favour risk-on trades in the first few months of the year. The question, however, is whether these policies will also result in inflationary pressures and disruptions to supply chains. In addition, concerns about (U.S. or European) sovereign debt are mounting once again, not to mention the continued geopolitical instability. In all, this could prompt investors to look for hedges, such as gold, to counter risk.

2) The Fed

Monetary policy is limited in scope and its effects take time to become apparent, complicating the decisions made by central bankers about whether to continue, pause or reverse the course of a given policy. The Fed has so far managed to cool inflation without taking the wind out of the sails of the economy.

However, there are some risks remaining that inflation could rebound in 2025. Historically, gold has risen by an average of 6% in the first six months of a rate cut cycle. Its subsequent performance has been influenced by the length and depth of that cycle. Overall, a more dovish Fed should be beneficial for gold, but a prolonged pause or policy reversal would likely put further pressure on investment demand. However, as the past two years have shown, there are at least currently more important factors influencing the price of gold than the Fed's monetary policy.

3) Can Asian demand continue?

China and India are gold's largest markets. More generally, Asia accounts for more than 60% of annual physical demand (excluding central banks). Its contribution to performance cannot be overstated.

Last year, Chinese and Asian investors added to gold's performance, particularly during the first half, and Indian demand benefitted from the reduction in import duty in the second half. Government bond yields in China recently fell to a record low, the real estate market continues to weaken and the stock markets in the Middle Kingdom also struggled until late summer 2024. This resulted in annual gold investment growing 25% last year – the strongest annual growth rate since 2020. Investment demand in China rose 2024 by 20%, in India by 29%.

Chinese consumer demand will likely depend on the vitality of economic growth – whether generated organically or via government stimuli. And while the same factors that influenced investment demand in 2024 are still present, gold may probably face competition from stocks and real estate.

India appears to be on a better footing. Economic growth remains solid, and any tariff increase will affect it less than other U.S. trading partners given a much smaller trade deficit. This, in turn, could support gold consumer demand. At the same time, gold financial investment products have seen remarkable growth.

4) Central banks as buyers

Central banks have been net buyers since 2009. Their buying exceeded 1,000t for the third year in a row, accelerating sharply in Q4 to 333t. Central bank buying is policy driven and thus difficult to forecast, but most analysts suggest that the current trend will remain in place. The World Gold Council expects central bank buying to exceed 1,000t again in 2025. Demand of more than 500t (the approximate long-term trend) should still have a net positive effect on performance. Central bank demand in 2025 will surpass that.

The importance of gold in foreign reserves is well recognised: the role it plays as a long-term store of value, as a diversifier, its performance in times of crisis, and the fact that it does not carry credit risk. In an environment of ever-increasing sovereign debt and geopolitical uncertainty, gold's role is well cemented – not only for central banks.

Let us briefly summarise at this point what constitutes the role of gold as a strategic asset:

- **Delivering long-term returns**

Investors have long considered gold a beneficial asset during periods of uncertainty. Yet, historically, it has generated long-term positive returns in both good and bad economic times.

Gold is, on the one hand, often used as an investment to protect and enhance wealth over the long term, but on the other hand it is also a consumer good, via jewellery and technology demand.

During periods of economic uncertainty, it is the counter-cyclical investment demand that drives the gold price up – the "safe-haven" effect. During periods of economic expansion, the pro-cyclical consumer demand supports its performance.

To put this into numbers: the gold price in USD has increased by 8% per year since 1971.

- **Improving diversification**

Gold is exceptional in that its negative correlation to equities and other risk assets increases as these assets sell off. For example, during the Financial Crisis equities and other risk assets tumbled in value, as did real estate and most commodities. Gold, by contrast, held its own and increased in price, rising 21% in USD from December 2007 to February 2009. And in the most recent sharp equity market pullbacks of 2020 and 2022, gold's performance remained positive.

With few exceptions, gold has been particularly effective during times of systemic risk, delivering positive returns and reducing overall portfolio losses. But gold can also deliver positive correlation with equities and other risk assets in positive markets.

This benefit arises from gold's dual nature: as both an investment and a consumer good. As such, the long-term performance of gold is supported by income growth. When equities rally strongly their correlation to gold can increase (which may seem counterintuitive). This is driven by a wealth effect supporting gold consumer demand, as well as demand from investors seeking protection against higher inflation expectations.

- **Providing liquidity**

The gold market is also more liquid than several major financial markets, while trading volumes are similar to those of U.S. T-Bills. Gold's trading volumes averaged approximately USD163bn per day in 2023 (OTC spot and derivatives contracts accounted for USD99bn and gold futures traded USD62bn per day across various global exchanges). Physically backed gold ETFs offer an added source of liquidity, with global gold ETF trading volume averaging USD2bn per day.

Importantly, gold allows investors to meet liabilities when less liquid assets in their portfolio are difficult to sell or are mispriced.

Looking ahead, we remain moderately bullish on gold prices, thanks to healthy official sector buying and significant economic and geopolitical uncertainties. On the upside, an escalation in geopolitical conflicts and a rapid deterioration in global economic conditions could encourage larger safe haven flows into gold. On the downside, a robust U.S. economy along with more hawkish guidance from the Fed could result in sustained downward pressure on gold.

To sum up:

In 2025 central banks and ETF investors will be likely to drive demand with economic uncertainty supporting gold's role as a risk hedge, but on the flipside, keeping pressure on jewellery. Thus, gold may deliver a material enhancement to portfolio risk-adjusted returns.

Outlook for silver

Despite experiencing a type of "year-end blues", silver still posted a robust gain of around 21% in 2024. At the beginning of 2025, silver has regained some lost ground, with the price now trading around USD30/ounce, a good 11% above the level at the beginning of the year. As silver is often seen as an industrial commodity, it suffered more than gold at the end of 2024 from growing concerns about the threat of U.S. tariffs under the new Trump administration. Since the beginning of the year, however, it has performed quite robustly, with the jump above the USD32/ounce mark only occurring after the postponement of U.S. tariffs against Mexico (a major silver producer) and Canada.

What is the outlook for silver for the rest of the year?

The silver market is forecast to record another significant deficit (total supply minus demand) for the fifth consecutive year in 2025. Like in previous years, industrial demand for silver will remain the key driver of this favourable supply/demand backdrop, with volumes projected to hit a new record high this year.

Concerns about President Donald Trump's anticipated tariff policies have fuelled short covering and (similar to other precious metals) deliveries of silver into CME warehouses since late 2024. This, coupled with rising economic and geopolitical uncertainties, has underpinned a healthy recovery in silver prices since the start of 2025.

Silver demand

Global silver demand is expected to remain broadly stable in 2025 at 1.20 bn ounces, as gains in industrial applications and retail investment will be mitigated by weaker jewellery and silverware demand.

Silver industrial fabrication is forecast by the Silver Institute to grow by 3% this year, with volumes on track to surpass 700 mn ounces for the first time. Like in recent years, silver should benefit from ongoing structural gains in green economy applications. Global photovoltaics installations are expected to achieve another all-time high in 2025. Elsewhere, gains are also expected in the consumer electronics market, as the development of artificial intelligence systems will continue to boost product offerings.

Silver physical investment is also forecast to rise by 3%, thanks to improving demand in Europe and North America. A slight decline in India, where high local silver prices could encourage liquidations, might offset some of these gains.

The demand for jewellery is expected to decline by 6%. India should account for the bulk of this contraction, with high local prices the key driver behind a double-digit decline in 2025. Chinese demand is also expected to weaken, due to cautious spending by consumers on non-essential items. By contrast, Western jewellery sales will probably remain resilient.

Silver supply

The Silver Institute forecasts total global silver supply to grow by 3% in 2025 to an 11-year high of 1.05 bn ounces. Silver mine production is expected to reach a seven-year high in 2025, rising by 2% to 844 mn ounces. Increased output is anticipated from both existing and new operations in several markets. Silver recycling is projected to increase by 5%.

Putting these numbers together, the silver market is forecast to remain in a deficit in 2025 for the fifth year running. Although this year's deficit is expected to fall by 19% to 149 mn ounces, it is still sizeable historically.

Silver investment

Despite headwinds from a firmer USD and Treasury yields, investor sentiment has improved towards silver during early 2025. This largely reflects several macroeconomic and geopolitical risks, which have continued to underpin inflows into "safe-haven" assets, such as silver and gold. The recovery has been assisted by short covering by tactical investors in the futures market and a subsequent spike in futures and spot silver prices.

Looking ahead, uncertainty over U.S. trade and foreign policy, record-high U.S. equities, and worries about U.S. public debt levels should all reinforce interest in portfolio diversification, which in turn will benefit silver and gold investment. Moreover, even if the pace of U.S. policy rate cut slows in 2025, the consensus is still that they are coming. However, potential additional tariff hikes under the Trump administration and their impact on global economic growth, particularly in China, will likely restrain investor enthusiasm across the broader industrial metals complex. This could remain the key drag on silver investment in the coming months, even though silver's actual industrial demand is expected to remain robust. On the whole, it seems unlikely that silver prices will decouple significantly from the development of gold prices.

Oil – Range bound!

Oil prices posted an annual decline for the second year in a row, falling around 3% in 2024 after declining more than 10% in 2023. Demand concerns especially from China, the world's second largest oil consumer, along with strong supply growth from the non-OPEC+ nations kept a lid on oil prices. Geopolitical concerns remained elevated, but the lack of any physical disruption prompted the market to price out the premium to a large extent.

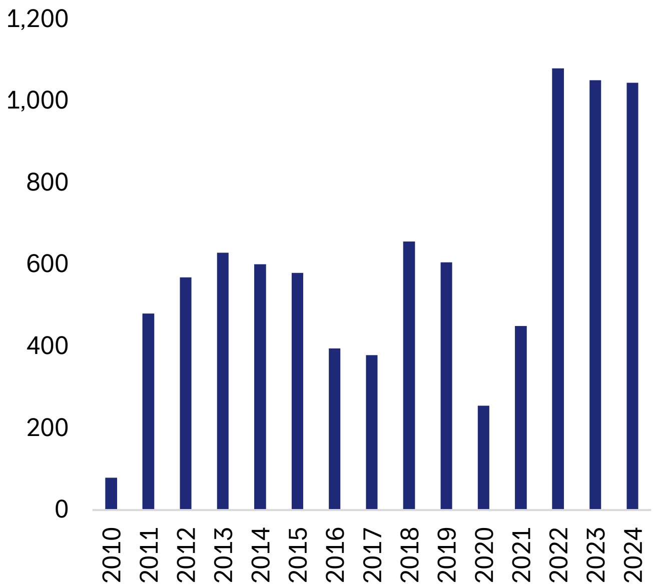
As things stand, the current year is unlikely to bring a significant change of fortunes to the supply and demand balance. While the International Energy Agency (IEA) has been upgrading its demand projections for 2025 over the past couple of months, the magnitude of change is not strong enough to push market into a supply deficit. The recent cold weather in the northern hemisphere may put oil watchers on alert for a boost to oil demand in the short term, but in the medium-term oil consumption will remain at the mercy of underwhelming numbers from China where rising electric vehicles are eating into gasoline demand on top of the economic slowdown. Apparent oil demand in the Middle Kingdom has seen four consecutive months of decline on a MoM basis during the Sept-Dec period. On a YoY basis, growth in apparent oil demand has been in negative territory since April of last year. China's refinery throughput fell 1.6% YoY, the first such decline in more than 20 years. China accounted for almost 70% of the global oil demand growth in 2023, whereas this year it is expected to account for only 20%. Consequently, other Asian economies such as India will now be ever more important for oil demand growth.

The non-OPEC+ supply, spearheaded by the U.S., with Canada, Brazil, Argentina, and Guyana as the other main contributors, are expected to have another strong year. The IEA is pegging the expected output from this group at 54.6 mn barrels per day for 2025, an increase of 1.5 mn barrels per day over the previous year. In contrast, demand growth is forecast at only 1.05 mn barrels per day. The overall market is expected to remain in surplus of around 0.7 mn barrels per day. The OPEC+, for its part, is showing flexibility with its proposed supply increase. It had guided for a gradual tapering of around 2.2 mn barrels per day of production cuts starting in October 2024. But so far it has already postponed this three times and moved the first supply increase to April. Without this support oil prices are likely to be much worse off than they are currently. We continue to expect some flexibility from the group going forward in the face of sustained price pressures, which should be enough to see off a significant downside on prices rather than inducing a rise.

Strong sanctions announced against Russia in the final weeks of the Biden administration go further than anything we have seen so far. They covered producers, service providers, insurance companies and 157 tankers. The sanctioned vessels are estimated to have carried around 1.7 mn barrels per day of oil and oil products. In our view, these sanctions are unlikely to significantly derail Russian output from flowing into the market. Russia has been able to continually export its output thanks to the steep discounts which incentivise buying activity and the significant shadow fleet that it has built up. In addition, any reduction in Russian output can simply be covered by the remaining members from OPEC+, either willingly or under significant pressure from President Trump.

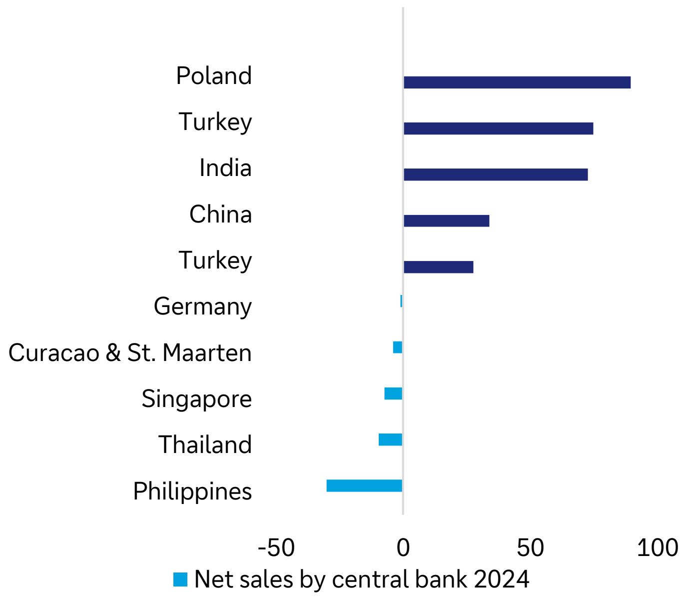
Under the new U.S. administration there is a possibility of more stringent sanctions on Iran which may reduce its supply. By contrast, tariffs and trade tension can potentially weaken demand. At this point in time, however, these risks seem to be balanced. As for the focus on increased drilling under President Trump, we think this is unlikely to have a significant bearing in the short to medium term and is more of a topic for the longer term.

Figure 1: Demand from Central Banks & other institutions (in t)



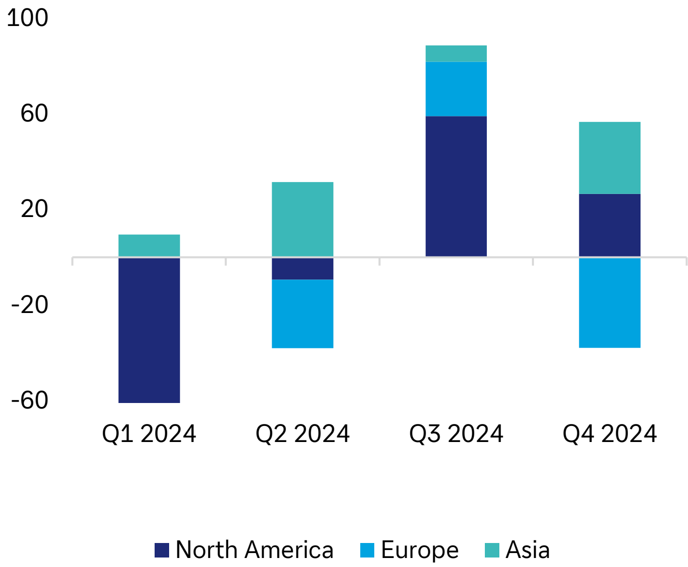
Source: World Gold Council, Deutsche Bank AG, Data as of January 2025.

Figure 2: Central bank gold demand in 2024 (in t)



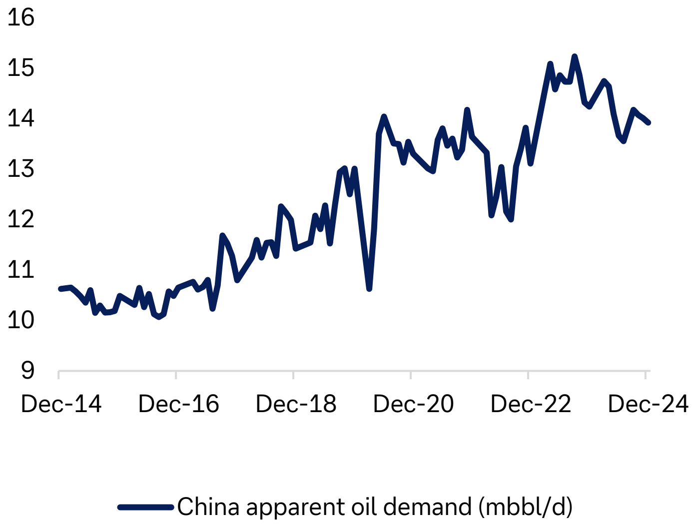
Source: World Gold Council, Deutsche Bank AG, Data as of January 2025.

Figure 3: ETF Demand – Flow of Gold (in t)



Source: World Gold Council, Deutsche Bank AG, Data as of January 2025

Figure 4: China apparent oil demand



Source: Deutsche Bank AG, LSEG Datastream, Data as of January 2025.

Glossary

A **central bank** is a national or supranational authority or institution, usually established by the state or a group of states, and endowed with sovereign powers in the field of monetary and exchange rate policy.

The **Chicago Mercantile Exchange (CME)**, also called Chicago Merc, is the world's largest futures exchange in terms of open interest. The CME primarily trades futures and options on a wide range of stocks, currencies, commodities and interest rates.

Derivative means "derived". Derivatives are contracts that refer to an underlying asset and are derived from it.

The **European Central Bank (ECB)** is the central bank for the Eurozone.

The **Euro (EUR)** is the sole legal tender in the EU member states that have adopted it.

The **Eurozone** is formed of 20 European Union member states that have adopted the euro as their common currency and sole legal tender.

Exchange Traded Commodities (ETCs) are commodities traded on the stock exchange. Unlike ETFs, they allow you to invest in individual commodities.

Exchange Traded Funds (ETFs) are investment funds traded on stock exchanges.

The **Federal Reserve (Fed)** is the central bank of the United States. Its Federal Open Market Committee (FOMC) meets to determine interest rate policy.

Futures are financial contracts regarding the buying or selling of an asset at a future time and price.

Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

Month over month **(MoM)**

The **Organization of the Petroleum Exporting Countries (OPEC)** is an international organization with the mandate to "coordinate and unify the petroleum policies" of its 12 members. The so-called "**OPEC+**" brings in Russia and other producers.

An ounce (oz) is a non-metric unit of mass. The **ounce** was or is equal to approximately 27 to 31 grams.

Over-the-counter or **OTC** trading refers to trades that are not carried out on a traditional stock exchange, i.e. over the counter.

The **Silver Institute** is a nonprofit international association that draws its membership from across the breadth of the silver industry.

Short selling is a trading strategy in which investors bet on falling prices. A borrowed security is sold immediately with the intention of buying it back at a later date at a cheaper price. The price difference corresponds to the profit.

Sovereign debt is the total debt of a country, i.e. the state's liabilities to third parties.

Spot transactions are standardized financial instruments involving specific underlying assets that must be fulfilled by both contracting parties through payment and delivery no later than two trading days after the conclusion of the transaction.

Treasury Bills (T-Bills) are debt securities issued by the U.S. Treasury with maturities of up to one year.

Treasuries are bonds issued by the U.S. government.

U.S. is the United States.

USD is the currency code for the U.S. Dollar.

Volatility is the degree of variation of a trading price series over time.

The **World Gold Council** is a global lobby organization for the gold mining industry.

Year-to-date (YTD).

Appendix

Historical performance

Performance	6.2.2020 – 6.2.2021	6.2.2021 – 6.2.2022	6.2.2022 – 6.2.2023	6.2.2023 – 6.2.2024	6.2.2024 – 6.2.2025
S&P 500	18.3%	17.4%	-7.1%	22.5%	24.5%
Eurostoxx 50	-1.4%	14.5%	6.4%	15.3%	17.9%
DAX	3.5%	7.4%	1.6%	11.0%	28.6%
10-Year U.S. Treasury	7.2%	-3.8%	-11.7%	-0.2%	1.3%
10-Year German Bund	0.9%	-5.4%	-15.5%	2.6%	2.0%
Brent	8.0%	57.2%	-13.2%	-3.0%	-5.5%
WTI	11.6%	62.4%	-19.7%	-1.1%	-3.7%
Gold	15.6%	-0.2%	3.5%	9.1%	40.1%
Silver	51.1%	-16.6%	-1.1%	0.9%	43.2%

Source: Deutsche Bank AG, Bloomberg Finance L.P., LSEG Datastream; Data as of February 06, 2025.

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