

FEBRUARY 2026

Have gold and silver lost their lustre?



Frederik Fischer
Senior Portfolio
Manager

Gold and silver prices have sharply corrected after a record-breaking rally, driven by reduced liquidity, higher volatility and higher margin requirements. But we think their fundamental medium term drivers – including central bank demand, fiscal concerns, industrial use, and diversification benefits – remain intact.

Key takeaways

- In our view, the steep drop in gold and silver is a corrective pullback from an overbought rally rather than a signal of deteriorating fundamentals.
- We think gold and silver can continue to bring positive qualities to a portfolio, including their value as “real assets” and diversification benefits.
- Mining equities remain our preferred way to gain exposure, offering attractive valuations and strong operating leverage to underlying metal prices.

HAVE GOLD AND SILVER LOST THEIR LUSTRE?

Gold and silver prices have fallen steeply in recent days, unwinding a record-breaking rally propelled by a confluence of geopolitical, economic and industrial factors.

Movements like this are tough to time and may feel disorientating for some investors who have come to view precious metals, particularly gold, as safe havens during unpredictable market conditions.

But we think the reversal may be a healthy correction after a massive run-up in prices and will likely pose only limited spillover effects on other asset classes. In our view, the positive qualities of gold and silver remain intact, **including their value as “real assets” and the diversification benefits they can bring to a portfolio.** Despite the possibility of further volatility, we believe fundamental, medium term drivers of precious metals will continue to support their outlook.

What caused the recent dip?

We think the falls (as much as -21% in gold and -41% in silver during trading from 29 January and 2 February peak to trough) were partly triggered by a drying up in liquidity as volatility increased. However, to put this correction into context: gold and silver only adjusted to mid-January levels.

The other possible trigger may have been US President Donald Trump’s nomination of Kevin Warsh as the next Chair of the US Federal Reserve. Mr Warsh is widely viewed as an orthodox choice, easing concerns that he would oversee a succession of interest rate cuts that could fan inflation. Gold tends to perform well in inflationary conditions.

Although it is hard to say the extent to which Mr Warsh’s announcement played a role in gold’s recent fall, investors tend to close hedges (like gold) on the day of such announcements.

In response to the elevated volatility, CME Group, the world’s largest operator of derivatives exchanges, increased margin requirements, making holding speculative positions less attractive and raising the prospect of sales by investors without extra liquidity to support their positions.

Gold and silver’s bright future?

Gold and silver’s ascent prior to recent days had been heady. Gold’s rise of more than 70% over the past year had been defined by structural shifts we identified at the start of 2025: central bank demand, fiscal concerns, and de-dollarisation. But more traditional drivers – including a softening US dollar, a decline in real yields, and retail investor buying – further fuelled the rally. We think these shifts will continue to underpin future market dynamics.

Silver’s rise had been even more spectacular, up more than 60% during January 2026 alone. Tailwinds included structural supply shifts, significant industrial demand and the same geopolitical tensions that have supported gold.

But precious metals – along with many commodities – were “overbought” during the rally. In our view, their price reversal is a mean reversion that may create opportunities for long-term investors.

We think investors may need to get used to further volatility because of the market structure (especially for gold). While central banks have been ramping up their reserves, operating a buy-and-hold strategy, investor demand – one of the key drivers of prices – has only picked up since 2025. Given that investors are more dynamic in their asset allocation decisions than central banks, increased market fluctuations are to be expected.

Miners: our current gold and silver preference

For investors seeking exposure to precious metals, mining equities, in particular, offer greater leverage to metal prices and, in our view, valuations remain attractive relative to their historical averages (see box-out, overleaf). Healthier cash flows have also allowed producers to increase shareholder returns through buybacks and dividends. After shifting our weighting into miners in the second half of 2025, we maintain our preference for the sector. Extreme margin improvement, in our view, is still being underestimated by the market – despite the sector’s strong recent performance.



David Finger, CFA
Senior Portfolio
Manager



Christian Zilien, CFA
Product Specialist
Equity

Equity market view: compelling investment case for gold and silver miners

Recent volatility in precious metals prices has weighed on sentiment, but we believe the underlying investment case for gold and silver miners remains compelling. The recent pullback has improved entry valuations, while earnings expectations continue to move higher. Consensus forecasts for gold miners' earnings have been revised upwards, yet this improving earnings profile is not fully reflected in current market pricing. Precious metals are expected to provide a material and increasingly supportive earnings tailwind. Balance sheets across the sector remain robust, supported by rising cash generation and disciplined capital allocation.

From a shareholder return perspective, the outlook is also constructive in our view. Strong free cash flow generation is expected to underpin continued organic investment alongside enhanced capital returns, including dividends and share buybacks. Earnings per share upgrades for precious metals miners are likely to persist in the coming months, reinforcing the scope for rising shareholder distributions. Reflecting this improving outlook, valuations remain reasonable relative to history and to the sector's earnings momentum. For investors willing to look beyond near-term volatility, we think this creates a differentiated opportunity.

The broader macroeconomic backdrop remains supportive. Key drivers include diversification flows amid concerns over central bank independence, elevated geopolitical risks and ongoing policy uncertainty. Structural demand factors such as continued central bank purchases, de-dollarisation trends and concerns around currency debasement continue to underpin the long-term investment case for gold and, by extension, precious metals mining equities.

Investing involves risk. The value of an investment and the income from it may fall as well as rise and investors might not get back the full amount invested.

Past performance does not predict future returns. If the currency in which the past performance is displayed differs from the currency of the country in which the investor resides, then the investor should be aware that due to the exchange rate fluctuations the performance shown may be higher or lower if converted into the investor's local currency.

This is for information only and not to be construed as a solicitation or an invitation to make an offer to buy or sell any securities. The views and opinions expressed herein, which are subject to change without notice, are those of the issuer or its affiliated companies at the time of publication. The data used is derived from various sources and assumed to be accurate and reliable at the time of publication, but it has not been independently verified; its accuracy or completeness is not guaranteed and no liability is assumed for any direct or consequential losses arising from its use, unless caused by gross negligence or willful misconduct. The duplication, publication, extraction or transmission of the contents, irrespective of the form, is not permitted, except for the case of explicit permission by Allianz Global Investors.

This material has not been reviewed by any regulatory authorities.

This document is being distributed by the following Allianz Global Investors companies: In Australia, this material is presented by Allianz Global Investors Asia Pacific Limited ("AllianzGI AP") and is intended for the use of investment consultants and other institutional/professional investors only, and is not directed to the public or individual retail investors. AllianzGI AP is not licensed to provide financial services to retail clients in Australia. AllianzGI AP is exempt from the requirement to hold an Australian Foreign Financial Service License under the Corporations Act 2001 (Cth) pursuant to ASIC Class Order (CO 03/1103) with respect to the provision of financial services to wholesale clients only. AllianzGI AP is licensed and regulated by Hong Kong Securities and Futures Commission under Hong Kong laws, which differ from Australian laws; in the European Union, by Allianz Global Investors GmbH, an investment company in Germany, authorized by the German Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and is authorized and regulated in South Africa by the Financial Sector Conduct Authority; in the UK, by Allianz Global Investors (UK) Ltd. company number 11516839, authorised and regulated by the Financial Conduct Authority (FCA); in Switzerland, by Allianz Global Investors (Schweiz) AG, authorised by the Swiss financial markets regulator (FINMA); in HK, by Allianz Global Investors Asia Pacific Ltd., licensed by the Hong Kong Securities and Futures Commission; in Singapore, by Allianz Global Investors Singapore Ltd., regulated by the Monetary Authority of Singapore [Company Registration No. 199907169Z]; in Japan, by Allianz Global Investors Japan Co., Ltd., registered in Japan as a Financial Instruments Business Operator [Registered No. The Director of Kanto Local Finance Bureau (Financial Instruments Business Operator), No. 424], Member of Japan Investment Advisers Association, the Investment Trust Association, Japan and Type II Financial Instruments Firms Association; In mainland China, it is for Qualified Domestic Institutional Investors scheme pursuant to applicable rules and regulations and is for information purpose only. In Taiwan, by Allianz Global Investors Taiwan Ltd., licensed by Financial Supervisory Commission in Taiwan; and in Indonesia, by PT. Allianz Global Investors Asset Management Indonesia licensed by Indonesia Financial Services Authority (OJK).