

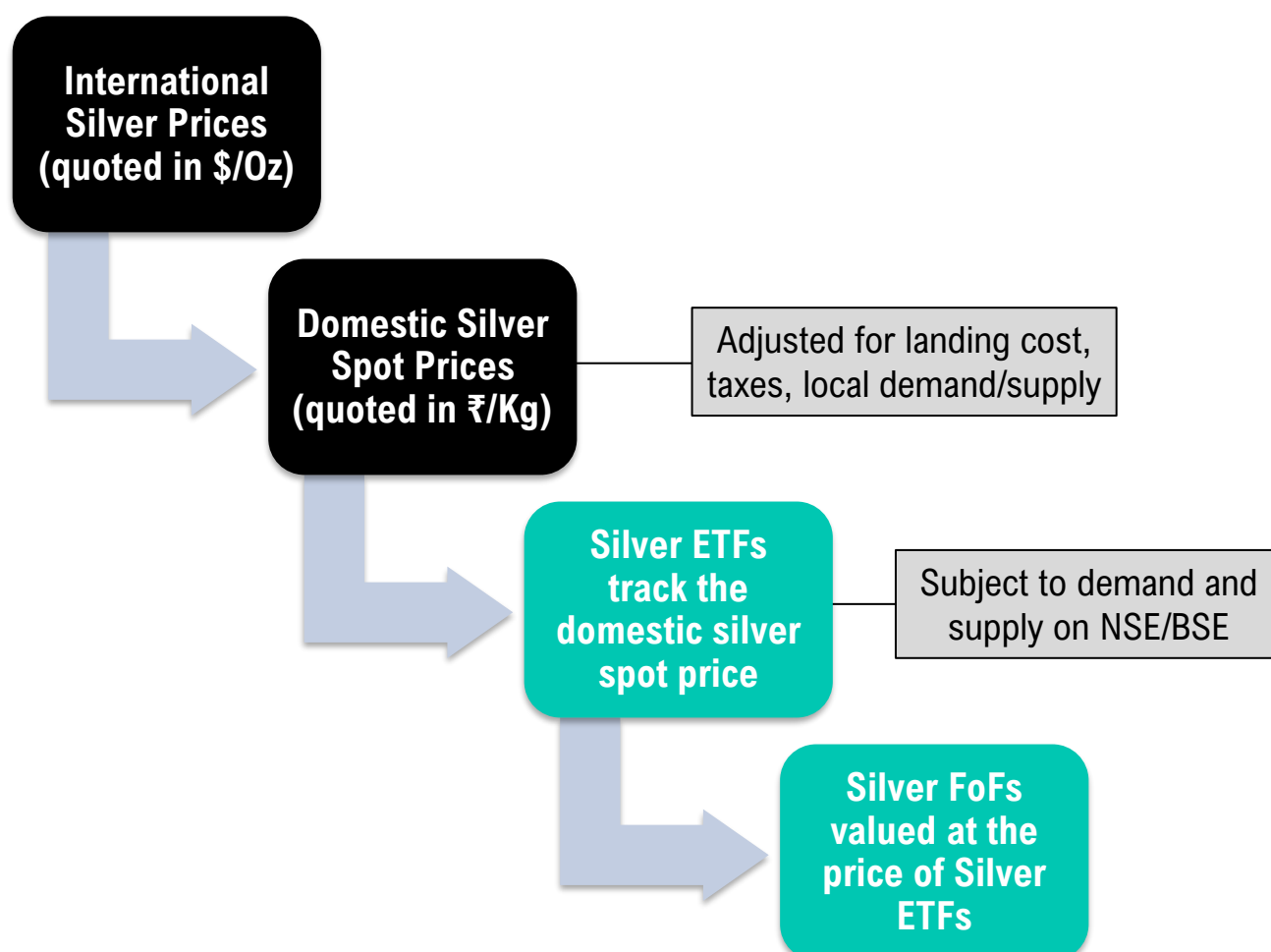
# Recent Movement in Silver Prices: *FOMO, Shortage, and What's Driving the Surge?*

15<sup>th</sup> Oct 2025

## Decoding Silver Pricing in India

Majority of the annual silver demand in India is met by imports. Hence, we are typically a price taker in the global silver market, with domestic rates largely influenced by prevailing international silver prices determined through global trading activity. The domestic spot price of silver is derived from these international prices, adjusted for factors such as the exchange rate, landing costs and local taxes, and some additional premium or discount based on local demand and supply dynamics.

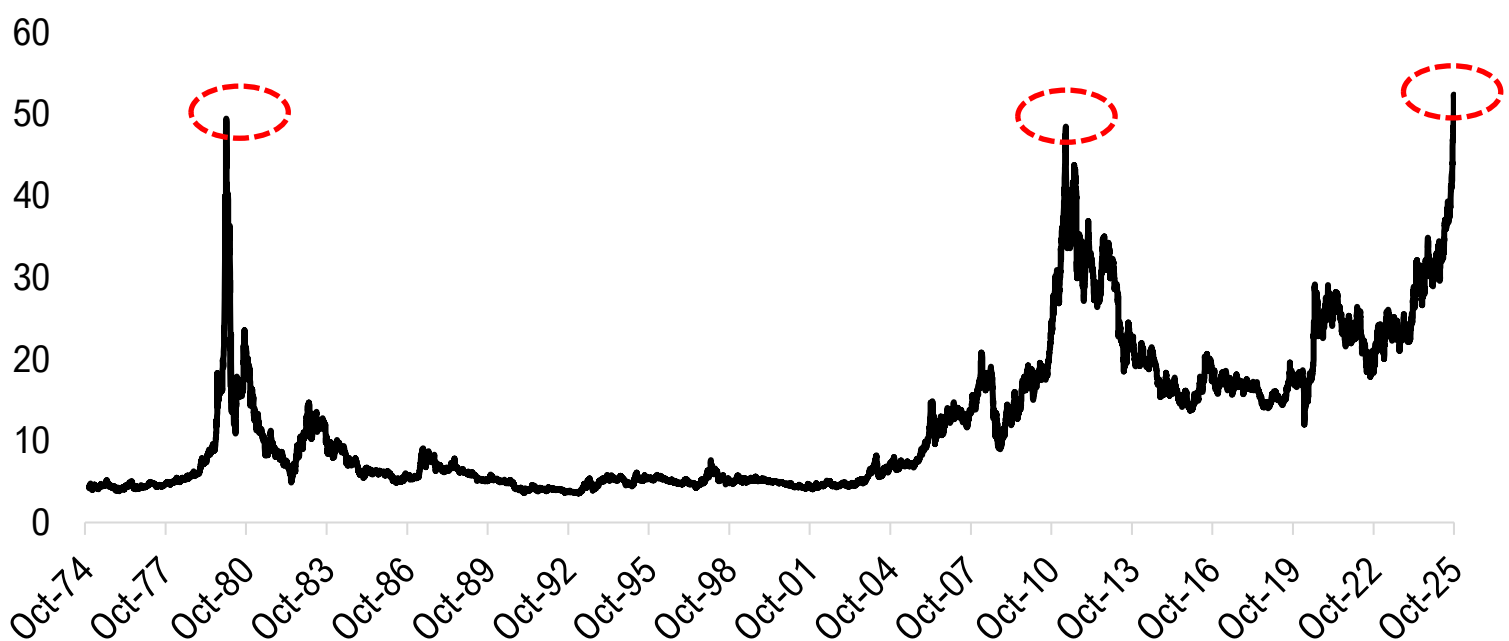
The price of silver ETFs listed in India is generally aligned with the underlying domestic spot price of silver. It also changes according to the demand and supply dynamics on NSE and BSE. Silver Fund of Funds (FoFs), on other hand, are valued based on the closing prices of the underlying Silver ETFs, ensuring that their valuations also reflects the prevailing domestic price of silver.



## What's happening to silver price Internationally?

- Silver prices have soared to record highs, decisively surpassing resistance levels not seen since 1980. The rally has been both sharp and enduring, driven by a combination of supply constraints and a resurgence in investor demand.
- Notably, silver's year-to-date (YTD) gain of nearly 80% in 2025 (in USD per troy ounce terms) marks its strongest annual performance since 1980.

**Silver Price in \$/Oz**



- Currently, in international futures market, silver's near-month futures contract are in backwardation, while the far-month contracts continue to be in contango. (**Contango** refers to situation where futures price trade above spot price while **backwardation** refers to situation where future price trade below spot price.) In normal market situation, future price tend to be higher than spot price (i.e., contango) due to cost of carry like storage cost, financing cost, etc. Backwardation in near month future may indicate an urgent near-term demand or supply shortage.

## What's happening to silver price domestically?

- 1) Until the first half of 2025, domestic silver spot price largely tracked international silver spot price, with only minor differences reflecting landing costs, local taxes and demand/supply dynamics. However, in recent days, the spread between domestic and international silver spot price has widened significantly, driven by a temporary supply squeeze in the domestic market.
- 2) As a result, the domestic silver spot price is now trading at a premium to international silver spot prices. Consequently, silver ETFs and Silver FoFs in India are also available at a premium, reflecting the elevated domestic spot price.



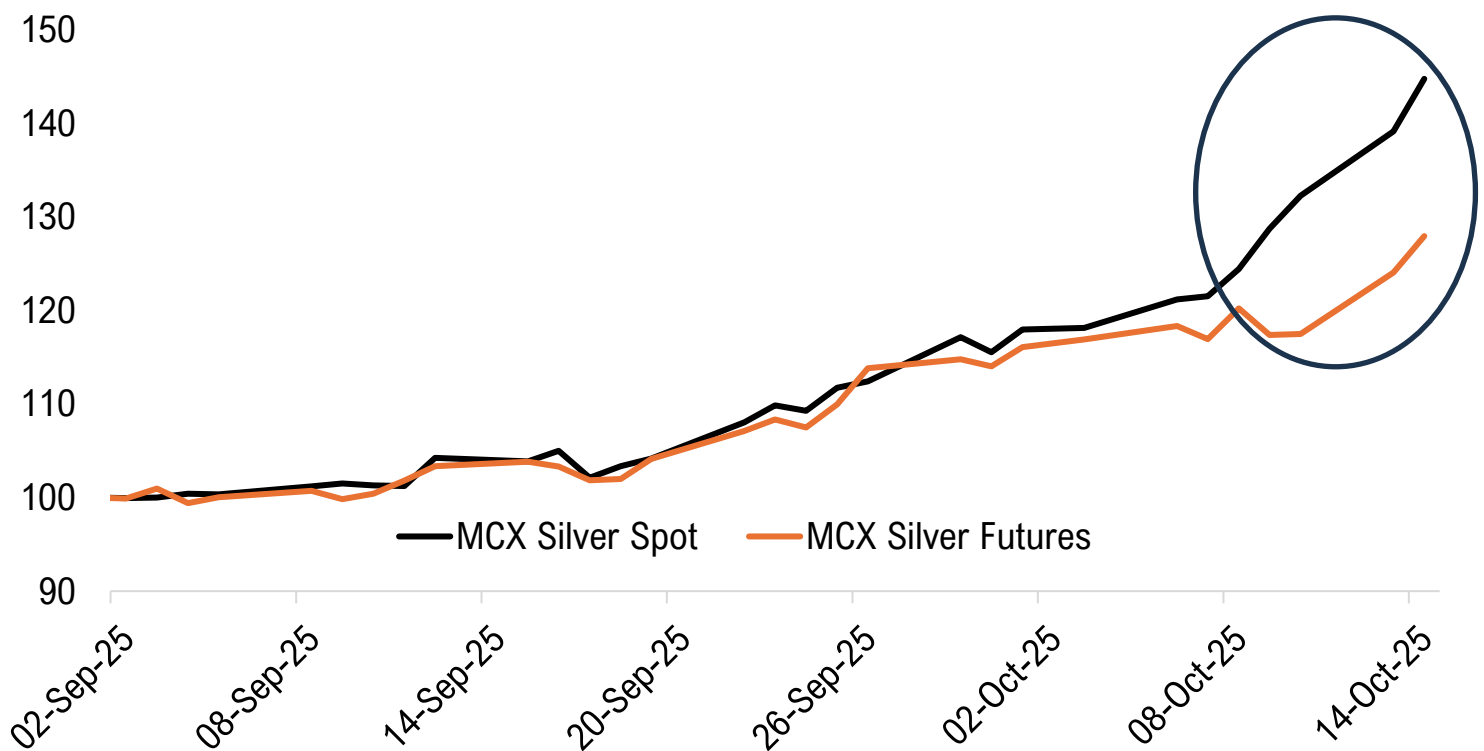
Source: Bloomberg, DSP. Data as of 14<sup>th</sup> Oct 2025.

- 3) This divergence likely represents a short-term market inefficiency and speculation, which could normalize once the supply dynamics change. Investors should, however, be aware that any silver purchases in India (physical or through ETFs or Silver FoF) will currently incur a premium.

## Silver Spot and Futures in India

- In line with international silver spot and futures trends, silver futures in India are currently in backwardation relative to the silver spot price, reflecting either a temporary supply shortage or a short squeeze.
- Additionally, the bid-ask spread for purchasing/selling physical silver is presently very wide, contributing to inefficiencies in price discovery.

### Domestic Silver Spot and Futures (rebased to 100)



Source: Bloomberg, DSP. Data as of 14<sup>th</sup> Oct 2025. Futures contract is of Dec'25.

## Key takeaways

- While there may be a genuine supply shortage, the current market dynamics could also reflect a short squeeze, which may be a temporary phenomenon both internationally and domestically. **As spot prices converge with futures in short-squeeze scenarios or if the supply shortage reverses, there can be possibility of downward pressure on silver price.**
- Currently, domestic silver spot prices are trading at a premium to international silver prices. **Investors considering silver ETFs and FoFs should be aware that they are taking exposure at a premium.**
- It is also important to recognize that silver is a highly volatile asset class, capable of sharp corrections over short periods. For instance, in 1980, silver fell by 78% within 4 months, and in 2011, it declined by 44% over 8 months (absolute returns in USD). **Investors should also factor volatility into their decision-making.**

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