Precious Metals Market Analysis
(Gold & Silver Price Dynamics: A statistical Analysis & its Economic Implications)

About Data Source

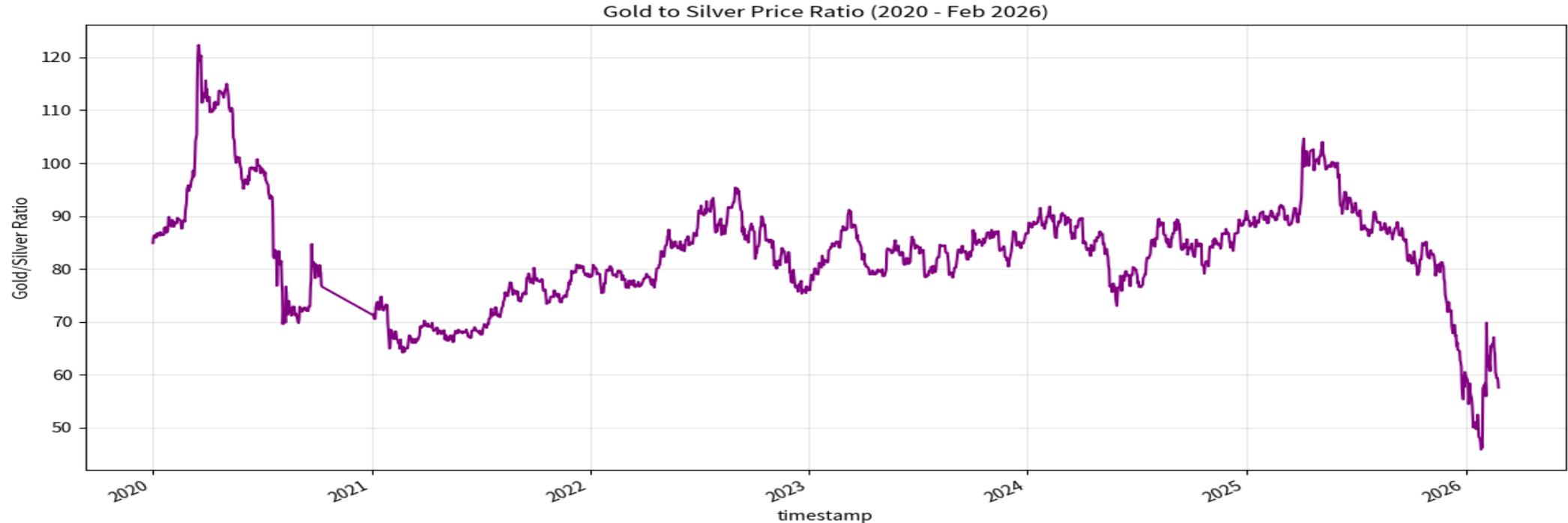*Key Data Overview (Jan 2, 2020 – Feb 25, 2026)*
•Dataset: 1,841 daily observations (aligned common trading days).
•Gold (XAU/USD per oz)

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27.02.2026

❑ *Gold and silver have exhibited a **very strong positive correlation (0.91 overall)** since 2020, strengthening to **0.94**in the past 12 months.*

❑ *Silver has dramatically outperformed gold in percentage terms (+399% vs +238%), acting as a high-beta leveraged play on gold's safe-haven status while benefiting from surging industrial demand.*

❑ *Both metals reached record highs in 2025–2026 amid inflation hedging, central-bank purchases, and geopolitical uncertainty.*

❑ *Silver's dual monetary + industrial role (≈50% of demand from solar, EVs, electronics) explains higher volatility and outperformance.*

❑ *Regression models confirm robust linear relationships across all periods, with R^2 rising markedly since 2023.*

❑ ***Investment verdict:** Silver remains an attractive tactical overlay on gold exposure.*

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Silver has significantly outperformed, especially post-2022, compressing the classic gold/silver ratio from 85 to 57.6.

Gold and Silver Daily Closing Prices (Jan 2020 - Feb 2026)

Metal	Starting Price	Ending Price	Total Return
Gold	$1,529	$5,173	**+238%**
Silver	$18.01	$89.85	**+399%**

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Gold to Silver Price Ratio (2020 – Feb 2026)

Classic valuation metric: **Gold price ÷ Silver price**
- ❑ 2020 start: 85
- ❑ Current (Feb 25, 2026): **57.6** (multi-year low)
- ❑ Long-term mean (period): 82.9
- ❑ Range: 45.9 – 122.3

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Correlation Analysis of Price Movement of Silver & Gold Since 2020

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Pearson Correlation (daily closes)

Period	Correlation	Strength	Observations
Overall 2020–2026	**0.91**	Very Strong	1,841
2020–end 2022	0.73	Moderate	861
2023–Feb 2026	**0.91**	Very Strong	980
Last 12 months (Feb25–Feb26)	**0.94**	Extremely Strong	311

*Finding : Gold and silver have exhibited a **very strong positive correlation (0.91 overall)** since 2020, strengthening to **0.94** in the past 12 months.*

Regression Analysis – Silver as Dependent Variable

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Model: Silver Price = α + β × Gold Price (OLS, daily closes)

Period	Equation	Slope (β)	R^2	Interpretation
Overall 2020–2026	Silver = −6.21 + **0.0151** × Gold	0.0151	**0.8369**	Strong baseline
2020–2022	Silver = −24.53 + 0.0262 × Gold	0.0262	0.5416	Higher volatility
2023–Feb 2026	Silver = −11.81 + 0.0167 × Gold	0.0167	**0.8407**	Tight bull alignment
Feb 2025–Feb 2026	Silver = −60.81 + **0.0291** × Gold	**0.0291**	**0.8904**	Highest beta & fit

Finding : Silver rises 1.51-2.91 cents per $1 move in gold.

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Regression Analysis – Gold as Dependent Variable

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Model: Gold Price = α + β × Silver Price

Period	Equation	Slope (β)	R^2	Key Takeaway	Interpretation
Overall	Gold = 714.48 + **55.30** × Silver	55.30	0.8369	Strong linkage	Silver explains 83.7% of the variation in gold prices
2020–2022	Gold = 1,324.33 + 20.63 × Silver	20.63	0.5416	More noise Weaker Relationship	Silver explains only 54.2% of the variation in gold prices due to COVID
2023–Feb 2026	Gold = 1,024.77 + 50.31 × Silver	50.31	0.8407	Reliable transmission	Silver explains 84.1% of the variation in gold prices
Feb 2025–Feb 2026	Gold = 2,272.29 + **30.59** × Silver	30.59	**0.8904**	Tightest recent fit	Silver explains 89.0% of the variation in gold prices

Finding : Across the entire period (2020–2026), every $1 move in silver was associated with $55 move in gold

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Macro Drivers (high correlation):
- ✓ Inflation hedging & real yield environment
- ✓ USD weakness / monetary policy divergence
- ✓ Geopolitical risk & central-bank gold buying
- ✓ Safe-haven flows during uncertainty

Silver-Specific Tailwinds (explaining outperformance):
- ✓ Explosive industrial demand: solar PV, electric vehicles, 5G/electronics (50–60% of total use)
- ✓ Supply constraints & mining economics
- ✓ Green energy transition megatrend

Observation : Silver behaves as gold + industrial beta → higher volatility but superior returns in growth/inflation regimes.

For Investors & Portfolio Managers:

1. **Core allocation:** Gold for pure monetary hedge; add silver for leveraged exposure + growth tilt.
2. **Ratio trades:** Buy silver / sell gold when ratio <65 (current regime); reverse when >90.
3. **Risk management:** Expect 1.5–2× beta in silver during gold rallies.
4. **ETFs:** GLD / IAU for gold; SLV / SIVR or physical for silver.

Risks: Higher storage/insurance costs for silver; industrial slowdown could cause short-term decoupling.

Outlook (as of Feb 2026): Structural bull market intact. Silver likely to continue outperforming if energy transition accelerates and inflation remains above target.

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