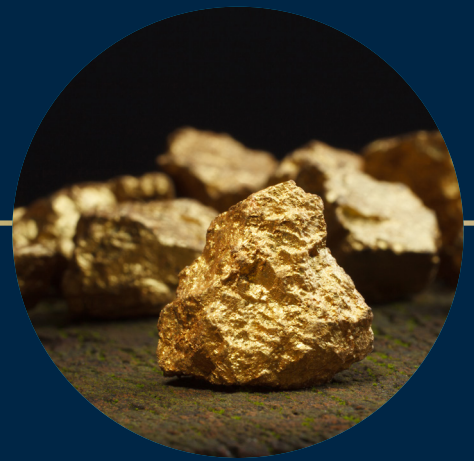


# MARKET SIGHT LINES



## Gold, Silver, and Other Precious Metals Move from Inflation Hedge to a Possible Fiscal Trajectory Hedge

By **Michael O'Keeffe, CFA**  
*Stifel's Chief Investment Officer*



January 29, 2026



In **Outlook 2026: Rewiring Growth** (full report), we published the article Fiscal Trajectory: Borrowed Time discussing the risks resulting from deficit spending and rising debt. As investors, we must be monitoring for market signals and opportunities confirming these risks and how best to manage them. Gold, silver, and other precious metals – long believed to be safe-haven investments and used as an inflation hedge – have posted historic returns and elevated highs recently. This “trade” may well be related to the Fiscal Trajectory risks. In this week’s Sight|Lines, we discuss how gold, silver, and other precious metals seem to be shifting from an inflation hedge to a Fiscal Trajectory hedge and share possible drivers of three directions from here: even higher highs, a sideways market, and setting up for a pullback.

### THE TAKEAWAY: PRECIOUS METALS ARE SIGNALING FISCAL WORRIES

Precious metals have posted strong returns and hit historic highs, begging the question – where do these markets go from here, and why? In summary:

- Gold recently pushed above \$5,500/oz. and silver is trading around \$113/oz., up dramatically over the last couple of years, and especially recently.
- Near-term drivers of this price action include U.S. dollar weakness, fiscal policy risks, central bank buying, and exchange traded fund (ETF) flows.
- The “higher from here” argument is anchored in continued, increasing worries about sovereign risks, further dollar weakness, and strong demand, including institutions.
- The “sideways market” case points to fading “panic bid” demand, a sideways dollar, and consolidation around already built-up investment positions.
- The “weakening/pullback” scenario could be driven by a hawkish Fed, technical “exhaustion” from overbought signals, and a focus away from the Fiscal Trajectory.
- While my team and I don’t (at least yet) publish formal targets, in the current environment we lean to the “sideways market” or “weakening/pullback” scenarios.

## IN-DEPTH: GOLD, SILVER, AND OTHER PRECIOUS METALS MAY WELL BE SIGNALING MORE CLEAR INVESTOR WORRIES ABOUT OUR FISCAL TRAJECTORY

Gold, silver, and other precious metals have posted strong returns recently and hit historic highs, driving investors to ask – what’s behind these moves, where do these markets go from here, and why? Going deeper:

- Gold recently pushed above \$5,500/oz. and silver is trading around \$113/oz., up dramatically recently:
  - Gold is up 35% in the last three months, 96% in the last year, and 168% in the last two years.
  - Silver is up 140%, 282%, and 412% over those same three periods.
- Near-term drivers of this price action include dollar weakness, fiscal risks, and buying pressures:
  - The U.S. dollar has declined 2.0% year to date and 9.9% since the beginning of last year, pointing to a heightened investor sentiment to store value in other investments like precious metals.
  - Emerging market central bank buying has evolved from sporadic to consistent, strategic accumulation, primarily to diversify reserves away from heavy U.S. Dollar exposure amid de-dollarization trends.
  - Gold ETF flows were negative in 2023, flat in 2024, and a record ~800 tons of inflows in 2025.
- The “higher from here” argument is anchored in three primary drivers:
  - The sovereign Fiscal Trajectory risks are real, and investors may be finally waking up to this with urgency. If this focus continues, gold, silver, and other precious metals could increase in popularity and as a hedge.
  - If the dollar weakens further, which may happen with a more dovish Fed, investors worried about the dollar’s buying power may seek other stores of value.
  - Given these revelations on gold/precious metals as a diversification hedge, retail investors, central banks, and other institutions new to gold as a strategic allocation may drive further demand in the near term.
- The “sideways market” case points to consolidation around already built-up investment positions:
  - To the degree that recent demand represents a “panic bid,” such forces may fade.
  - A stable rather than weakening dollar could soften demand for gold as a store of value.
- The “weakening/pullback” scenario could be driven by several factors:
  - If the Fed proves more hawkish, the dollar could reverse, allowing gold owners to book gains and exit.
  - Some investors anchor decisions on technical signals, which could move to “overbought.”
  - Unfortunately, investors have been quick to stop focusing on Fiscal Trajectory risks, and if this happens, demand for gold, silver, and other precious metals would likely soften.
- While my team and I don’t yet publish formal targets, we lean neutral to negative in the current environment:
  - The “sideways market” would make sense if the dollar stabilizes.
  - A “weakening/pullback” can occur with a dollar reversal or less focus on Fiscal Trajectory risks.

### CONCLUSION

In **Outlook 2026: Rewiring Growth** (full report), we published Fiscal Trajectory: Borrowed Time about the risks of deficit spending and rising debt. Gold, silver, and other precious metals – long believed to be safe-haven investments and used as an inflation hedge, have posted historic highs recently, very likely because investors see this “trade” as a hedge of these Fiscal Trajectory risks. While my team and I don’t (at least yet) publish formal targets on gold, silver, or other metals, our view on the near term is that these markets are likely setting up for a sideways to a correcting move, with the latter setting up for under-allocated investors to establish a strategic allocation over time.

**Michael P. O’Keeffe, CFA** 

*Chief Investment Officer*

[michael.okeeffe@stifel.com](mailto:michael.okeeffe@stifel.com)

[StifelInsights.com](https://www.stifelinsights.com)

The information contained herein has been prepared from sources believed to be reliable but is not guaranteed by us and is not a complete summary or statement of all available data, nor is it considered an offer to buy or sell any securities referred to herein. Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation, or needs of individual investors. There is no guarantee that the figures or opinions forecasted in this report will be realized or achieved. Employees of Stifel, Nicolaus & Company, Incorporated or its affiliates may, at times, release written or oral commentary, technical analysis, or trading strategies that differ from the opinions expressed within. Past performance is no guarantee of future results. Indices are unmanaged, do not reflect fees or expenses, and you cannot invest directly in an index.

Generative AI is a type of artificial intelligence that can produce content such as audio, text, code, video, and images. Asset allocation and diversification do not ensure a profit and may not protect against loss. There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries. Due to their narrow focus, sector-based investments typically exhibit greater volatility. Small company stocks are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies. Property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance of real estate companies. When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. The Standard & Poor's 500 index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market. The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ. The DJIA was invented by Charles Dow back in 1896. The MSCI EAFE index (Europe, Australasia, and the Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. VIX is a trademarked ticker symbol for the Chicago Board Options Exchange Market Volatility Index, a popular measure of the implied volatility of S&P 500 index options. The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

Stifel, Nicolaus & Company, Incorporated | Member SIPC & NYSE | [Stifel.com](https://www.stifel.com)

0126.8742005.1