

GOLD AND SILVER: CURRENT PORTFOLIO PERSPECTIVES

Precious metals have captured the attention of investors due to the strong rally of the past two years. How can investors maintain a proper portfolio perspective?

Gold, silver, and other precious metals have rallied over the past two years, capturing investor attention. Gold recently surpassed \$5,000 per ounce while silver briefly traded above \$110 per ounce, marking historic milestones for both metals. This strong recent performance may lead some investors to wonder whether they should be investing in these assets. As with all investments, it's important to maintain a broader perspective to understand their history and how they fit into a well-constructed portfolio.

While many investors often view precious metals as "safe haven" investments, these and other commodities are prone to boom-and-bust cycles. In today's environment, the rallies in gold and silver (along with their recent pullbacks) are occurring alongside many other asset classes due to heightened uncertainty around monetary policy, fiscal policy, and geopolitical risk. It's important to view these assets not as speculative trading instruments, but as components of a broader investment strategy aligned with financial goals.

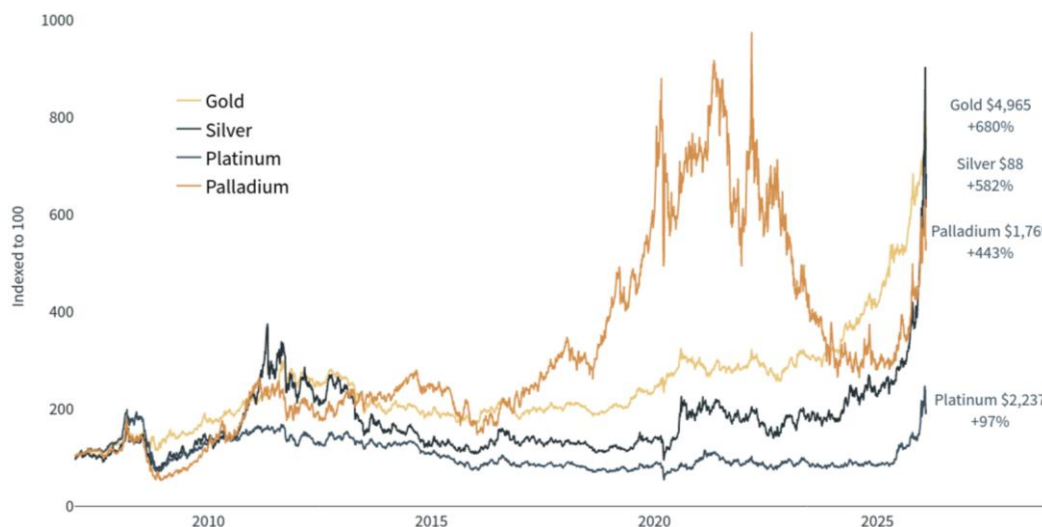
Precious Metals Often Respond to Uncertainty

Several factors have driven the surge in gold and silver prices. One of the most important has been the recent tension between the White House and the Fed. This has raised questions about central bank independence and the direction of monetary policy, especially as Jerome Powell's term as Fed chair ends in May 2026. Lower rates and the prospect of inflation put downward pressure on the dollar, so it's natural for some investors to seek assets that can serve as a "store of value."

Equally important is that central banks around the world have been consistent buyers of gold in recent years as they have diversified away from dollar-denominated reserves. Central banks need to hold enough reserves to manage their monetary policy and maintain the value of their currencies. These purchases of gold and other assets have accelerated amid heightened geopolitical uncertainty and concerns about currency stability.

Precious Metals

Gold, silver, platinum, and palladium spot prices and returns since 2007



Sources: Clearnomics, Bloomberg. Latest data point is February 4, 2026.

Both metals have also benefited from their industrial applications, including in electric vehicles, solar panels, and artificial intelligence hardware. Thus, they serve roles as precious metals, safe haven assets, as well as industrial commodities.

Precious Metal Rallies Are Difficult to Predict

Throughout history, periods of monetary policy uncertainty have coincided with strong precious metals performance. In the 1970s, for instance, both gold and silver climbed dramatically as stagflation hit the economy, peaking around 1980. Similarly, both rose from 2008 to 2011 during the global financial crisis, and then again during the 2020 pandemic. However, both gold and silver prices began to reverse soon thereafter once conditions began to improve.

INSIGHTS

This creates at least two challenges for investors who are attracted to these investments based on recent performance. First, attempting to forecast gold and silver prices amounts to predicting the path of interest rates, inflation, and other factors like terms of trade. As the past several years have shown, these factors are difficult to forecast with certainty. Many concerns among investors and professional economists as inflation spiked in 2021 and 2022 did not materialize as expected.

Second, while it's understandable that investors are drawn to assets that have performed well, history shows that precious metal rallies are notoriously difficult to time. The 1970s gold rally, for instance, was followed by two decades of declining prices. Gold peaked above \$800 in 1980, a level it wouldn't reach again until 2007.

The chart below shows gold's performance compared to the S&P 500 since the 2007 market peak. While gold has had periods of strong outperformance, the stock market has also performed well over these periods. For investors focused on recent precious metals rallies, this longer-term perspective may seem surprising. However, it makes sense since stocks have historically risen over long periods of time.

Gold and the Stock Market

S&P 500 total returns and gold returns since prior cycle peak in 2007



Sources: Clearnomics, LSEG, Bloomberg. Latest data point is February 4, 2026.

This pattern extends to silver as well. Despite its strong industrial demand story, silver has experienced long periods of underperformance between rallies. For instance, silver experienced a strong rally in the late 1970s. As stagflation pushed silver higher, a famous episode occurred in which the Hunt brothers attempted to corner the market by accumulating stockpiles and buying futures contracts. While they drove prices higher for a time, prices eventually plummeted as new supply entered the market and regulators introduced restrictions on leveraged buying of commodities.

Precious Metals Should Be Aligned With Financial Goals

These episodes demonstrate that, in situations where it makes sense for investors to have exposure to precious metals and commodities, gold and silver are best viewed as components of a broader commodities allocation or as part of alternative investments. The case for including precious metals in portfolios is based on the fact that they behave differently from stocks and bonds. Their value derives from scarcity, their roles as stores of value, and industrial uses. This means they often react to market and economic events differently from traditional asset classes, which can help to stabilize portfolios.

However, precious metals also carry limitations. Most notably, they generate no income, unlike bonds or dividend-paying stocks. This lack of income makes these assets difficult to value, which is another reason they are prone to booms and busts. A portfolio inappropriately weighted toward gold and silver may sacrifice the long-term growth potential of equities and the income generation of fixed income. So, even if precious metals might help in specific market environments, they may not be aligned with long-term goals.

While gold and silver have certainly performed well, there will always be individual investments that shine in particular periods. The key is constructing portfolios that can benefit from various market conditions rather than concentrating on recent winners.



INSIGHTS

Disclosure

Legacy Capital Wealth Partners, LLC ("Legacy Capital") is a registered investment advisor. Advisory services are only offered to clients or prospective clients where Legacy Capital and its representatives are properly licensed or exempt from licensure.

The information provided is for educational and informational purposes only and does not constitute investment advice, nor should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. You should consult with your attorney or tax advisor.

The views expressed in this commentary are subject to change based on market and other conditions. These documents may contain certain statements that may be deemed forward looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected. Any projections, market outlooks, or estimates are based upon certain assumptions and should not be construed as indicative of actual events that will occur.

All information has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability, or completeness of, nor liability for, decisions based on such information and it should not be relied on as such.

