

THE SCANNER

Gold and Silver : Navigating Extreme Volatility in an Extended Bull Market



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Since this analysis was first published, precious metals have experienced sharp intraday volatility. Gold has fluctuated between \$4,400-\$5,600, while silver has swung between \$64-\$120 per ounce, reflecting the volatility regimes we had outlined. These moves reinforce our central thesis: **both metals remain in statistically extreme territory, and heightened volatility is characteristic of late-stage momentum moves.**

What remains unchanged: The fundamental analytical framework, technical support zones, RSI exhaustion signals, and gold-silver ratio dynamics all continue to apply.

What's evolved: The increased volatility reinforces the need for disciplined position management and validates our recommendation to wait for clearer risk/reward setups. Charts and data have been updated to reflect current market conditions as of this morning.

Precious metals have delivered one of the most extraordinary rallies in recent memory. From January 2025 through early February 2026, gold surged from approximately \$2,650 to peaks above \$5,600—an 110%+ advance—while silver exploded 300%+ from around \$30 to highs near \$120. Yet the rally's most defining characteristic has recently emerged: **explosive volatility**. In recent sessions alone, gold has swung \$750+ intraday, while silver has swivelled \$40+ per ounce.

This volatility is not noise, it's a signal. When parabolic moves meet statistical extremes, price action becomes increasingly unstable as momentum buyers clash with value seekers and profit-takers. The question facing investors is no longer "will metals correct?" but rather **"how should I position in an environment where violent swings can erase weeks of gains in hours?"**

To answer this, we analyse precious metals through multiple lenses: historical volatility patterns, technical support zones, momentum exhaustion signals, statistical deviations, and the gold-silver ratio. Our focus is not on predicting exact price targets but on understanding **where risk/reward becomes favourable** and how to think about sizing and timing in the current environment.



Historical Context: Returns, Drawdowns, and Volatility Patterns

Understanding the current rally requires historical perspective. From 2020-2025, gold delivered compound annual returns of 10.9%, while over the longer 1971-2024 period it averaged 7.9% annually versus 10.7% for stocks. Silver's long-term returns (5.9% annually from 1975-2025) trail both gold and equities, but the metal periodically delivers explosive, concentrated gains during specific macro environments.

Critically, volatility in precious metals is asymmetric. Gold's worst drawdown was a 28% decline in 2013 following a multi-year rally. Silver's volatility is far more severe: the metal lost 90% from its 1980 peak of \$49 and required 31 years to set a new record in 2011. Following that 2011 peak, silver declined 70% before bottoming in 2016. These aren't anomalies—they're **characteristic of how precious metals behave after parabolic runs.**

The current 110%+ gold rally and 300%+ silver surge place both metals in rarified historical territory. While fundamental drivers may justify higher long-term prices, history suggests violent consolidations or corrections are the rule, not the exception, after such moves. The recent multi-hundred-dollar daily swings in gold and \$40+ moves in silver are early manifestations of this pattern.



Technical Framework: Support Zones and Volatility Ranges

In highly volatile conditions, precise price levels tend to lose practical relevance. Rather than anchoring to exact targets, we focus on broader support zones i.e., areas of prior consolidation or technical significance that may attract incremental buying interest.

These zones should not be interpreted as definitive bottoms. Instead, they represent areas where the risk-reward equation begins to improve, allowing for more calibrated assessment of capital deployment.



Gold Support Architecture

First Support Zone: \$3,800-\$4,000

This range corresponds to the April-September 2025 consolidation phase and would imply a 20-25% pullback from the recent price of approximately \$5,000. Historical precedent indicates that gold often retraces 25-35% following major rallies before resuming its broader uptrend. A decline into this zone would therefore constitute a typical correction within an ongoing bull market cycle.

Second Support Zone: \$3,000-\$3,200

This is the pandemic-era breakout zone and would require a fundamental shift in market narrative (e.g., sustained disinflation, aggressive Fed easing reversal, or major geopolitical de-escalation). A move to this zone would represent a 35-40% correction—severe but not unprecedented for precious metals.



Silver Support Architecture

First Support Zone: \$45-\$50

This zone aligns with the October-November 2025 consolidation phase and would represent a 35-45% decline from peak levels. Given silver's 300%+ rally, a retracement in excess of 50% would be consistent with historical precedents and would still leave prices materially above pre-rally levels.

Second Support Zone: \$33-\$37

Early 2025 breakout zone coinciding with the 2011 record high area. This would represent a 55-60% correction and would likely only occur in a severe risk-off environment or industrial demand collapse.

Key Insight: Both metals remain technically bullish as long as they hold above their initial support zones. However, elevated intraday volatility suggests these zones are likely to be tested over the coming weeks or months. Investors should be prepared for rapid and pronounced moves in either direction.



Statistical Extremes and Mean Reversion Probability

Both metals are trading at statistically extreme levels relative to their historical norms, which helps account for the recent volatility. Assets that deviate sharply from long-term statistical parameters tend to become increasingly unstable.

Gold: The current trading range of \$4,800-\$5,200 sits approximately 70-85% above the 2-standard deviation (2SD) threshold of \$2,781. In a normal distribution, prices would exceed the 2SD level only around 2.5% of the time.

Silver: With a current price near \$80, silver trades roughly 95% above its 2SD level of \$40.8. This extreme deviation reflects silver's higher volatility coefficient and its characteristic tendency to overshoot in both directions.

These deviations don't predict when mean reversion will occur, but they do suggest three possibilities:



Paradigm shift

The fundamental market structure may have permanently shifted, driven by persistent inflation, currency debasement fears, or systemic financial instability, requiring a recalibration of what constitutes "normal" pricing.



Momentum overshoot

Technical dynamics and speculative positioning have driven prices beyond historical norms. Over time, these levels are likely to mean-revert, either through consolidation within ranges or corrective price adjustments.



New equilibrium forming

Statistical parameters will gradually adjust upward as recent elevated prices are incorporated into the dataset. During this transition, however, elevated volatility is expected to persist.

The recent sharp price swings indicate that markets may be transitioning into Scenario 2 or 3, either approaching a near-term overshoot correction, or undergoing a forceful repricing towards a new equilibrium. In either case, elevated volatility is likely to remain, making timing and position sizing critical.



Momentum Exhaustion: RSI Analysis Across Timeframes

The Relative Strength Index (RSI) measures momentum on a 0-100 scale. Readings above 70 indicate overbought conditions; readings above 85-90 represent **parabolic exhaustion**, not merely elevated momentum, but unsustainable vertical moves that historically precede violent corrections or extended consolidations.

Exhibit: Gold Weekly RSI



Exhibit: Gold Monthly RSI

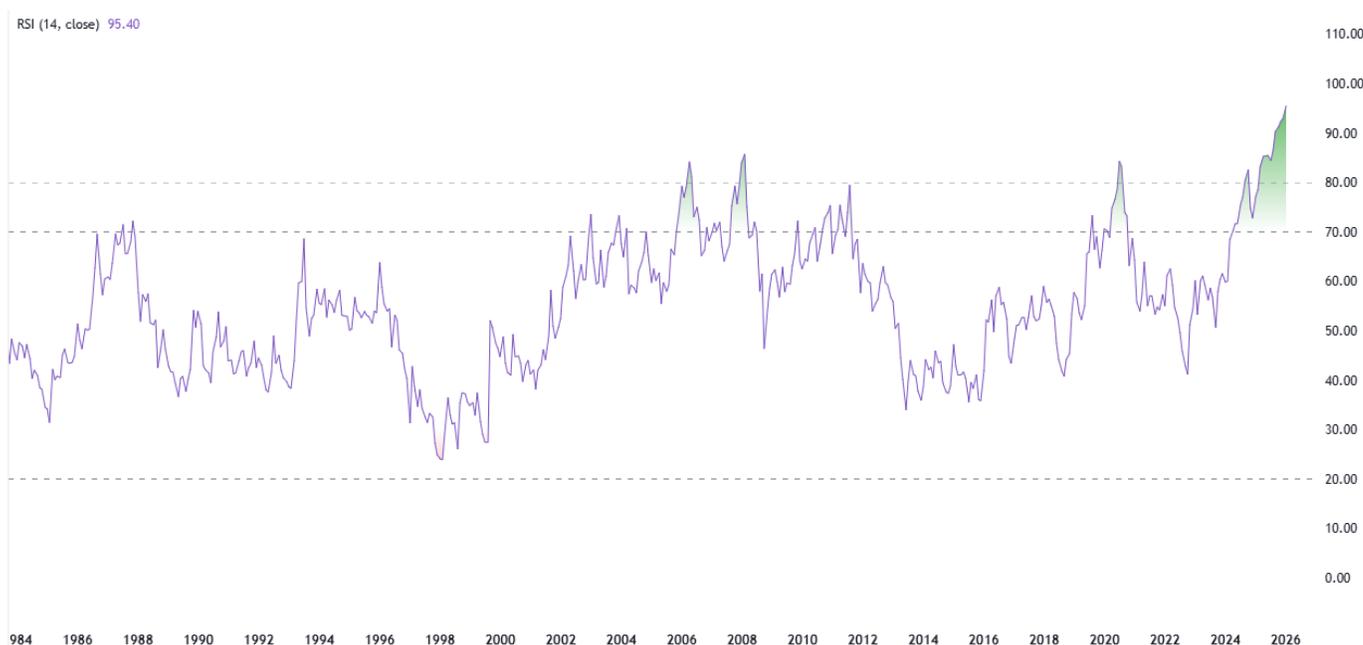


Exhibit: Silver Weekly RSI

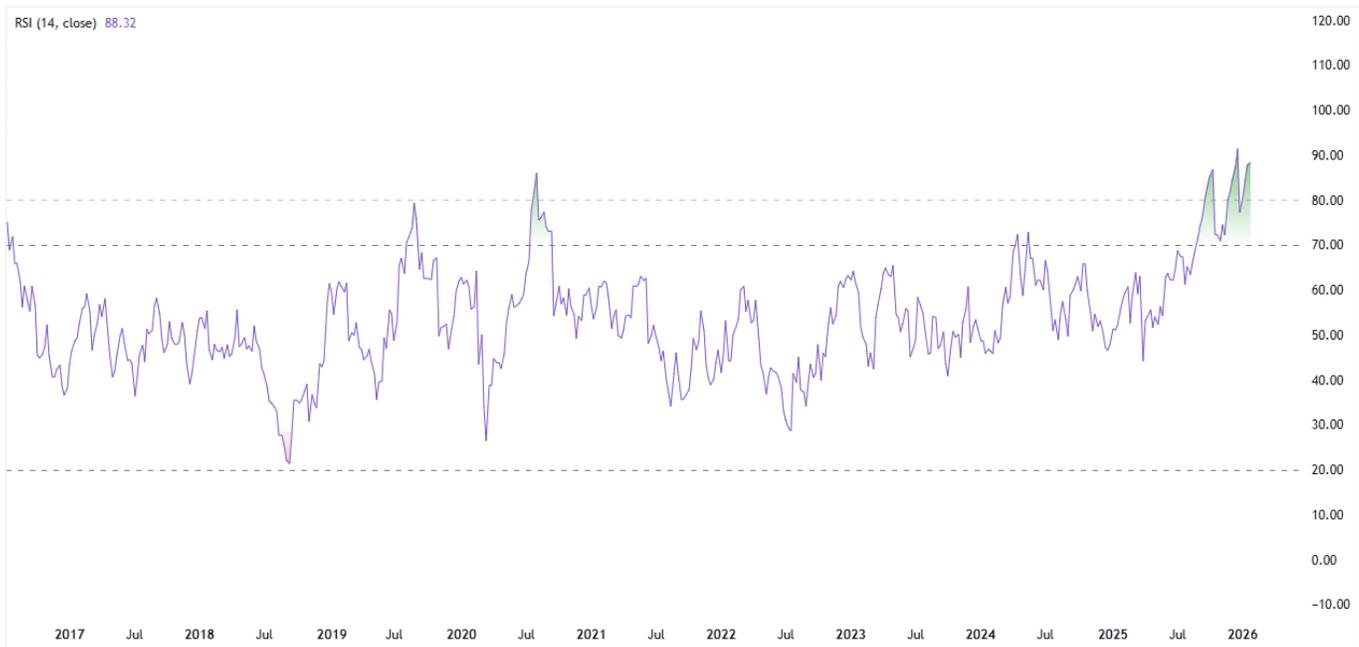


Exhibit: Silver Monthly RSI



Monthly RSI: Extreme Territory

Gold's monthly RSI recently touched 95, while silver reached 83. These are **extraordinarily rare readings** that have historically coincided with major trend changes or multi-month consolidations. For context, monthly RSI above 90 has occurred less than 3% of the time historically for gold, and every instance was followed by significant retracements or extended sideways action.

Weekly RSI Divergence

Gold's weekly RSI is at 77, indicating it is firmly overbought, while silver has eased to 61, putting it in neutral territory. This divergence is significant: silver's recent volatility appears to have already worked off some of its momentum through sharp swings, whereas gold remains stretched.

For gold, the combination of a monthly RSI of 94 and a weekly RSI of 77 shows that exhaustion remains across multiple timeframes. Until the weekly RSI drops below 60 to 65, high volatility is likely to continue.

Silver's lower weekly RSI suggests it may stabilise sooner, though its monthly RSI of 93 means the risk of a broader correction still exists.

Trading Implication

Silver's weekly momentum reset suggests the potential for relative stabilisation if key support zones hold. Alternatively, it may represent a temporary consolidation within a broader corrective phase.

Gold, however, continues to exhibit a persistently overbought condition on the weekly timeframe, indicating residual near-term downside risk as momentum normalises. A moderation in gold's weekly RSI toward the 60 zone would signal that excess momentum is being absorbed and that the most acute phase of volatility may be approaching exhaustion.



The Gold-Silver Ratio: Relative Value in Flux

Historical Context and Current Positioning

Metric	Value / Range	Insight
Current Ratio	62.5 (\$5000/\$80)	Significantly compressed from 110 in 2024, silver has strongly outperformed gold.
Long-term average	~69:1	Represents neutral relative valuation.
Recent years (2020–2024)	75–85	Shows silver underperformance relative to gold over the period.
Bull market extremes	40–50	Occurs during strong silver rallies; indicates silver dominance.
Bear market extremes	>100	Occurs during severe silver weakness; indicates gold dominance.
Compression from 2024	-43%	Highlights elevated returns for silver but increased correction risk.

At 62.5 to 1, the gold-silver ratio has compressed sharply from the 110 to 1 levels seen in 2024, a decline of more than 43%. This compression indicates that silver has significantly outperformed gold, delivering exceptional returns while also increasing its vulnerability to corrections.

Exhibit: Gold to Silver ratio


Navigating Volatility: A Framework for Positioning

The recent sharp swings in gold and silver are not anomalies; they reflect the natural behaviour of assets trading at statistical extremes with momentum indicators showing exhaustion. Historical experience shows that parabolic moves eventually either correct or consolidate, yet accurately timing these reversals is notoriously difficult.

The key question is not whether to participate in the precious metals market, but how to position capital intelligently within a volatile and extended bull cycle.



For Long-Term Investors

- Patience may enhance risk-adjusted outcomes**

If the structural bull thesis remains intact, underpinned by currency debasement, inflationary pressures, and geopolitical fragmentation, a 3-6 month consolidation accompanied by a 25-35% correction could materially improve entry levels without compromising participation in the broader secular trend.

- Scale exposure; avoid binary timing decisions**

Rather than attempting to identify an exact bottom, consider a staggered allocation framework. For example, deploying 25% of intended capital on a ~30% pullback, an additional 25% at ~40%, another 25% at ~50%, and retaining the balance for deeper dislocations. Such an approach mitigates timing risk and enforces capital discipline.

- Gold over silver for core allocations**

Silver's higher beta and wider drawdown profile may make it more suitable for tactical positioning. For strategic, multi-year allocations, gold's relatively lower volatility and historically more resilient drawdown characteristics are generally better aligned with core portfolio construction.

- Maintain perspective on volatility**

While \$400 daily moves in gold may appear pronounced, they represent roughly 8% price volatility, well within the historical range of late-cycle momentum phases. Investors anchored to a multi-year thesis should ensure short-term price fluctuations do not override process-driven decision-making.



The Broader Strategic View

Markets that rise quickly and aggressively often correct with equal ferocity. The probability that gold simply consolidates at \$5,000-\$5,200 for months without testing lower support is low. Other probable scenarios:

- **A sharp 25-35% correction over 4-8 weeks** to flush out leveraged longs and reset momentum indicators, followed by resumption of uptrend.
- **Extended 6-12 month consolidation** in a broad \$4,000-\$5,200 range while fundamentals catch up to price.
- **Continuation of the structural bull trend driven by macro tailwinds** (currency debasement, central bank buying, geopolitical instability, dedollarisation).

The objective is not to predict the path, but to avoid deploying capital aggressively at momentum extremes.

Historical precedent is instructive: buyers near \$1,900 in 2011 faced extended drawdowns, while allocations after the 2013 correction (~\$1,200-\$1,400) achieved materially stronger long-term outcomes.



Final Takeaway: Discipline Over Emotion

Gold and silver have delivered exceptional gains to investors who entered with early conviction in this cycle. From here, the debate is less about chasing incremental upside and more about protecting accumulated capital.

The current setup calls for a more cautious stance. Momentum is extended, prices are stretched relative to trend, and volatility has expanded. Further upside is possible, but the tolerance for error is materially lower.

If the structural drivers remain intact, the longer-term path may still be higher. However, strong advances are typically followed by sharp resets. Corrections are not failures of the trend, they are in fact part of its structure.

The priority now, therefore, is process over impulse.

In practical terms, that means resisting the urge to add aggressively into strength. Allow leveraged positioning to unwind and momentum indicators to cool off. Let price retrace toward established support zones rather than reacting to short-term rallies.

Position sizing should reflect the higher volatility regime. Incremental allocations, staggered entries, and predefined risk limits are preferable to concentrated deployment at elevated levels. If volatility expands further, use that repricing to build exposure methodically, not in anticipation of it.

Add exposure when risk has been compressed and sentiment has normalised, not when optimism is being reinforced by recent price action.

At this stage of the cycle, restraint is a strategy.

In volatile markets, patience is not inaction.
It is active risk management.



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? The recent volatility is scary. Does this mean the bull market is over?

Not necessarily. Violent volatility is characteristic of late-stage bull moves, not necessarily the end of them. During the 2008-2011 gold rally, there were multiple 15-20% corrections that felt catastrophic in real-time but proved to be buying opportunities. The difference between a healthy bull and a dying one is whether support zones hold. As long as gold maintains above \$3,800-\$4,000 and silver above \$45-\$50, the technical structure remains bullish despite the volatility. **What changes is risk/reward at current levels versus pullbacks.**

? Should I sell my positions given the extreme RSI readings?

Positioning depends on your timeframe and conviction. For traders who entered gold at \$3,000 and silver at \$40, taking profits in the current range is reasonable: extraordinary gains have been realised, and capital can be redeployed on pullbacks.

For long-term investors who maintain a multi-year secular bull thesis driven by fiscal or monetary imbalances, selling into strength may be premature. Even so, trimming 25–30 per cent of positions to raise cash for deployment on future dips can be prudent.

The guiding principle is straightforward: if you already hold positions from lower levels, staying invested remains sensible. If you are in cash or considering new exposure, current levels offer an unattractive risk-reward profile. It is better to wait for pullbacks before initiating fresh positions.

? What would change your cautious stance?

Several developments could move our outlook from cautious to constructive:

- **Time-based consolidation:** If gold remains range-bound between \$4,500 and \$5,200 for four to six months without breaking down, the rally would be digested through time rather than price, allowing momentum indicators to reset.
- **Price-based correction:** A swift 25–35% pullback that holds key support zones (\$3,800–\$4,000 for gold, \$45–\$50 for silver) would create a favourable risk-reward setup for re-entry.

- **RSI normalization:** A weekly RSI returning to the 50–60 range, along with a monthly RSI below 70, would signal that momentum exhaustion has been largely worked off.
- **Fundamental catalyst:** The emergence of a clear new driver. For example, the Federal Reserve announcing a return to quantitative easing, a major sovereign debt crisis, or an acceleration of dedollarisation, could justify a break to new highs. Even in such a scenario, we would still prefer to build positions on dips rather than chase momentum.

? What are the biggest risks that could derail the metals?

- **Sustained real rate increases:** If economic growth accelerates or inflation proves more persistent than expected, central banks may keep rates higher for longer or even raise them further. Rising real yields (nominal rates minus inflation) are particularly negative for non-yielding assets such as gold.
- **Dollar strength:** A stronger US dollar creates mechanical headwinds, making metals more expensive for non-dollar buyers and reducing international demand.
- **Forced liquidation cascades:** Leveraged speculators facing margin calls during periods of volatility can trigger rapid selling. Such cascades may breach support zones, activate stop-losses, and lead to broader capitulation events.
- **Silver-specific: Industrial recession:** Silver's dual role as both a monetary and industrial metal makes it vulnerable to manufacturing slowdowns. A severe recession could delay solar installations, reduce electronics demand, and slow electric vehicle adoption, all of which are key drivers of silver demand.
- **Positioning unwind:** Sustained outflows from gold and silver ETFs as momentum-driven investors exit could quickly remove buying support. Consecutive weeks of outflows, as seen in weekly ETF flow data, would be a red flag.

Currently, none of these risks dominate the market narrative. However, in extended bull cycles, events that appear remote can materialise rapidly. This underscores the importance of disciplined position sizing and stop-loss management: surviving unexpected shocks is key to long-term participation.

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