

Silver in February 2026 was not an investment. It was a stress test.

The metal began the month at \$85, having crashed from its record high of \$121 the previous week. It then crashed again - to \$64 - before anyone had fully processed the first crash. By month-end, silver had recovered to approximately \$93. Not quite where it started February, but almost. Given what it went through, that recovery is remarkable.

The question for investors is whether this is silver proving its resilience, or silver completing the first leg of a major correction before the real unwind begins. We genuinely don't know. What we do know is that the story has changed in important ways since January.

What actually happened

Crash one: the Warsh shock (January 30)

Silver hit an all-time high of **\$121.65 on January 29**. The following day, it recorded its worst single session ever - falling approximately 30% as Trump announced Kevin Warsh as incoming Federal Reserve chair.

The reasoning: Warsh is associated with monetary restraint. Silver had rallied in part on the assumption of continued dollar weakness and loose monetary conditions. When that assumption was challenged, highly leveraged positions unwound immediately.

CME had simultaneously raised margin requirements - silver from 11% to 15% of contract value. Many investors could not meet the calls. Forced selling amplified what had already begun.

The result was a metal that had been at \$121 one day trading at \$80 the next.

Crash two: the February 5–6 flash crash

Three trading days later, silver crashed again.

Having briefly recovered to \$87.95, it plunged back to **\$64** on February 5–6. This time, the amplifiers were:

- CME raised margins a second time (silver now at 18%)
- Automated sell programs triggered at key support levels
- London precious metals market experienced severe liquidity stress - buyers effectively disappeared for a period

The \$64 low was not driven by any change in silver's fundamentals. It was a liquidity event, amplified by extreme leverage and cascading margin calls.

The recovery

From \$64, silver staged one of its periodic violent reversals. By February 11, it was back above \$82. By February 27, it had reached \$93.82. The recovery tracked the broader precious metals rebound as:

- The Warsh shock was digested (his approach is hawkish but not dramatically more so than feared)
- January CPI data (2.4%) reinforced rate cut expectations
- Tariff chaos (new 15% global import tariff, February 23) drove safe-haven demand
- Iran nuclear talk failures renewed geopolitical risk
- Then, on February 28, US-Israel strikes on Iran and the Strait of Hormuz closure sent precious metals sharply higher into month-end

Silver closed February at approximately **\$93**, extending its streak of consecutive monthly gains to **ten**.

The ratio: a story in itself

The gold-silver ratio compressed to a historic **43:1 at the January peak** (gold \$5,594, silver \$121). This was an extraordinary reading - the tightest ratio since the brief Hunt Brothers-era spike of 1980.

Through February's crashes and recovery, the ratio blew out to **61:1** at its widest point (when silver was near its lows and gold had partially stabilised). As of month-end, with gold at \$5,274 and silver at ~\$93, the ratio sits at approximately **57:1**.

Date	Gold	Silver	Ratio
January 29 (peak)	\$5,594	\$121	46:1
February 6 (silver low)	~\$5,000	\$64	78:1
February 28 (close)	\$5,274	~\$93	57:1

The ratio's violent expansion and partial contraction in a single month is unusual even by silver's standards. It tells a specific story: silver carried significantly more speculative leverage than gold, and that leverage was violently ejected in February.

What remains is the structural position. At 57:1, the ratio is still below its five-year average of approximately 80:1. It is above the January extreme. Silver is neither as compressed as it was, nor as stretched as it was in 2020.

The thrifting threat: now real

In January, we described the thrifting risk as a threat. In February, it became a confirmed trend.

The Silver Institute's February 10 forecast confirmed what solar manufacturers had been saying privately:

- **Industrial silver fabrication forecast to fall 2% in 2026** to a four-year low of 650 million ounces
- The decline is attributed directly to silver thrifting - reduced silver content per solar cell - and substitution research into copper-based conductive pastes
- Solar manufacturers are "very motivated" at \$90+/oz silver - R&D budgets for silver substitution have expanded materially since prices broke \$100

This is the structural tension in silver that gold does not face. Gold's investment demand is not price-elastic in the same way - central banks and institutional investors do not reduce purchases because the price is high. Industrial users of silver absolutely do. At \$120/oz, every solar panel manufacturer employs engineers whose job is to use less of it.

The 2% decline in fabrication demand is not catastrophic - but it is directionally significant. It confirms the bull case is not automatic.

Why silver hasn't collapsed despite the thrifting trend

Three offsetting forces matter:

1. The structural deficit persists

- Primary silver mining supply is constrained (ore grades have declined 35% since 2007)
- Most silver comes as a byproduct of lead, zinc, and copper mining - supply cannot simply be expanded in response to silver price signals
- China's export restrictions, implemented January 1 and still in force, have removed a meaningful portion of refined supply from Western markets

2. Recycling is rising but slowly

The Silver Institute forecasts scrap recycling will rise 7% in 2026, exceeding 200 million ounces for the first time since 2012. Notably, recycling from end-of-life solar panels is now a measurable supply source - a structural feedback loop that takes years to mature. This is supply that grows over time but cannot respond quickly to short-term price spikes.

3. Investment demand is substituting for industrial demand

Where industrial fabrication is declining, investment demand is rising. Silver's simultaneous role as a monetary metal means institutional and retail investment flows can partially offset reduced industrial usage - as occurred during 2011-2012 when investment demand ran at record levels.

The China factor: still the dominant supply variable

China's January 1 export restrictions on refined silver remain in force as of March 1. There has been no softening, no exemptions, and no indication that the policy will change.

China controls approximately **60–70% of global silver refining capacity**. It needs the silver for its own solar and EV production. The restrictions are a structural supply constraint, not a short-term negotiating tactic.

When silver spiked to \$64 in early February, London vault inventory drawdowns accelerated. Lease rates - the cost to borrow physical silver - remained elevated throughout the month, confirming genuine physical tightness rather than a purely paper-market phenomenon.

The US critical mineral designation

Silver was added to the USOC Critical Minerals List in November 2025. The policy implications

- Fast-tracked domestic mining permits are now being processed
- Federal stockpiling initiatives are under discussion
- The designation creates eligibility for Fast-41 permitting and domestic production subsidies

The US currently imports **64% of its silver consumption**. The combination of China's export restrictions, the critical mineral designation, and the Iran supply shock now hitting oil-dependent transport routes creates a convergence of supply risk that policymakers are only beginning to price.

The Iran dimension: what it means specifically for silver

The broader geopolitical impact on precious metals is covered in our [February gold report](#). But silver has specific dynamics worth understanding:

Safe haven demand: Silver benefits from the same flight-to-safety bid as gold. In the immediate aftermath of the strikes, both metals surged. Tokenised gold was trading at \$5,344 on March 1; silver moved proportionally.

Energy price impact: This is where silver's industrial character creates complexity. Oil at \$100+/barrel raises energy costs for silver smelters and miners. It also raises the cost basis for solar panel production. Higher energy costs could accelerate thrifting (manufacturers have more incentive to reduce silver content when energy is also expensive) or slow solar deployment (fewer panels built = less silver demand).

Supply chain disruption: Approximately one-third of seaborne oil flows through the Strait of Hormuz. Silver supply chains - including shipments from Asian refiners to Western markets - depend on those same trade routes. A prolonged closure would add logistical disruption on top of the existing China restriction.

The net effect on silver from the Iran conflict is ambiguous in a way it isn't for gold. For gold, geopolitical chaos is mostly straightforward. For silver, it depends on how the energy shock interacts with industrial demand - and that is genuinely hard to predict.

How to buy silver in 2026: has anything changed?

The tax structure hasn't changed. The practical considerations remain the same as January, but the price environment has shifted substantially.

Silver ETFs (most practical, especially now)

At \$93/oz silver, the VAT hurdle on physical silver is even more material. A 20% VAT on a £5,000 silver purchase means silver needs to rise to roughly £111/oz just to break even in sterling terms. ETFs sidestep this entirely.

Ticker	Fund	Fee	Notes
PHAG	WisdomTree Physical Silver	0.49%	UK-listed, LSE, most accessible for UK investors
SSLN	iShares Physical Silver	0.20%	Lower fee, also LSE-listed
SIVR	abrdrn Physical Silver	0.30%	US-listed, good for global accounts
SLV	iShares Silver Trust	0.50%	Most liquid globally, US-listed

ISA season is approaching (April 5 deadline). Silver ETCs held within a Stocks & Shares ISA produce gains free of capital gains tax - a meaningful advantage given silver's volatility profile. Silver has moved 30%+ in a month twice in recent memory. CGT on a position that large matters.

Physical silver

If you want physical silver despite the VAT, Silver Britannias remain the only sensible choice for UK buyers. CGT exemption partially compensates for the 20% VAT hit - but only if you hold through significant appreciation.

The reality at current premiums: you might pay 30–40% over the paper price to hold silver coins in your hand. At \$93/oz paper price, that equates to roughly \$120–130 effective cost. You need silver to rise substantially just to recover acquisition cost.

Dealers (UK): BullionByPost, Atkinsons Bullion, Chards, The Royal Mint. Premiums are elevated across all of them due to demand.

Mining stocks

Silver miners offer leveraged exposure but add company-specific risk. Key names for UK investors:

- **Fresnillo (FRES)** - FTSE 100, largest primary silver producer globally, hedged but with meaningful price participation
- **Wheaton Precious Metals (WPM)** - streaming company, lower operational risk, available on LSE as well as TSX/NYSE
- **Pan American Silver (PAAS)** - major diversified producer
- **First Majestic (AG)** - high silver purity focus, meaningful Mexico political/labour risk

Given February's GDXJ performance (+5.81% in a single session), the mining equity thesis is gaining

The volatility warning (updated)

We said this in January. February proved the point beyond any reasonable doubt.

Silver fell **from \$121 to \$64** - a 47% decline - in approximately one week. It then recovered roughly 45% from that low within the same month. These are not normal asset class moves. They are the moves of a small, heavily-traded market under extreme leverage stress.

If you held silver through February, you experienced:

- Your position potentially losing nearly half its value
- Your position then recovering most of that loss
- All within 30 days

If that caused you significant distress, the position was too large. If you were in a leveraged instrument (CFD, spread bet, leveraged ETC), February was a reminder of what those products do in extreme markets.

The 2011 parallel remains instructive. Silver peaked at ~\$50, crashed to \$14 over four years. A 70% decline from an even more extreme starting point. This could happen again. The fundamentals are arguably stronger now than in 2011 - but "stronger fundamentals" did not prevent the 2011 crash, because the crash was driven by leverage and speculative unwinding, not fundamentals.

Position sizing matters more than anything else with silver.

Our take

Here is where we stand, honestly.

What we believe

1. **The structural case is intact.** Six consecutive years of supply deficit, China export restrictions, critical mineral designation, and genuine industrial necessity do not disappear because of price volatility.
2. **The thrifting risk is more real than it was.** A 2% forecast decline in industrial fabrication is not trivial. If silver stays above \$90 for an extended period, substitution will accelerate. This is not

3. **Leverage was the problem, not fundamentals.** Both February crashes were leverage events, not fundamental reversals. The physical market - lease rates, vault drawdowns, dealer premiums - showed tightness throughout. That tightness did not prevent the crash. But it does suggest the recovery from the crash was driven by real buying, not just short-covering.
4. **The Iran conflict changes the near-term calculus.** Safe-haven demand, oil shock, and Hormuz supply chain risk all add urgency to precious metals positions. Silver benefits from the same safe-haven bid as gold - but the industrial complexity means the Iran tailwind is less clean than it is for gold.
5. **The volatility is not a bug.** Silver will continue to experience 10–20% moves on no fundamental news. That is not a reason to avoid it; it is a reason to size appropriately and not use leverage.

What we don't know

Whether solar thrifting accelerates fast enough to overwhelm the structural deficit - this depends on R&D timelines that nobody can reliably predict. Whether China's export restrictions become permanent policy or a negotiating chip. Whether the Iran conflict produces a quick ceasefire or a prolonged disruption. These uncertainties are genuine, and anyone claiming certainty about silver's near-term direction is telling you more than the data supports.

Price forecast

Silver's forecast range is wide by design - the metal's volatility makes precise targets unreliable.

Scenario	Probability	Price Range
Base Case	45%	\$90–\$110
Bull Case	30%	\$110–\$150
Bear Case	25%	\$65–\$90

Target Range: \$85–\$130 through Q2 2026

The base case assumes contained Iran conflict, continued supply deficit, gradual rate cuts, and silver holding its current level while tracking gold higher. The bull case incorporates a full safe-haven/Iran premium run, ETF inflows accelerating, and thrifting substitution proving slower than feared. The bear case assumes thrifting accelerates faster than expected, Iran ceasefire removes geopolitical premium, and leveraged positions unwind again as the Warsh Fed signals balance sheet tightening.

Frequently asked questions

What happened to the silver price in February 2026?

Silver experienced two severe crashes in February 2026. The first, on January 30, saw it fall approximately 30% from its all-time high of \$121.65 as Trump nominated Kevin Warsh (a monetary hawk) as incoming Fed Chair and CME raised margin requirements, forcing mass liquidations of leveraged positions. The second crash, on February 5–6, took silver from \$87 to \$64 as a broader risk-asset selloff hit simultaneously with a dollar surge and further margin hikes. Silver then recovered to close the month at approximately \$93 - its tenth consecutive monthly gain.

Why did silver crash so hard in February 2026?

The crashes were leverage events, not fundamental reversals. Silver had attracted enormous speculative positioning during its 270% rally. When margin requirements were raised and other risk assets sold off, brokers issued margin calls that holders could not meet, triggering forced selling at any price. The physical silver market - as evidenced by lease rates and vault drawdowns - showed genuine tightness throughout. The paper market crashed; the physical market did not.

Is silver still a good investment after the February crash?

The structural case - supply deficit, China export restrictions, industrial necessity, critical mineral status - remains intact. However, February confirmed the thrifting risk is real: industrial fabrication is forecast to fall 2% in 2026 as solar manufacturers accelerate substitution R&D at these price levels. Silver offers potentially significant returns but with extreme volatility (47% drawdown in a week, in February alone). A 2–5% allocation for investors who understand the risk profile is reasonable; speculative positions with leverage are demonstrably dangerous.

How does the Iran conflict affect silver in 2026?

The US-Israel strikes on Iran (February 28) and subsequent Strait of Hormuz closure (March 1) affect silver through several channels: safe-haven demand (same as gold), oil price shock (higher energy costs affect mining and manufacturing), and supply chain disruption (trade routes through the Strait carry refined metals and components). The net effect is probably bullish for silver near-term, but less cleanly so than for gold - silver's industrial character means high energy prices can accelerate thrifting at the same time as geopolitical risk supports investment demand.

What is the gold-silver ratio telling us in February 2026?

The ratio compressed to an extreme 43:1 in January (at silver's \$121 peak) and blew out to 78:1 at silver's \$64 low in early February, closing the month at approximately 57:1. The violent ratio swing reflects silver's greater speculative leverage relative to gold. At 57:1, the ratio is below its five-year average of ~80:1 but well above the January extreme. Silver bulls interpret this as silver still being

How do UK investors buy silver without paying 20% VAT?

The most practical options are: (1) Silver ETCs like PHAG (WisdomTree) or SSLN (iShares) on the LSE - no VAT, liquid, can be held in a Stocks & Shares ISA for CGT-free gains; (2) Physical Silver Britannias - you pay VAT upfront but gains are exempt from Capital Gains Tax, which matters if silver rises substantially; (3) VAT-free storage schemes offered by some dealers, holding silver in non-UK jurisdictions. For most UK investors, PHAG or SSLN within an ISA is the most tax-efficient and practical approach.

This is the February 2026 edition of MetalsAlpha: State of Silver. The Iran military situation remains active as of March 1, 2026. We publish monthly updates analysing the precious metals market for UK investors. This is not financial advice - we are investors sharing what we have found.