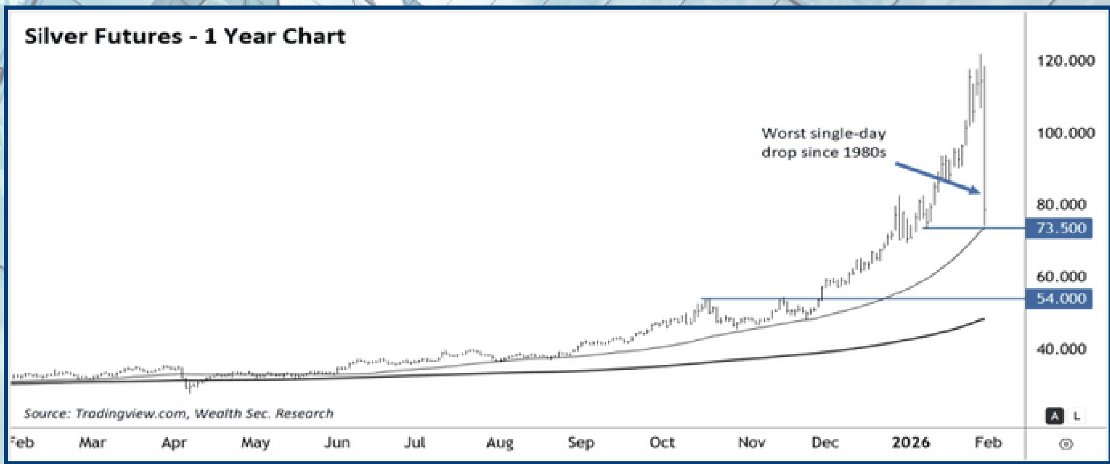
FEBRUARY 02, 2026

PHILEQUITY CORNER

By Wilson Sy

Silver's worst day

Silver plunged 31 percent on Friday in its worst single-day crash on record. Gold suffered its biggest decline in four decades. President Trump's nomination of Kevin Warsh as the next Federal Reserve chair exacerbated the selloff that was already unfolding. Markets viewed the hawkish pick as dollar-positive and precious metals-negative.



The Carnage

Silver futures collapsed 31.37 percent to settle at $78.53 per ounce. This erased nearly the entire January rally in a matter of hours. The white metal had touched a record $122 per just one day earlier. It fell as low as $74, a decline of almost 40 percent from Thursday's peak.

Gold tumbled 11.39 percent to slip below $5,000 an ounce after hitting an all-time high of $5,626 earlier in the week. Platinum and palladium cratered alongside the complex, dropping 19 percent and 15 percent, respectively.

The Warsh Effect

Silver futures were already down around 15 percent when Trump announced Friday morning that he would nominate Kevin Warsh to succeed Jerome Powell when his term expires in May. The news turned a selloff into a rout. Warsh is a former Fed governor known for hawkish views on inflation. Markets interpreted the pick as a signal that the Fed would not bend to Trump's demands for aggressive rate cuts.

The dollar, which had been languishing at four-year lows, staged an immediate rebound. The Dollar Index (DXY) jumped 1 percent to 97.147, its sharpest one-day gain since April 2025. Short-dated Treasuries rallied.

An excuse to sell

But in truth, Warsh was less a cause than an excuse. CME Group had just raised margin requirements on silver futures to 11 percent from 9 percent, effective Wednesday. Silver and gold had been stretched to breaking point. At its intraday peak, silver was up 72 percent in January alone. Gold has doubled over the past year. Traders were looking for a reason to take profits. The appointment of Warsh gave them one.

The selling cascades

Billions of dollars in call options (or bullish bets) had been written throughout the week. Warsh's Friday nomination trapped those positions. As prices reversed, the dealers who had sold those options needed to hedge - by selling the underlying assets. The lower the prices fell, the more they had to sell.

The selling intensified in the afternoon. This is when leveraged funds like ProShares Ultra Silver (AGQ) must rebalance to maintain their 2x exposure. High-frequency traders knew AGQ would be a forced seller before the 1:25 PM pricing window. They pounced and sold ahead of the deluge. This forced silver to gap through multiple support levels. Only after the mechanical rebalancing was complete did price finally find a floor.

Echoes of 1980

The parallels to Silver Thursday (March 27, 1980) are hard to ignore. Silver collapsed 50 percent over four days after COMEX raised margin requirements to break the Hunt Brothers' corner on the market. The Hunts had accumulated roughly a third of the world's tradable silver supply using heavy leverage. When margins spiked, they couldn't meet the calls. Forced liquidation did the rest.

Friday's crash followed the same script: a parabolic rally, concentrated positioning, rising margin requirements, and a catalyst that triggered cascading liquidations. But the difference is speed. What took four days in 1980 took four hours in 2026.

Is this the end?

Does this historic drop in silver mean the end of the precious metals bull market? After a parabolic run, a sharp mean-reversion move isn't unusual. For silver, the key level to watch is around $73.50. This is roughly the breakout level from late 2025 and the 50-day moving average. For gold, the next major support is $4,500, its 50-day moving average.

Friday's violent selloff looks more like a reset than an outright collapse. Margin calls were made and overleveraged speculators got flushed out. Parabolic rallies end badly, but secular trends survive corrections. In the long run, Friday's move could prove to be nothing but an overdue pause in a multi-year advance.

Philequity Management is the fund manager of the leading mutual funds in the Philippines. Visit www.philequity.net to learn more about Philequity's managed funds or to view previous articles. For inquiries or to send feedback, please call (02) 8250-8700 or email ask@philequity.net.