



Precious Metals Spreads

Trading Gold against Silver,
Platinum, and Copper



Futures
Strategies



Introduction

Precious metals have moved together throughout history, but their price ratios constantly shift in response to industrial demand, investment flows, and macroeconomic forces. Spread trading allows futures traders to take positions based on these ratio changes—without necessarily taking a directional stance on whether overall prices will rise or fall. This article explains the most common precious-metal spreads, the conditions under which traders use them, and the critical risks and risk-management principles involved.

Understanding metals spread trading

A futures spread involves holding opposing positions in two related markets at the same time. In precious metals, this means being long one metal while short another, or being long and short the same metal across two different contract expiration months. Rather than speculating on whether gold will go up or down, a spread trader is speculating on the changing relationship, or ratio, between two markets.

Metals spreads fall into two primary categories:

Inter-market (inter-commodity) spreads: These involve opposing positions in two different metals—for example, buying gold futures while simultaneously selling silver futures. The profit or loss depends on how the price ratio between the two metals changes, not on the absolute price movements of either metal.

Intra-market (calendar) spreads: These involve the same metal with different expiration months—for example, buying April Gold while simultaneously selling June Gold. Profit and loss depend on changes in the forward curve, which reflect storage costs, financing rates, and supply-and-demand expectations over time.

Both types offer characteristics such as reduced margin requirements and lower volatility exposure—but they also introduce specific risks that traders must manage carefully.

Common precious metals spreads

1. The gold-silver ratio (GSR) spread

The gold-silver ratio spread is one of the most widely followed inter-commodity spreads in the metals complex. It involves buying or selling gold futures—either the standard contract (GC) or the more accessible Micro Gold (MGC)—against silver futures (SI for standard or SIL for Micro Silver).

The gold-silver ratio (GSR) shows how many ounces of silver are needed to buy one ounce of gold. If gold trades at \$4,500 per ounce and silver at \$73 per ounce, the GSR is about 62:1. This ratio has varied widely throughout history—ranging from extreme lows near 40:1 during silver rallies to extreme highs above 100:1 during periods of severe economic stress—creating recurring conditions that relative value traders monitor.

What makes this spread notable is the fundamental tension between gold and silver. Gold is primarily a monetary asset: its price is heavily influenced by central bank policy, inflation expectations, the strength of the dollar, and geopolitical risk. Silver shares these monetary characteristics but is also a major industrial metal used in electronics, solar panel manufacturing, medical devices, and other applications. This dual identity means silver can diverge sharply from gold, particularly when expectations for economic growth shift.

Common GSR trading conditions & strategies

- **High GSR (above 80):** Traders may consider going long silver and short gold, anticipating the ratio will contract as industrial demand picks up or silver attracts value buyers relative to gold.

- **Low GSR (below 50):** Traders may consider going long gold and short silver, expecting safe-haven flows or monetary factors to push the ratio wider.
- **Mean reversion:** Many traders identify extreme ratio readings relative to the historical average (roughly 60–70 over recent decades) and position for a return toward the mean.

2. The gold-platinum spread

The gold-platinum spread pairs gold futures (GC) with platinum futures (PL for the standard contract or PLM for the Micro contract). This spread offers a clear case study in shifting market dynamics, as the historical relationship between the two metals has undergone a dramatic structural change.

For most of the 20th century, platinum commanded a significant premium over gold, reflecting its extreme scarcity—platinum is roughly 30 times rarer than gold by annual mine production—and its critical industrial role in automotive catalytic converters. However, over the past decade, this premium has reversed. Gold now frequently trades well above platinum, reflecting weaker automotive demand for platinum-group metals, the rise of palladium as a substitute in catalytic converters, and gold's surge as a monetary asset.

This role reversal is a key dynamic in the gold-platinum spread. It allows traders to express a view on whether gold's monetary premium will persist or whether platinum's industrial fundamentals—driven by automotive production, hydrogen fuel cell demand, and jewelry consumption—will reassert a premium. Supply dynamics from South Africa, which produces the vast majority of the world's platinum, can also cause sharp, independent price moves in platinum.

Common gold-platinum trading conditions & strategies

- **Economic recovery outlook:** Traders may consider going long platinum and short gold as economic growth expectations improve, anticipating stronger automotive and industrial demand to narrow the gold-to-platinum premium.
- **Risk-off environment:** Traders may consider going long gold and short platinum during economic uncertainty, as gold's safe-haven demand surges while platinum's industrial demand outlook weakens.

- **Fundamental extremes:** When the gold-platinum premium reaches historically wide levels, traders may consider positioning for mean reversion toward more normal historical relationships.

3. The copper-gold spread

Although copper is a base metal rather than a precious metal, the copper gold spread (HG vs. GC, or MHG vs. MGC for micros) has become a widely monitored inter-commodity spread across the entire futures complex. Its popularity stems from its conceptual clarity: a market view on global economic sentiment.

Copper is widely used in construction, electrical infrastructure, manufacturing, and transportation. Historically, rising copper demand has signaled a healthy, growing global economy. Gold, by contrast, tends to perform best during periods of uncertainty, monetary instability, or economic stress. The spread between these two metals pits industrial optimism against financial defensiveness.

Common copper-gold trading conditions & strategies

- **Economic optimism:** Traders may consider going long copper and short gold when anticipating global economic acceleration, infrastructure spending, or stronger manufacturing activity.
- **Economic uncertainty or recession risk:** Traders may consider going short copper and long gold when growth concerns rise, inflationary pressures build amid weak growth, or geopolitical instability increases safe-haven demand.
- **Fed policy shifts:** Changes in Federal Reserve interest rate policy often affect gold and copper differently, creating trading opportunities when the spread diverges from its expected relationship to rate expectations.

4. Intra-market calendar spreads

Calendar spreads involve buying one expiration month of a metal futures contract while simultaneously selling another expiration month of the same metal. For example, a trader might consider buying May Silver (SIK) and selling September Silver (SIU) at the same time. Unlike inter-commodity spreads, calendar spreads are not a bet on relative value between two metals—they are a position on the shape of the futures price curve over time.

The gold, silver, and copper futures markets typically trade in contango—meaning deferred contract months trade at a premium to near-term months—because of the costs of storing, financing, and insuring physical metal over time. A calendar spread trader is effectively taking a view on whether these storage and financing cost premiums will expand or contract relative to current market pricing.

Common calendar spread conditions & strategies

- **Bull calendar spread (buy near / sell deferred):** Often used when a trader is bullish near-term but neutral or cautious longer-term. If near-month futures rally faster than deferred months, the spread profits.
- **Bear calendar spread (sell near / buy deferred):** Used when near-term weakness is expected, but the trader wants to maintain some longer-term exposure. The spread profits when near-month contracts weaken relative to deferred-month contracts.
- **Rollover management:** Traders holding existing futures positions use calendar spreads to efficiently roll their exposure from expiring contracts into later months, managing transaction costs and minimizing market impact.

5. Micro metals contracts: Accessibility and precision

TradeStation offers Micro futures contracts on these metals that are one-tenth the size of their standard contracts.

Metal	Symbol	Size	Tick	Tick Value	Point Value
Gold	GC	100 Troy ounces	0.10	\$10.00	\$100
Micro Gold	MGC	10 Troy ounces	0.10	\$1.00	\$10
Silver	SI	5000 Troy ounces	0.005	\$25.00	\$5,000
Micro Silver	SIL	1000 Troy ounces	0.005	\$5.00	\$1,000
Platinum	PL	50 Troy ounces	0.10	\$5.00	\$50
Micro Platinum	PLM	10 Troy ounces	0.10	\$1.00	\$10
Copper	HG	25,000 pounds	0.0005	\$12.50	\$25,000
Micro Copper	MHG	2,500 pounds	0.0005	\$1.25	\$2,500

These smaller contracts make the spread strategies described above substantially more accessible. Micro contracts allow traders to execute gold-silver, gold-platinum, and calendar spreads with lower capital requirements and greater granularity in position sizing. They can be especially useful for traders developing their spread-trading skills who want real-world experience without the full capital commitment required by standard contracts. Micro contracts also make it easier to implement precise ratio-based position sizing when constructing dollar-neutral spreads.

Metals spread quick reference

Spread Type	Contracts	Market Driver	Common Strategy
Gold-Silver (GSR)	GC or MGC vs SI or /SIL	Safe-haven vs. industrial demand	Long silver/short gold when GSR > 80
Gold-Platinum	GC or MGC vs PL or PLM	Monetary vs. automotive demand	Long platinum/short gold on economic recovery
Copper-Gold	HG or MHG vs GC or MGC	Economic growth vs. safe-haven	Long copper/short gold in risk-on environments
Calendar Spreads	Same metal, different months	Contango, storage costs, rollover risk	Bull calendar: buy near month, sell deferred
Micro Metals	MGC, SIL, PLM, MHG	Same as above, smaller scale	Lower capital, granular position sizing

Benefits and risks of metals spread trading

Key benefits

Reduced margin requirements: Because you hold opposing positions in correlated markets, exchanges and brokers recognize that your overall risk is lower than that of holding outright long or short futures positions. Spread margin requirements are often significantly lower than the combined margins for two separate outright positions, improving capital efficiency. Check the margin requirements using the CME Group's website for spread positions before you enter a trade.

Lower volatility compared to outright positions: Precious metals tend to move in the same general direction during major market events. When macroeconomic forces drive the entire metals complex, your spread position naturally hedges those broad moves, producing a smoother profit-and-loss profile than directional futures positions, which some traders find easier to monitor and manage.

Profit potential in any market direction: A well-constructed spread can generate potential profits in various market conditions for as long as the ratio between the two metals moves in your anticipated direction. This makes spread trading attractive in uncertain macroeconomic environments where the overall price direction is unclear.

Natural hedge within related markets: Holding offsetting positions in a related complex provides inherent protection against broad market shocks. If an unexpected macro event causes the entire metals complex to drop sharply, both legs of your spread will likely move in the same direction, significantly limiting your net exposure relative to an outright position.

Key risks

Correlation breakdown risk: The most significant risk in inter-commodity spread trading is the breakdown of the assumed correlation between metals. Silver's industrial applications mean it can weaken during economic downturns even as gold strengthens on safe-haven demand, which can move the GSR dramatically against a position. Platinum's sensitivity to automotive production cycles, emissions regulations, and South African supply disruptions can cause it to diverge sharply from gold. Traders must continuously monitor the fundamental drivers of each metal in their spread.

Relative value risk: Spread trading eliminates most directional price risk but replaces it with relative value risk—the risk that the ratio between two markets moves against your position. Ratio moves can be sustained and substantial. A GSR spread position that seems conservative based on historical averages can still move significantly against a trader if macroeconomic conditions create persistent divergence in gold and silver fundamentals.

Leg risk during execution: Ideally, when placing a spread trade, you would like to execute both legs—the long and the short—simultaneously. This can be done on TradeStation's FuturesPlus platform for intra-market spreads. But when trading the inter-market metals spreads, you need to chart and trade them through the TradeStation desktop platform. Because you may enter these spreads using two separate orders on the TradeStation platform, one leg would fill before the other, leaving you with an outright directional position and full directional risk until the second leg order has been filled. Traders should understand this risk, especially during periods of low liquidity or high volatility.

Leverage and over-sizing risk: Lower margin requirements for spread positions can tempt traders to take positions that are too large relative to their account size. Although spreads are less volatile than outright positions, they still carry a significant risk of loss. Many professional traders limit individual spread positions to no more than one to two percent of total trading capital, allowing them to absorb adverse moves while preserving capital for future opportunities.

Liquidity risk: While gold and silver futures are among the most liquid contracts globally, platinum and certain deferred calendar spread months have significantly lower trading volume. During periods of market stress or low activity, bid-ask spreads can widen markedly, increasing both entry and exit costs. Traders should review open interest and volume data for each contract month they plan to trade before establishing positions.

Key Benefits

- Reduced margin vs. outright positions
- Lower volatility than directional futures
- Profit potential in any market direction
- Capital efficiency through margin offsets
- Micro contracts enable granular sizing
- Natural hedge within related metals complex

Key Risks

- Correlation breakdown between metals
- Relative value risk can still be substantial
- Leg risk during spread execution
- Leverage amplifies losses as well as gains
- Liquidity can diminish during volatility
- Industrial/macro divergence creates surprises

Position sizing, leverage, and stop management

Effective risk management in metals spread trading begins with proper position sizing. Because the underlying contracts have substantially different notional values—a standard gold contract controls roughly \$450,000 in notional value at \$4,500 gold, while a standard silver contract controls around \$365,000 at \$73 silver—traders cannot simply trade one contract against one contract and call it a spread. A one-for-one position can unintentionally tilt the trade toward one metal. A true ratio-neutral position requires careful calculation of the number of contracts in each leg to achieve the intended exposure.

A common approach is dollar-neutral construction: adjusting the number of contracts in each leg so that the total notional values of the long and short positions are approximately equal. This way, broad moves in the metals complex largely offset one another, isolating the trader's exposure to changes in the ratio rather than to the overall price direction. Other approaches use historically observed contract ratios that reflect long-term relationships among the metals. TradeStation's desktop and the FuturesPlus platforms provide tools to model various position sizes and visualize potential profit and loss scenarios before entering a trade. Traders can benefit from using these tools during the planning stage, not after they have already committed capital.

Setting stops for spread positions requires a different approach than outright futures trading. Rather than using a fixed-dollar stop, spread traders typically base their stops on ratio movements. For example, a GSR spread trader might base an exit on the ratio moving a set number of points against their position. Time-based stops are also valuable: if the spread has not moved favorably within a predetermined timeframe, it may indicate that the anticipated fundamental catalyst is not materializing, and exiting to preserve capital is prudent.

TradeStation's FuturesPlus platform supports sophisticated stop orders for intra-market spread positions. When trading the inter-market spreads, traders can set price alerts on the spread ratio to be notified when it is time to exit their position at their predetermined loss limit. TradeStation's platform provides real-time profit-and-loss tracking that reflects ratio changes as they unfold throughout the trading day.

Analyzing spreads with TradeStation FuturesPlus

TradeStation's platforms provide a comprehensive set of tools specifically designed for futures traders, including those trading metals spreads. Before establishing any spread position, traders should take full advantage of the platform's analytical capabilities.

Intra-market spreads can be analyzed and traded using TradeStation's FuturesPlus platform. To access the inter-market metals spreads, traders should use the desktop platform.

Using the Chart App on the desktop platform, you can create custom ratio charts that plot spreads such as the gold-silver, gold-platinum, or copper-gold relationships over time. Simply add the Spread – Ratio study to a chart of the two securities. Analyzing these charts across multiple time frames helps you identify

historical extremes, trend patterns, and potential mean-reversion opportunities. You can apply technical indicators to ratio charts just as you would to any price chart, which can help traders analyze potential entry and exit points more effectively.

The CME Group offers tools on its website to calculate real-time margin requirements for spread positions, helping you plan capital allocation before entering a trade. The platform's order entry interface supports spread orders that execute both legs simultaneously, reducing leg risk and helping support more consistent execution. Real-time profit and loss tracking for open spread positions ensures you always have a clear, up-to-date picture of how changes in the ratio affect your account.

For traders new to spread trading or looking to validate their strategies before committing real capital, TradeStation offers a simulated trading mode that mirrors real market conditions using live market data—without risking real money. This simulated environment is a valuable learning tool for every spread trader to use before transitioning to live trading.

Practice in simulated mode before trading live

The importance of simulated practice for spread traders is difficult to overstate. Executing a two-legged trade, monitoring a ratio rather than a simple price, managing stops based on ratio movements, and accurately calculating position sizes across different contract specifications are skills that take time and hands-on repetition to develop. The simulated environment lets you make learning mistakes without financial consequences.

Use the simulated mode to work through realistic scenarios: practice building dollar-neutral GSR spreads, test your entry and exit timing at gold-platinum ratio extremes, and run through calendar spread rollover procedures. Develop familiarity with the FuturesPlus order entry interface so that when you are ready to trade with real capital, execution is second nature rather than a source of additional stress or error.

Important: Use simulated trading to build confidence

TradeStation FuturesPlus includes a full-featured simulated trading mode that lets you execute metals spread trades using real market data without risking real money. Use this environment to practice your position-sizing calculations, test your spread entry and exit strategies, see how ratio changes affect your profit and loss in real time, and build confidence in the platform's tools before transitioning to live trading. Only when you have demonstrated consistent, disciplined decision-making in simulation should you consider trading these strategies with actual capital.

Conclusion

Precious metals spreads offer traders a sophisticated way to participate in the metals markets. These strategies can deliver capital efficiency by reducing margins, lowering volatility relative to outright futures positions, and enabling profits from ratio changes regardless of the overall direction of precious metals prices.

At the same time, these strategies require a thorough understanding of the factors that drive each metal independently, disciplined position sizing, careful stop management, and respect for the significant risks inherent in leveraged futures trading. Correlation breakdown, relative value risk, leg risk, over-leverage, and liquidity challenges are realities that spread traders must account for before and during every trade.

TradeStation's FuturesPlus platform provides the charting tools, ratio analysis, spread order execution, real-time margin data, and a simulated trading environment you need to develop and deploy these strategies with confidence. Take time to practice in simulated mode, master the analytical tools available to you, and approach your first live spread trades with a clearly defined plan, appropriate position sizes, and predetermined exit points.



Futures Education Center – Explore training designed to build trading confidence and sharpen your skills for navigating the futures market.

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