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Dr. Pooja Monga
Assistant Professor,
Department of Economics,
Shah Satnam Ji Girls' College,
Sirsa, Haryana, India

Corresponding Author:
Dr. Pooja Monga
Assistant Professor,
Department of Economics,
Shah Satnam Ji Girls' College,
Sirsa, Haryana, India

Study on investment in gold

Dr. Pooja Monga

Abstract
Gold has always been regarded as a unique raw resource due to its ability to retain value, particularly in difficult times. Since the 2008 mortgage crisis, gold prices have hit historic highs. Experts in the gold market now believe that gold is a haven and that demand is affected by the possibility of a catastrophic loss (or systematic risk). Several studies have shown that gold's safe-haven quality is reflected in price variations during times of crisis. Our objective will be to use the financial literature to further our knowledge of this widely held assumption. Indeed, we cannot discuss gold as a financial asset without mentioning its safe-haven characteristics. In other words, the most effective beneficiary of gold prices is uncertainty, which is frequently accompanied by extreme volatility and stock market disengagement.

Keywords: Value-retention, systematic risk, financial literature, uncertainty, volatility

Introduction
Gold is the most favorite tangible asset in which investors invest their Funds with closed eyes, due to its less volatility. Similarly, the global situation directly impacts the price of this precious metal. When tensions and geopolitical crises arise, the price of gold tends to rise because of its popularity as a haven. In this work, we study the link between the volatility of the stock market in the form of the S&P500 index and the Geopolitical Risk Index is a combination of gold price volatility and geopolitical considerations. We choose models to estimate the degree of this relationship and the effect that geopolitical issues have based on an assessment of the research in this area. We want to demonstrate and explain how volatility fluctuation across time, as well as its transmission, influences wealth-allocation strategies and how the benefits of international diversity may be jeopardized. Gold's safe-haven nature attracts more attention during uncertain political times or after a negative economic occurrence. People are reassured by this metal since it is tangible and allows for hedging against stock market price changes and other hazards. Unlike other asset classes, the gold market is not affected by counterparty obligations or solvency. The financial literature on the influence of a variety of behavioral biases on asset values is vast. Exogenous influences that are represented in investor sentiments have been addressed in studies in this field, and they have shown how such aspects link with stock market performance. Investors' preferences for various investment paths vary depending on their demands, perks, returns, and other factors. In Indian society, middle-class investors used to invest their money based on expected returns and risk profiles, but gold has become a popular investment option for middle- and high-class investors due to its distinctive characteristics. People used to invest in gold for jewelry and other purposes in the past. At certain celebrations and weddings, purchasing gold was seen as a sign of good fortune and wealth. People used to pass along their riches in the form of this valuable metal from generation to generation. They consider jewelry to be a safe and substantial investment. However, certain gold investment choices are now accessible in the form of gold bars, gold ETFs, digital gold, SGBs, and gold coins.

Literature Review
For equities, bonds, and currencies, gold has been used as a hedge and a haven. A hedge (safe-haven), according to Baur and Lucey (2010) [6], is an asset that is uncorrelated or negatively associated with another asset or portfolio on average (in times of market stress or turmoil). They discovered that gold functions as a shelter for equities in the near term, lasting up to fifteen days.

Gold, according to Baur and McDermott (2010) [6], is a short-term shelter for European and US equities investors. They conclude that gold operates as a strong refuge for developed economies during the current global financial crisis, distinguishing between weak and strong haven features. Furthermore, Baur and McDermott (2010) [6] investigate gold's hedging qualities at various frequencies, revealing that gold possesses hedging. On a daily and weekly time horizon, safe-haven features, but only acts as a hedge on a monthly time horizon.

Further, Baur and Glover (2012) [7] show that gold works as a haven in the near run, but that the asset's haven attributes may be harmed by rising levels of speculation. Capie *et al.* (2005) [8] observed a negative association between gold and US dollar exchange rates, with volatility in the relationship across time.

Regarding US dollar exchange rate changes, both Ciner, Gurdgiev, and Lucey (2013) [9] and Reboredo (2013) [10] discover hedging and haven features for gold. [20:53, 5/23/2022] Considering gold as an inflation hedge.

Tulsi Beckmann and Czudaj (2013) [11] show that the inflation hedging properties of gold are a function of investor time horizons.

Objective of Study

- To clear the meaning and concept of the gold market.
- To classify and forecast India's gold market.
- To identify drivers and challenges for the Indian gold market.
- To examine competitive development such as expansion, new product launches, etc. in the gold market.

Gold as a Safe Haven Reasons

1. A Trustworthy Store of Value- Gold, being the world's first form of currency, has long been regarded as a solid store of value due to its physical qualities. It is commonly accessible for trade yet has a limitless supply, making it precious, and unlike certain metals, it is not corrosive, making it durable.
2. Extensive Entry Point According to Jackson, individuals buy gold mostly for safety because it does not offer a dividend or interest, so "you might potentially lose money if what you are fearing does not come to true."
3. Investing Options While consumers can invest in actual gold, "the price of coins, bars, or jewelry likely to be a large mark-up." Finding a secure method to store it, as well as a market to sell it on, maybe pricey.

Methodology

After the epidemic and the accompanying worldwide economic catastrophe, gold reached an all-time high in 2020. Investors saw gold as a haven from uncertainty. The announcement of vaccination, the world reopening, and economies beginning to return to normal influenced gold and silver's appeal in late 2020 and early 2021. Markets are now concerned about inflation as a result of all the liquidity that has been and continues to be poured into the global economy. That's when gold and silver, to use a pun, really shine. Exposure to these assets has traditionally been employed as an inflation hedge. The cost of mining and producing gold climbed in tandem with the price of gold during the last bull cycle. As a result, profit margins did not grow as quickly as projected. During this cycle, the gold price has risen while mining expenses have remained steady. Companies are concentrating on keeping manufacturing costs under control. The gold mining industry is earning a lot of money, and the margins have increased dramatically.

Silver is presently up around 5% year to date, while gold is steady, therefore silver is now ahead in 2021. We believe silver will follow gold's example in terms of investment, as both metals are viewed by investors as a haven against inflation. Silver also has a high industrial demand component, which could increase during periods of global economic expansion. As a result, I do not expect silver to continue to outperform gold. However, the gold to silver ratio is currently around 68, compared to over 100 in 2020 and line with historical values, implying that the chance for outperformance is lesser than last year. Companies in the gold mining sector have shifted their focus away from just expanding production and toward boosting returns and profits. Increased output for the sake of expansion, even if it comes at higher costs and worse margins, is not economically sound. In a rising gold price environment, the industry is in good shape, and even with a flat production profile, these businesses will enjoy a free cash flow increase. Cost inflation in the industry is one concern I see. We're already seeing symptoms of stress in the mining industry, where wage inflation and increasing consumable and building material costs are affecting production costs and margins directly. We'll keep an eye on it, but we're optimistic. We'll keep an eye on it, but we're certain that businesses will sustain their cost-cutting efforts.

Conclusion

The motivation for why putting resources towards gold is ineffective and when it profiles. In India, gold is a valuable asset, and the Indian people believe that they should not face tragedies, thus they choose to acquire gold in good condition and keep it a haven habit of giving gold to women the marriage in India means that gold prices would skyrocket during the wedding season. Should we buy gold or not, and if so, when should we buy it? Is gold a valuable resource in the long run? If so, why not right now, Is it a good idea to include gold in our portfolio

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