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ज्ञान-विज्ञान विमुक्तये

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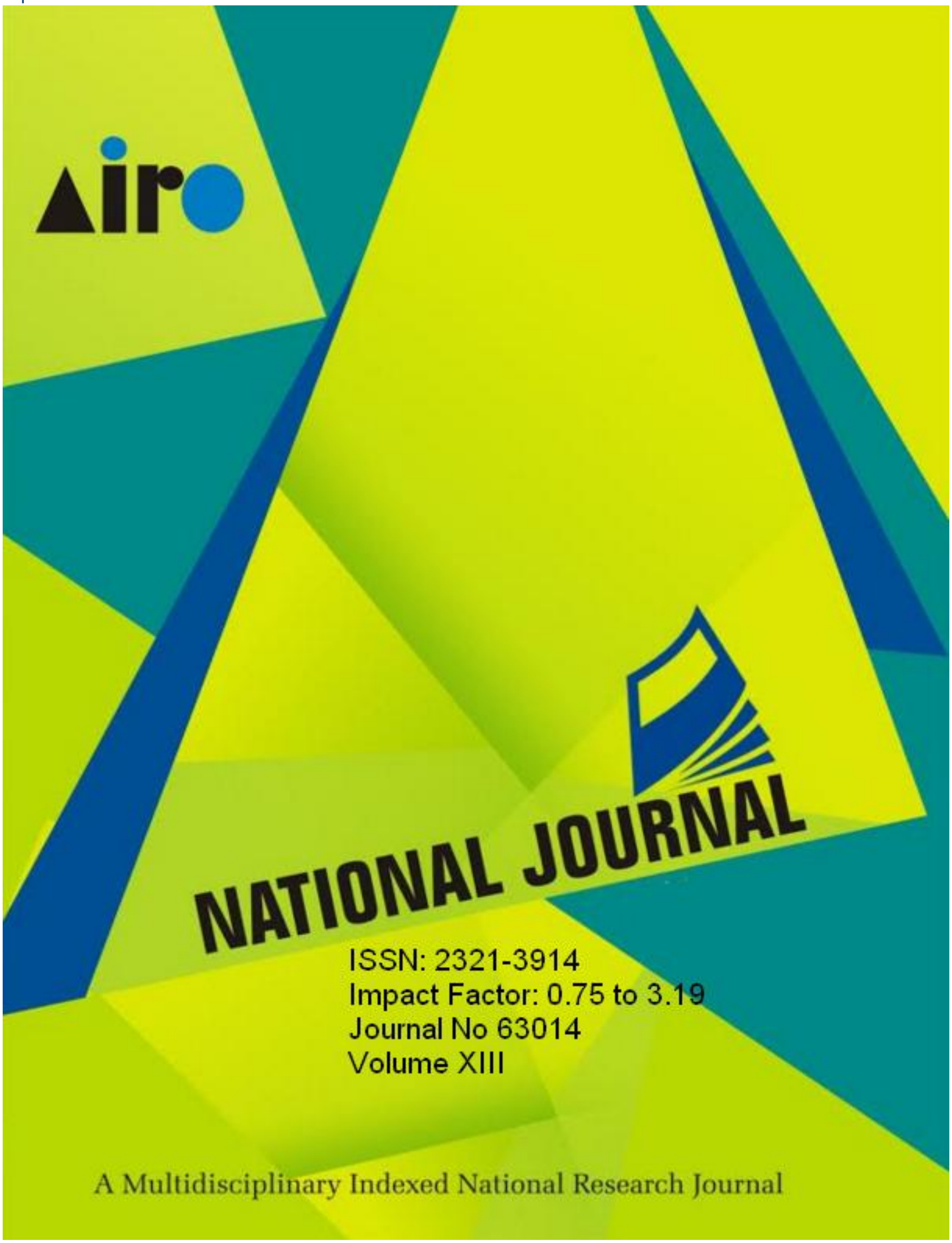

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GOLD PRICE RELATION WITH SENSEX AND NIFTY FOR A DECADE 2006 TO 2016

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ABSTRACT

Gold has been utilized around the world as an instrument for venture to support against expansion or in the shape ofjewellery. Every one of these variables is the explanation behind advertising the interest for gold day by day. According to world gold council gold demand in India is going to rise 33% by 2020. The aggregate yearly request will be overabundance of 1,200 tons by 2020. As of late India has turned into the largest consumer of gold and price of gold is prone to break Rs 32,000 stamp in the following schedule year. There is a reverse connection between gold price and dollar. In this paper, an endeavor has been made to examine the presence of unidirectional or bidirectional connection amongst gold price and Sensex for the period of10years (2006-2016). The consequences of the investigation demonstrate that there is no causality between the gold price, Sensexand nifty.

KEYWORDS: *Gold Price, Sensex, nifty, jewellery, investment, India.*

INTRODUCTION

In an economy, a stock market plays an important role. It makes preparation of assets conceivable crosswise over the economy. The advancement of stock market is vital from industry and financial specialists' perspective. Stock market is considered as an indicator of an economy. Aneconomic slowdown may lead stock market towards fall, and in this manner, the administration needs to nearly screen the developments in the stock market. A stock market file is for the most part influenced by the adjustments in the economic fundamentals. India being a developing country, many researchers have attempted to discover the macroeconomic factors impact on the Indian stock market over the most recent couple of decades.

The information on the stock Market lists like Sensex,BSE 100 and S&P CNXNifty was gathered from particular stockExchange sites. The examination utilized the yearlydata for the period December 2006 to December 2016.

Gold appears to have its own "rationales" and persona. It has customarily been extremely preservationist speculation because of its moderately shortage, yet it watches out for exact reflector of here and now fear about the economy by and large. Gold has generally been viewed as an alluring interest in India and its excellent performance in recent years has considerably affirmed the intelligence of that convention. At the point when markets are unstable and financial specialists freeze they tend to move out the risky resources such as stock and put into resources such asgold. Goldlike practically all items is exchanged on a dollar commanded premise. In the midst of emergency, capital frequently stream out of developing markets currencies. This makes it a doubly appealing speculation for Indian investors in unstable circumstances, the ascent in the rupee priceof gold is fuelled by both the expansion in internationalgold prices and by the valuation for the dollar againstthe rupee.

REVIEW OF LITERATURE: Gold as a speculation alternative was drastically represented in mid-2009. Gold surged even as global stockmarkets plunged and the rupee quickly exchanged at Rs. 51 to the dollar. Before the presentation of advancement and globalization strategies, gold prices in India demonstrated an expanding pattern (Figure-1). In the post progression period, the normal yearly prices ofgold also demonstrated an expanding pattern from the year at the same time, it demonstrated a diminishing pattern in 1997 and 1998 and again demonstrated an expanding pattern in the year 2000. From 2002 to 2012, gold prices are continuously increasing. The domestic goldprice in India is persistently expanding because of its heavy demand in the country. There are a few reasons gold has high demand in India. The first reasonis security; gold offersfull security as long as it is held by central banks. There is no credit risk connected to gold. Secondly, gold can keep up its liquidity even on occasion of emergency circumstances like high global expansion or political turbulence. The third reason for holding gold is to fabricate a diversified portfolio. Gold also has played the part of a benefit of final resort. World EconomicHistory showsthat countries have more than once utilized gold assecurity against advances when they have experienced issues with their Balance of Payments and have wanted to acquire on the worldwide capital markets.

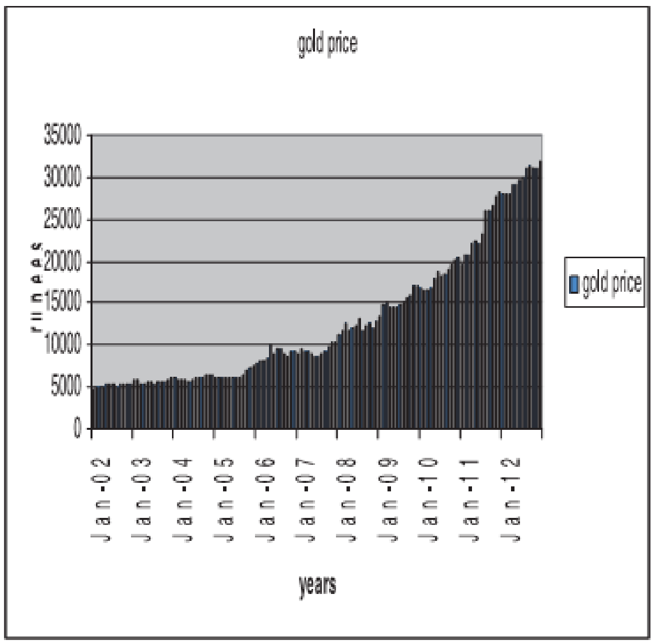

Figure 1: Yearly Movement of Gold Price (Source: Bombaybullion.com)

Analysis of the historical data uncovers that when the stock market accidents or dollar debilitates, gold continues to be a place of refuge investment because of rising gold prices in such conditions. It can be safely concludedthat investors progressively fence their investments through gold at the season of emergencies.

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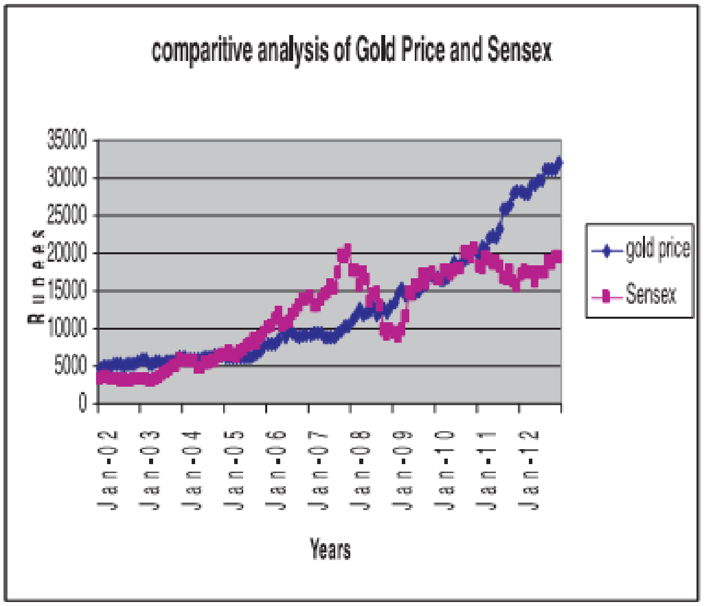


Figure- 2 Movement of gold price and Sensex

Figure2clearly exhibits the pattern in the development of Sensex andgold price from 2002 to 2006. It shows up they are moving same way however when market crashed in 2008 gold price were expanding at an enduring rate and in the year 2011-12 when Sensex was down the price ofgold reached another stature. This unmistakably calls attention to that there can be probability of opposite relationship between the two variables. There are different variables which drive gold price.

Gold is regularly utilized as an expansion fence. Expansion tends to increase as a result of higher demand and higher salaries i.e. wage expansion, expanding the cost of goodsand services alongside this consumption increase and people buy more products autos and house specifically causing costs of oil and mechanical metals to rise. Swelling has the impact of lessening the obtaining influence of cash a given measure of cash less over the long haul. Verifiably, in such times, gold and other unmistakable resources, for example, land have acted as storesof value.

Gold market in India: Unceasingly appealing to humanity, gold has discovered its foremost use as a store of value. Its excellence has made it well known in enrichment. Gold has additionally turned into an increasingly importantindustrial metal. In view of its irregularity and its durability, gold has been all around worthy as money for thousands of years. Gold is the most unmistakable of the noble metals (gold, silver, platinum, andother platinumgroup metals), so named on account of their idleness, or hesitance to go into concoction responses. Goldwill not respond with basic acids. Gold, the most celebrated of all precious metals, is broadly looked for after all through the world for the two its venture qualities and mechanical properties. In reality, gold traditionally has served three functions: as a monetary instrument, as a financial asset, and as a raw material essentially utilized as a part of jewelleryand decorative objects. As an investment, gold normally is seen as a financial asset that will keep up its incentive amid times of political, social, or monetary misery. As such, gold can furnish individual and institutional speculators alike with a portfolio safety net against sharp descending spikes in integral resources such as stocksand bonds. While investment demand is vital, the biggest utilize for gold is injewellery, with the dominant part of utilization happening in the United States, Japan, Italy, India, China, and Thailand. Jewelleryproduction has been developing at a hearty pace in the developing countries of Southeast Asia and the Middle East since 1988. Gold also is utilized as a part of electronic connectors and dental amalgams. Gold is mined in more than 76 countries aroundthe world, with the vast number of improvement extends in these nations anticipated that would keep generation developing great into the next century. As of now, South Africa is the biggest gold producingcountry, followed by the United States, Australia, and Canada. A large number of individuals everywhere throughout the world keep on use gold as a fence against swelling and as an essential type of investment funds and a solid store of significant worth amid times of financial vulnerability or political change.

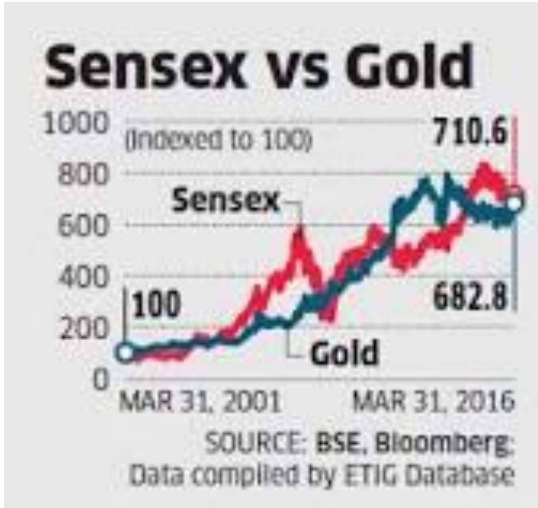
SENSEX: THE BAROMETER OF INDIAN ECONOMY: For the head Stock Exchange that spearheaded the stockbroking movement in India, 128 years of encounter is by all accounts a glad point of reference. A considerable measure has changed since 1875when 318 people moved toward becoming individuals from what today is called "The Stock Exchange, Mumbai" by paying a royal measure of Re1. From that point forward, the country’s capitalmarkets have went through both good andbad periods. The excursion in the twentieth century has not been a simple one. Till the time of eighties, there was no scale to quantify the good and bad times in the Indian stock market. The StockExchange,Mumbai (BSE) in 1986 turned out with a stock index that accordingly turned into the indicator of the Indian stock market. SENSEX isn't just logically planned yet in addition in light of all around acknowledged development and audit strategy. In the first place ordered in 1986, SENSEX is a bin of 30 constituent stocks representing an example of vast, fluid and delegate organizations.

The base year of SENSEX is 1978-79 and the base esteem is 100. The file is generally announced in both household and international markets through print and in addition electronic media. The Index was at first computed in light of the "Full Market Capitalization "procedure however was moved to the free-drift philosophy with impact from September 1, 2003. The "Free-coast Market Capitalization" philosophy of file development is viewed as an industry best practice comprehensively. All significant list suppliers like MSCI, FTSE, STOXX, S&P and Dow Jones utilize the Free-skim technique.

Due to is wide acknowledgment among the Indian investors; SENSEX is respected to be the beat of the Indian stock market. As the most seasoned list in the country, it gives the time arrangement information over a reasonably long periodof time (From 1979 onwards). Little ponder, the SENSEX has throughout the years end up plainly a standout amongst the most noticeable brands in the nation. The development of value showcases in India has been wonderful in the decade passed by. Appropriate from mid-nineties the stock market saw uplifted movement as far as different bull and bear runs. The SENSEX caught every one of these occasions in the most legal way. One can distinguish the blasts and busts of the Indian stock market through SENSEX.

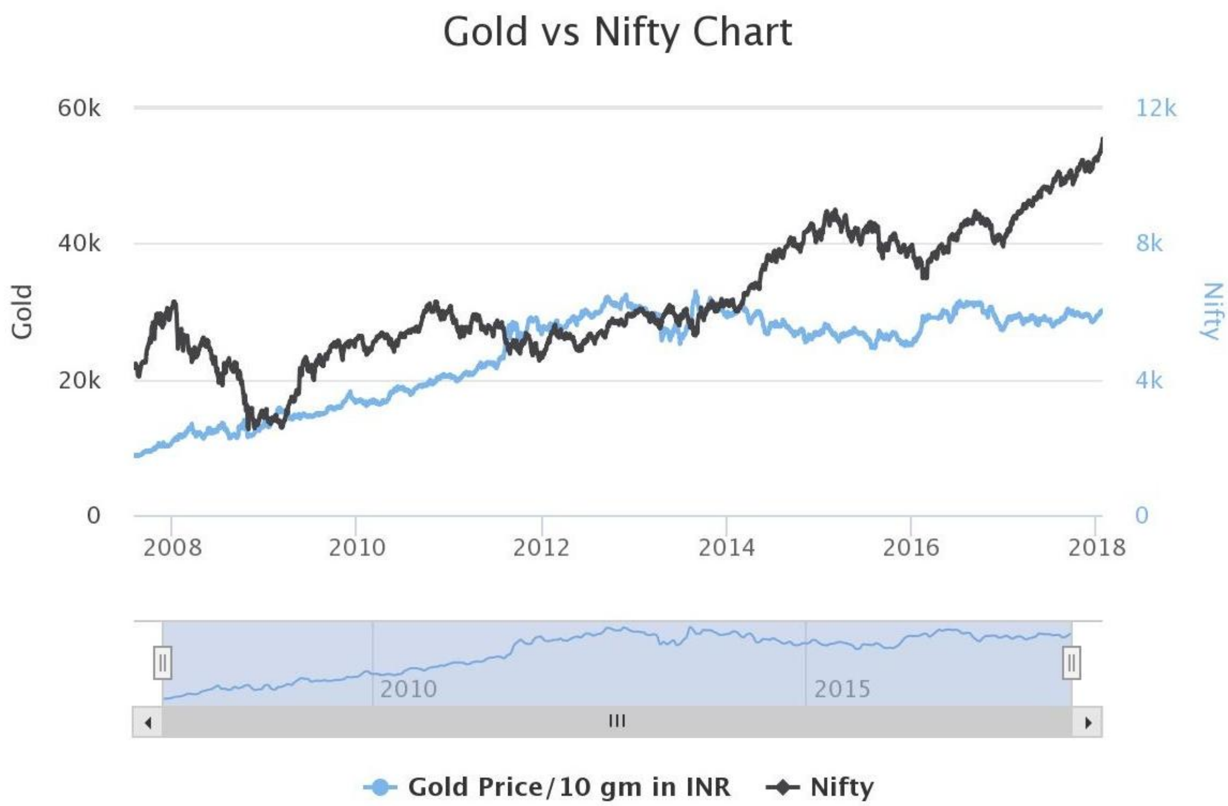
GOLD V/S. SENSEX:

Traditional Indian family units still swear by gold as a long haul resource and they have a substantial purpose behind that. Gold has created an annualized return of 13.66% in the last 15 financial years, barely lower than the Sensex return of 13.97% amid same period (see Sensex versus Gold Chart).



DATA ANDMETHODOLOGY: This paper aims at relationship between gold prices with Sensex and nifty stock market returns in India for the period 2006 to 2016. This study is mainly based on secondary data that have been collected from the database on Indian economy. The study analyses the monthly data on domestic gold prices and stock market returns in India for the aforesaid period. Wherever data were missing, the averages of the data of the previous month and next month have been taken.

EMPIRICAL ANALYSIS: Gold orNifty, which of the two offers a superior venture opportunity? Shouldgoldbe part of your long haul speculation portfolio or would it be a good idea for it to be just stocks? These are the absolute most every now and again wrangled about themes among speculator group. On the off chance that we investigate the execution of gold versus value venture in the course of the most recent couple of years, gold had been pioneering the trail alone, abandoning values path from 2008 to 2013. In any case, since 2014, things have taken a sharp turn and value returns are beating gold returns by enormous edge. So what was filling gold out execution preceding 2013? As gold is a swelling support, it's esteem acknowledges in high expansion situation and monetary downturn. On the off chance that swelling of any nation builds, speculators buy gold to adjust their portfolio and gold price climbs. In this way, amid swelling i.e. from 2008 till 2013 the gold prices were rising and the stock prices were falling. As economic scenario enhanced post 2013, the pattern switched. The same is clear in the Gold's. Niftychart below. There was an enormous uniqueness amongst gold prices and nifty in 2012-2013 wherein gold is solid uptrendingwhile nifty was either level or in downtrend (A perfect time to sell gold and buy stocks). We saw a similar difference in nifty andgold prices in 2015 (gold prices constantly going down and nifty moving up). As brilliant speculators, we should prepare ourselves for gradually moving out from overrated value and going into underpriced gold and vice versa at whatever point such uniqueness happens. While influencing a venture to see in gold, one ought to also crossverify Nifty PE. NiftyPE over 25 is exceedingly unsustainable and is a shouting offer for value asset class. Keep in mind the basic mantraof investing - Buy low and sell high. You can track the day by day correlation of Nifty andGold prices.



RETURNS ANALYSIS: It's intriguing to take a gander at the historical returns of gold andnifty. The graph beneath demonstrates the sort of profits gold andnifty have been producing since 2006 till date. There are just 3 events (2008, 2010 and 2011) when gold has beaten nifty returns on a yearly basis. The jury is still out in 2016. Taking a gander at this trend, gold doesn't appear to be an incredible investment avenuefor investors. As talked about above, gold is an extraordinary investment only during economic distress. Keeping this in mind, investors ought to abstain from making an investment in gold andprioritize investment in values when the economy is in an uptrend as stocks will perform far superior in such a scenario.

CONCLUSION:

In this paper, the easygoing relationship has been analyzed between Gold Price Relation with Sensexand nifty. There is a positive connection amongststock returns and gold price from 2006 to 2010 however because of financial emergency in USA in 2011 and 2016 this connection is by all accounts blurring and it was build up by utilizing connection and Johansen's co-coordination test that there is no connection amongst gold prices and stock returns i.e. Sensex return in the longrun period. The results of Granger causality test uncovers that profits of Sensex index does not prompt increment in gold price and ascend in gold price does not lead to increasein Sensex.

This study shows that amid the time of economic stability the Sensex kept picking up focuses yet the gold price development was not that forceful As the economy began getting to be plainly weaker the gold became the more favored and solid speculation and the Sensex started to lose focuses. We can conclude that amid the economic stability in the market people see both gold andSensex differentlyand nifty is no relationship between the developments of price andpoints. But when the economy isn't steady the safe metal gold is wanted to confine the risk.

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