Is Gold the Glittering Future Asset or just an over-valued Commodity?

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Abstract: In this paper all the aspects and versions of "gold" shall be discussed and analysed in deep to find out the reason for its ever increase in price over and over again. Is Gold really the worth of its value and can be said as a safe investment which can be stored for future purpose or is gold just an over rated and over-valued commodity due to the market sentiments and follow the herd instinct. There are few comparisons also made with all the major sought after investment deals i.e. gold, Silver and the stock market by which any investor can get his desired return in the time frame. So after analyzing all details we shall be able to conclude weather Gold is really a good future option from the perspective of investment or its just has been over valued over a period time following the herd instinct. Should an investor really put his hard-earned money in this little commodity which still seems priced too high for a common man.

Keywords: MCX, stock market, commodity market, Silver

1. INTRODUCTION

"Gold" the most sought-after topic in terms of investment for any investor. Often since childhood we have been hearing that "all that glitters is not gold" and gold is a very good heavy investment whose value keeps on increasing year by year. Is Gold really the worth of its value and can be said as a safe investment which can be stored for future purpose or is gold just an over rated and over-valued commodity due to the market sentiments and follow the herd instinct. Anyone who wishes to invest having some amount of money with him, his mind atleast crosses over this thought to buy gold as it's the safest and is a glittering future asset which can anytime be used and be liquidated easily without much of hassle.

In this paper all the aspects and versions of "gold" shall be discussed and analysed in deep to find out the reason for its ever increase in price over and over again.

2. Statistics

Below are the statistics analysed taken from the official website:

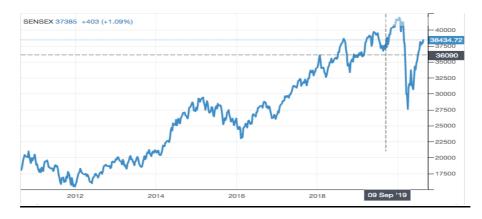
- Figure 1: Price of Gold in past 40 years' time frame
- Figure 2: Rise of gold price in comparison to stock market in past 10 years
- Figure 3: Rise of gold price in comparison to Silver in past 10 years

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The above Figure 1 explains the past figures for the gold commodity in the Indian market for past 40 years from year 1980 to year 2020. From the graph above we can easily see the sharp rising uptrend in the blue line especially after year 2004. From 1980 to 2004 the price line was oscillating in momentum within a specified range. But suddenly from 2004 onwards we can see a sharp uptrend steeply rising till 2013, after which we can see a fall and gold prices once again experienced a declining trend up to 2018. And after 2018 to 2020 we can again see an uptrend. So as we can read the fluctuations from the above the gold prices like other common stock (shares) is oscillating and at times takes a leap forward like the stock market. In year 1979 the base of Sensex was set at 100 and today in 2020 it has touched 40000. That means in 40 year's time frame there has been increase of 40000 times value. But this commodity can it be blindly relied upon as a form of most sought-after investment in the Indian market among the consumers; so what shall make this gold glittering in future also? If the movement of this commodity is just like any other stock market.

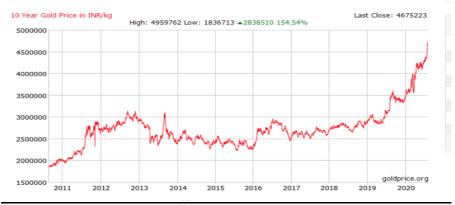
Figure 2: Rise of gold price in comparison to stock market in past 10 years



• Rise of stock market in past 10 years

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• Rise of gold price in past 10 years



The above Figure 2 explains the Rise of gold price in comparison to Sensex in past 10 years. In the first figure of figure 2, it explains the price chart of the movement of Sensex (Indian stock exchange BSE). As we can see, the red line represents the movement, from 2010-2014 (4 years' time frame) we can see a steady range oscillation without rise or fall in a certain direction. After 4 years also the Sensex stays where it was in 2010. From 2014, we can notice a momentum upwards for a year till 2015; with a fall again over 2016. From 2016 to 2019 again we can notice a speedy uptrend movement until 2020. But on the whole if we see, the change from 2010 to 2020 (a ten-year time frame) we can notice a positive movement altogether with almost 190% increase in figures which proves that over a time frame of ten years the invested money value doubles. But one must not forget the inflationary trend also and the cost of opportunity. Is it wise to invest in Sensex as compared to other modes?

In the second figure of figure 2 it explains the price chart of the movement of gold. From 2010 to 2012 the value of gold rose around 55% in just 2 years of time frame which is whooping number. But from 2012 to 2019 we can see a normal oscillation within a range without heavy fluctuation on the either side. From 2019 onwards the gold price suddenly started rising to almost 50% increase in value in just one-year time. We can see the history repeating as it did in 2010-2012 period. On the whole if we see, from 2010 to 2020, the net increase in value is 170%.

If we compare Gold and Sensex over a time of 10 years as explained above, it proves that Sensex is a better option as compared to gold. Gold rose by 170 % while Sensex rose by 190%. If we talk from investment purpose and value return so how does it prove that only gold glitters. The saying must now be modifying as all that glitters can be gold and Sensex.

Figure 3: Rise of gold price in comparison to Silver in past 10 years



Rise of Silver price in past 10 years

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Rise of gold price in past 10 years



The above Figure 3 explains the Rise of gold price in comparison to Silver in past 10 years. In the first figure of figure 3 it explains the price chart of the movement of silver in India.

In the chart above we see the ruthless movement of silver. In the beginning of 2010-2011 the silver price rose from 25000 to 68000 in just 12 months' time which is 172%. Why would not any investor invest here in this overvalued commodity? but from 2012 onwards we can see silver prices coming down slowly until 2016 back to its valuation. From 2016 to 2019 it moved in a range oscillation which means no long-term return in three years. But suddenly from 2019 to 2020 we can see a sharp uptrend as we saw in gold prices for the same period. On the whole if we see, from 2010 to 2020, the net increase in value is 172 % which is almost same as for gold rise in price.

In the second figure of figure 3 it explains the price chart of the movement of gold. From 2010 to 2012 the value of gold rose around 55% in just 2 years of time frame which is whooping number. But from 2012 to 2019 we can see a normal oscillation within a range without heavy fluctuation on the either side.

From 2019 onwards the gold price suddenly started rising to almost 50% increase in value in just one-year time. We can see the history repeating as it did in 2010-2012 period. We can see a sharp uptrend as we saw in silver prices for the same period. On the whole if we see, from 2010 to 2020, the net increase in value is 170%, which is almost same as for silver rise in price.

If we compare Gold and Silver over a time of 10 years as explained above it proves that both gold and silver are standing at same platform if we talk from investment purpose and value return. Gold rose by 170 % while Silver rose by 172%. So how does it prove that only gold glitters. The saying must now be modifying as all that glitters can be gold and silver

3. Findings

Below are the Findings of the paper:

Gold is really a good future option from the perspective of investment or its just has been over valued over a period time following the herd instinct. Should an investor really put his hard-earned money in this little commodity which still seems priced too high for a common man. But this commodity can it be blindly relied upon as a form of most sought-after investment in the Indian market among the consumers; so, what shall make this gold glittering in future also? If the movement of this commodity is just like any other stock market so why it shall be the glittering future, rather can't we say it's just an over rated commodity in the Indian market. So, as we can read the fluctuations from the above the gold prices like other common stock (shares) is oscillating and at times takes a leap forward like the stock market. But this commodity can it be blindly relied upon as a form of most sought-after investment in the

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Indian market among the consumers; so, what shall make this gold glittering in future also? If we compare in year 1979 the base of Sensex was set at 100 and today in 2020 it has touched 40000. That means in 40 years' time frame there has been increase of 40000 times value. Gold and Sensex over a time of 10 years as explained above, it proves that Sensex is a better option as compared to gold. Gold rose by 170 % while Sensex rose by 190%. If we talk from investment purpose and value return so how does it prove that only gold glitters. The saying must now be modifying as all that glitters can be gold and Sensex. If we compare Gold and Silver over a time of 10 years as explained above it proves that both gold and silver are standing at same platform if we talk from investment purpose and value return. Gold rose by 170 % while Silver rose by 172%. So how does it prove that only gold glitters. The saying must now be modifying as all that glitters can be gold and silver.

4. Final interpretation

Below are the major findings nutshell:

- Gold rose by 170 % while Sensex rose by 190%. Over 2010-2020.
- Gold rose by 170 % while Silver rose by 172%. Over 2010-2020.
- In 40 years', time frame there has been increase of 40000 times value in Sensex.

5. Conclusion

Is Gold really the worth of its value and can be said as a safe investment which can be stored for future purpose or is gold just an over rated and over-valued commodity due to the market sentiments and follow the herd instinct. Gold rose by 170 % while Silver rose by 172%. So how does it prove that only gold glitters. The saying must now be modifying as all that glitters can be gold and silver. Gold rose by 170 % while Sensex rose by 190%. If we talk from investment purpose and value return so how does it prove that only gold glitters. The saying must now be modifying as all that glitters can be gold and Sensex. In nutshell, gold is not the only luring investment option' silver as well as Sensex are almost in line with it.

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