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Gold to stay volatile

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Calcutta: The volatility in gold prices seen over the past two months is expected to persist in the near term, driven by a combination of factors ranging from the coronavirus outbreak to crude prices and the stability measures of various central banks.

Gold prices reached a peak of \$1676.60 per ounce on February 24 and \$1675.70 per ounce on March 9 amid the high volatility in global prices since February.

According to Arvind Sahay, chairperson of the India Gold Policy Centre, factors influencing gold prices at present are the Covid-19 contagion, the dollar index, falling crude oil prices, liquidity measures taken by various central banks and the extent to which the fiscal deficit of various countries will be stretched.

“Gold prices have declined 12 per cent from its recent peak. But the dust hasn’t settled yet, considering the fac-

PRICE SWINGS

Gold price (in \$ per ounce)

Feb. 24, 2020	1676.60
Feb. 28	1566.70
March 9	1675.70
March 16	1486.50
March 17	1525.80
March 20	1488.10

tors driving volatility. For instance, crude price after surging last Thursday has declined 11 per cent in a day. Dollar index is at its highest since December 2016. While gold prices have stabilised after recent declines, Dow Jones has been making new lows. Moreover, the pandemic has unfortunately coincided with economic fallout. In short, panic and fear still continues,” said Sahay.

According to Sahay, in a pandemic situation, individuals usually prefer currency over other assets. “In times of pandemic, people prefer to

have cash or gold. But the first preference is to be in currency as that is what helps during a lockdown. From a professional investor perspective, they would prefer dollar over other assets, a reason why the dollar is so strong,” said Sahay, adding the gold prices are expected to remain range-bound in the near term.

According to the World Gold Council, the steps taken by different governments in the coming days to combat the virus outbreak would be crucial for investors of the yellow metal.

“Conditions in the current environment are unprecedented for people across generations. Investors are bracing themselves for more bumps ahead. If a recession does occur, its depth and duration will depend on how quickly and effectively governments are able to slow down the contagion, buffer the economies and hopefully find a way of treating or preventing Covid-19,” the WGC said in a report.