

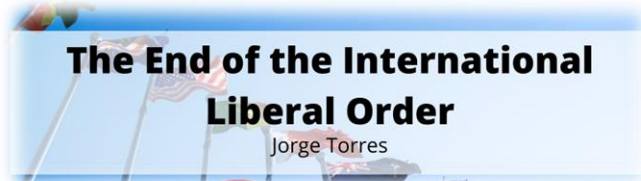
# A New Sheen to Gold

The Indian Evidence

# Enquiry: Whether any Indian evidence for an increased attraction to hold gold

## Context

- *Erosion of a rule based liberal order*



- Specifically, weakening of institutions upholding the Monetary Order

- *Reimagination of Money*



## Perspectives

- Central Bank



- Individuals

- The common people



# Gold as a Monetary Anchor: 1873-1971

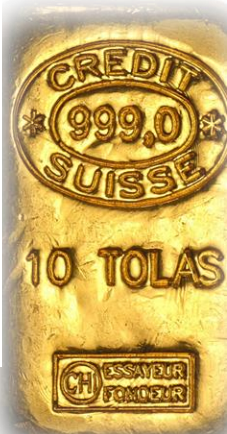
- In Pursuit of Monetary Stability
- Scarcity ensured safeguard against overissue

Classical Gold Standard: 1875-1914

THE  
**G O L D**  
S T A N D A R D

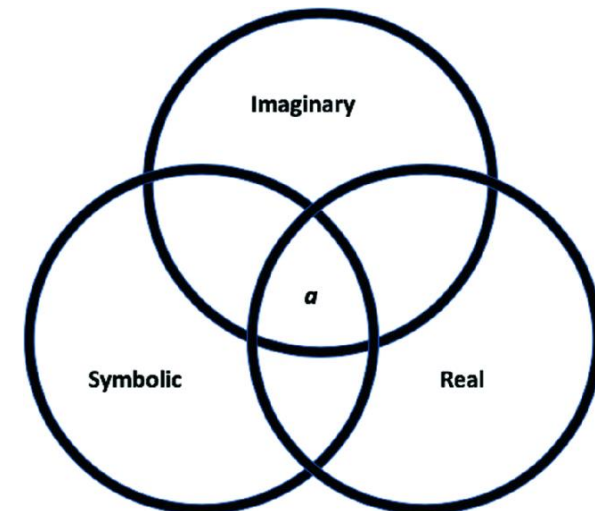
The Bretton Woods Arrangement  
(Can you say "Middleman"?)

FTMDAILY.COM



# In quest of stability: From Gold to Institutions

- 20<sup>th</sup> Century - confidence in physical gold replaced by confidence in abstract constructs and governance
  - **institutions** (e.g., central banks),
  - **rules** (e.g., IMF Articles of Agreement) and
  - **global regimes** (e.g., exchange rate regimes to maintain stability),
- as the **idea of money** transited from the **Real** to the **Symbolic** and the **Imaginary**.
- Gold demonetised - relegated from monetary metal to a commodity after 1971



# Institutions in the Crosshairs

## Why is Trump attacking the Federal Reserve? We answer your questions.

And what will the Fed do next?

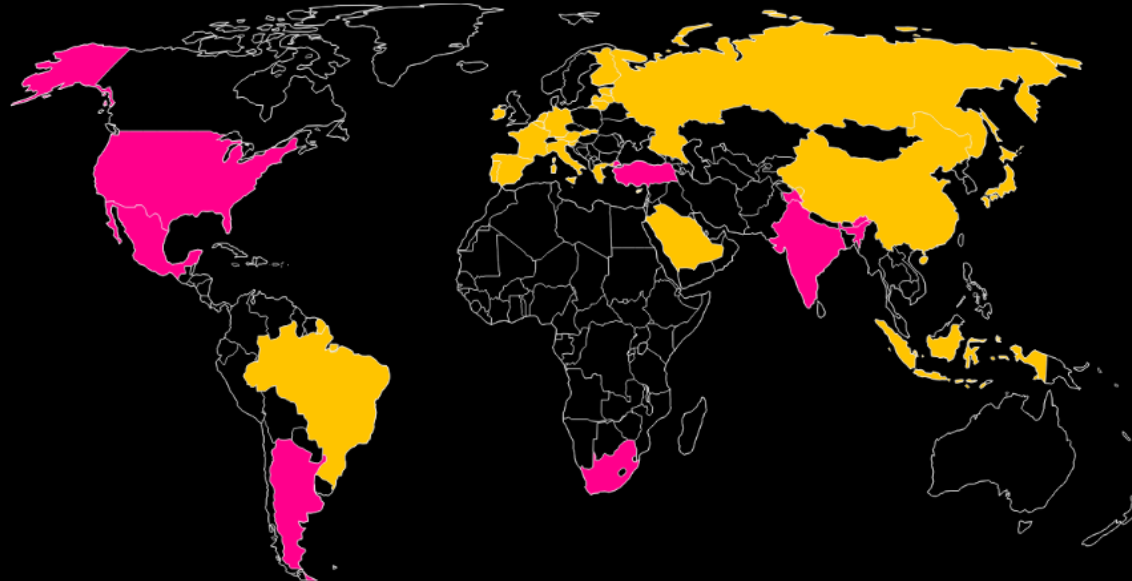
Analysis by Sarah Binder and Mark Spindel  
August 27, 2019 at 10:32 a.m. EDT

## Recent Trends Commencing 2017

### Eroding Independence

A study of 13 central banks found that nearly half experienced a de-facto deterioration of autonomy

■ Autonomy unchanged ■ Autonomy deteriorated



Source: ECB Occasional Paper Series No 248 / October 2020 2: The case for central bank independence (Rodolfo Dall'Orto Mas, Benjamin Vonessen, Christian Fehlker, Katrin Arnold)

Bloomberg





# Forces Weakening the Rule Based Liberal Order



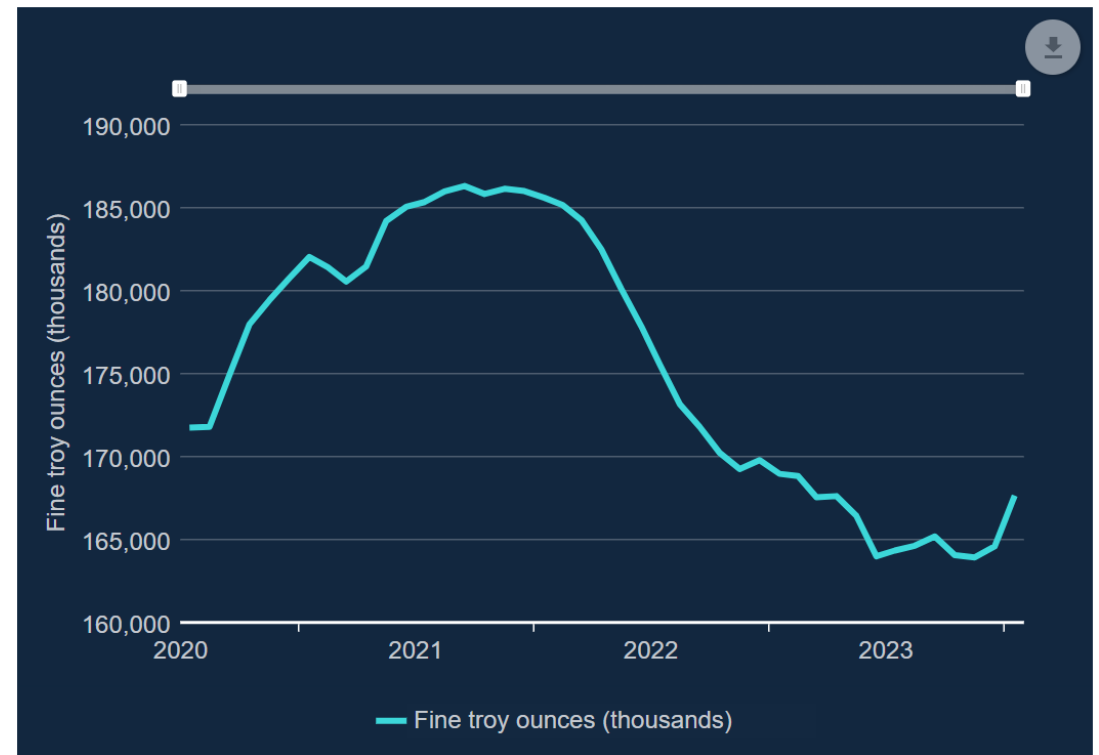
How has this impacted demand for gold globally and in India

# The Events and Drivers Impacting Gold

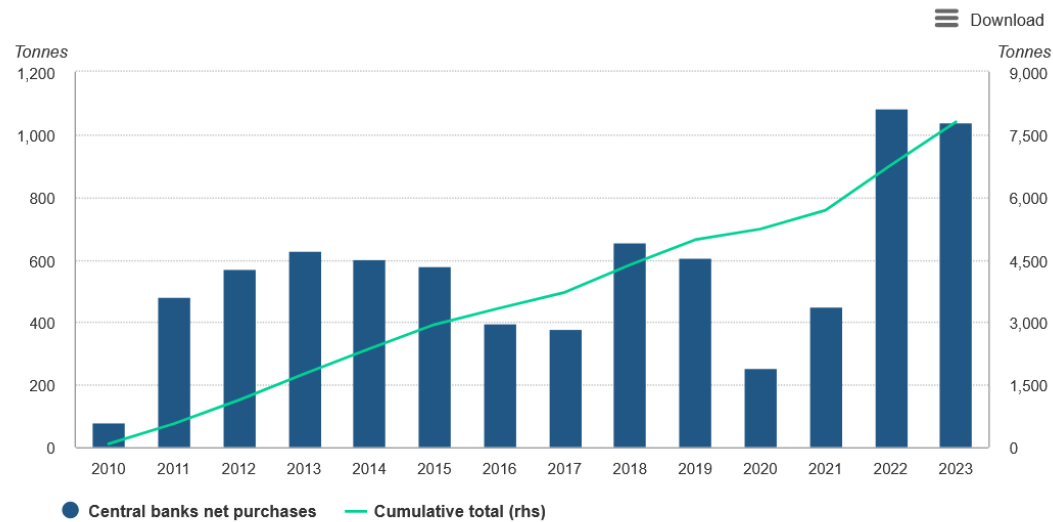
- 2014 – Geopolitics
  - Russian annexation of Crimea - Sanctions
- 2016/17 President Trump Reset
- 2018 UNSG - Trust Deficit Disorder
- 2020 Depository Issues
  - Bank of England - Venezuelan gold - Guaidó vs Maduro - BoE reputation as impartial and safe location free from political and confiscation risk
  - preference for domestic or neutral storage over traditional storage.
- 2022 – Freezing of Russian Central Bank Assets – brought to the fore sanctions risk - WGC Central Bank Survey

## Bank of England Gold Holdings

Gold holdings

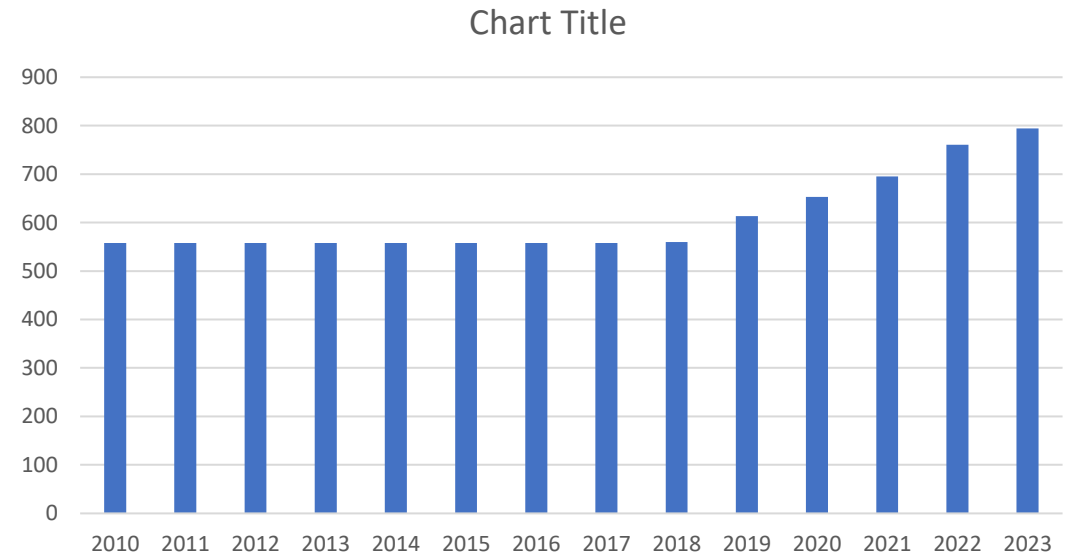


# Central Bank Demand and RBI Gold Holdings



Sources: Metals Focus, Refinitiv GFMS, World Gold Council; [Disclaimer](#)

\*Data as of 31 December 2023



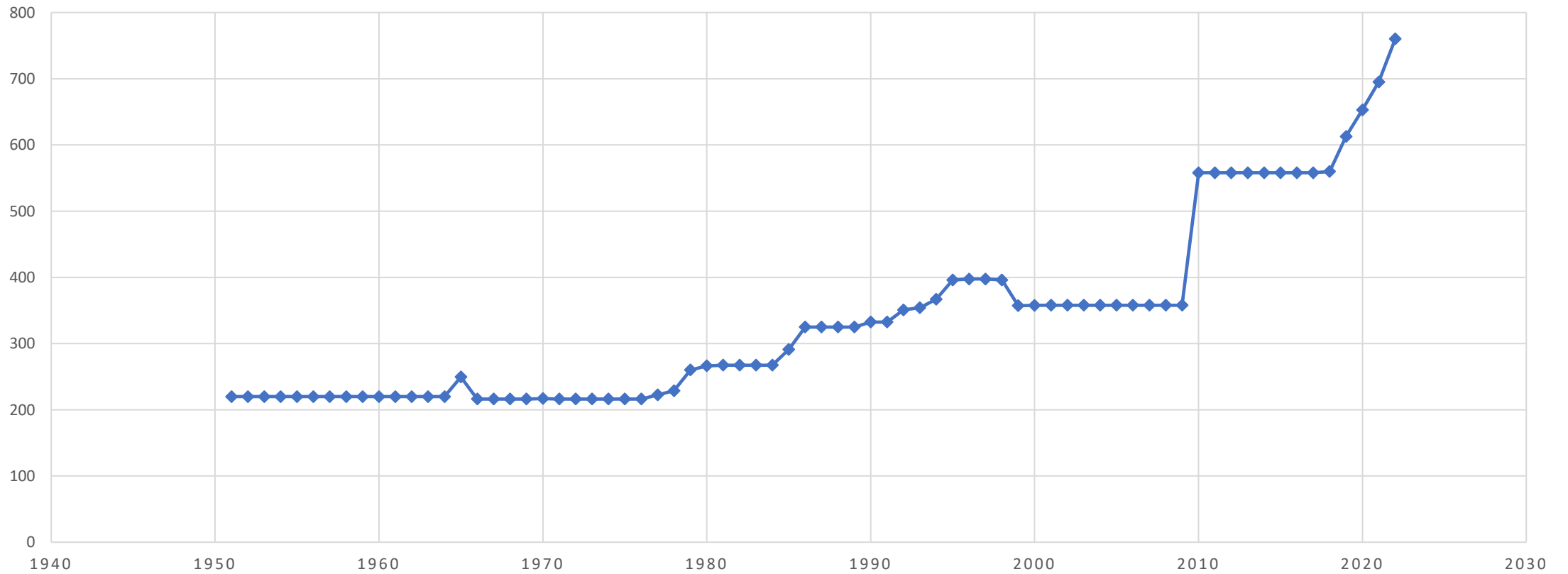
Trust Deficit Disorder  
speech





# RBI Gold Holdings: 1951-2023

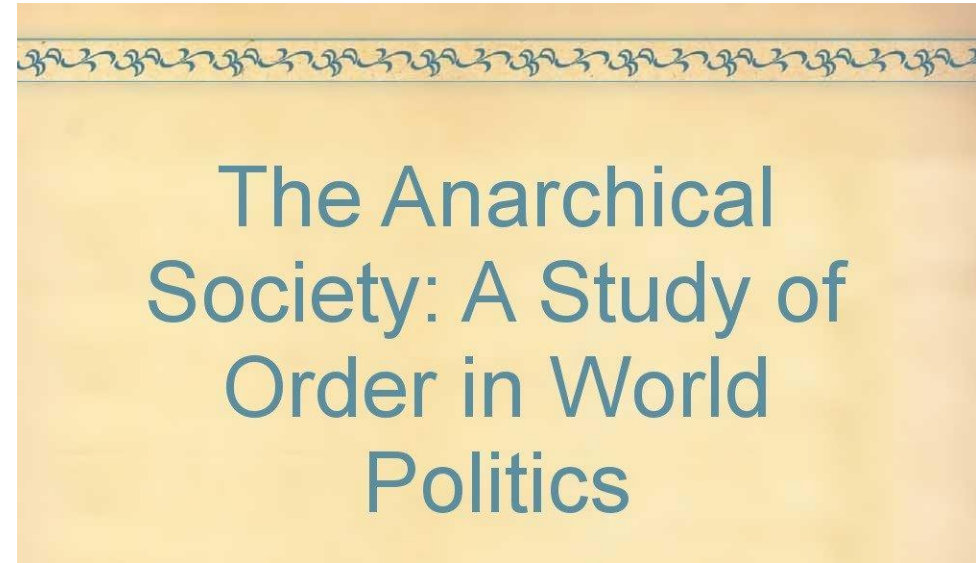
RBI OFFICIAL HOLDINGS (TONNES)



# Liberal Order and Gold

- Global order, rules, regimes and institutions relegates gold to a barbarous relic.
  - Gold effectively demonetised - 1970s
    - IMF and Central Banks sellers up to 2008...  
Bank of England, Swiss National Bank sold half of gold reserves.
- Trust Deficit Disorder, UNSG 2018
  - Loss of security of expectations of rules, trust & cooperation, gold comes into its own.
  - Gold Price Predictions ... Lead Indicators
- Evidence – Central Bank buying of gold - reflected in Indian evidence

- Back to



# Gold and Forces Reimagining Money

- Money's transition –
  - From the Real (Metal), the Symbolic (Notes) to Imaginary (Fiat Money) - abstract unit of account – central bank liability.
- Money as CBL contested by Cryptocurrencies (Bitcoins 2008/9)
  - Evolved from cypherpunk movement with distrust of government, banks and large corporates.
  - Derived value through algorithmic scarcity simulating gold – metaphor mining.
- Central Banks respond – CBDCs
  - Problem CBDCs – Surveillance and programmable money -



Algorithmic Scarcity and  
the metaphor of gold



David Chaum



Timothy May



Eric Huges



John Gilmore

# CBDC concerns

- Privacy and Surveillance
- Programmable Money
  - Idea of Money as generally acceptable and fungible
  - Individual Agency
- Shift of power from people to Government, Banks and Corporates
  - The freedom to transact
- Role of gold as a primitive means of transaction. (Window till the digital transformation of gold). India: 6 digit alphanumeric Hallmark Unique Identification Number (HUID)



WSJ PRO

## Surveillance Risks Shape How Central Banks Test Digital Currencies

Race to explore new payment systems highlights trade-offs between performance, privacy and security

By *David Uberti*

For The CBDC Retail Pilot

## Monetary Policy 2024: Shaktikanta Das announces Programmability and Offline Functionality for the CBDC Retail pilot

*Das proposed to enable additional functionalities for CBDC retail payments*

Written by [Ritarshi Banerjee](#)

February 8, 2024 11:35 IST

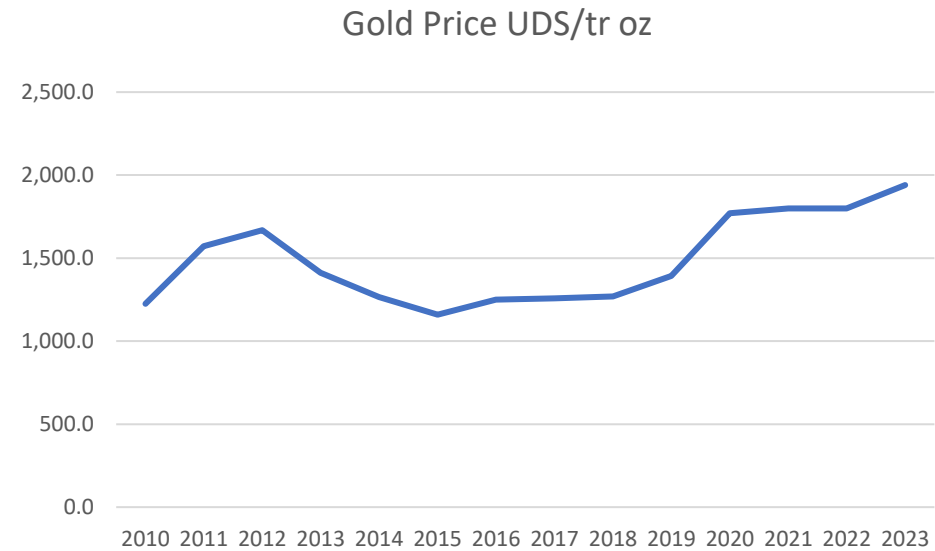
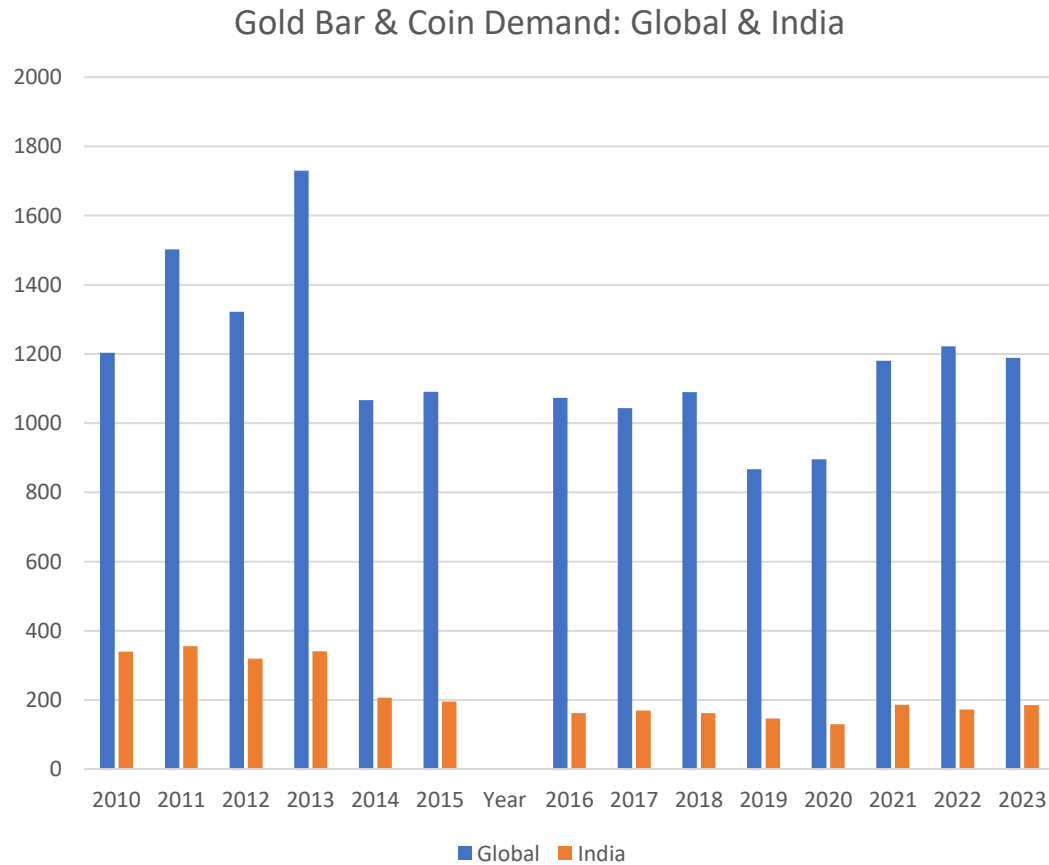


# Gold as a Portfolio Diversifier

- Reduced demand for gold on a per capita basis from about 0.8 gms in 2010 to 0.5 gms in 2023
- However, attraction of Gold as an asset diversifier.
- Broadbasing as evidenced by the increase in the number of ETF folios from about 0.3 million in 2010 to 4.6 million in 2022
- India's digital embrace and the India Stack

Year	India ETFs net avg AUM (Rupees Crores)	No. of India ETFs Folios	India SGB holdings (Tonnes)
2010	4081	319679	--
2011	9619.56	475314	--
2012	11621.5	569169	--
2013	9155.46	502613	--
2014	6743.29	465765	--
2015	6520.53	425914	--
2016	5551.56	364110	5
2017	4815.15	329343	20
2018	4531.9	320620	23
2019	7794.47	526671	25
2020	14050.28	1299324	31
2021	19369.57	4241840	63
2022	20427.37	4667294	90

# Physical Demand for Bar & Coin in India



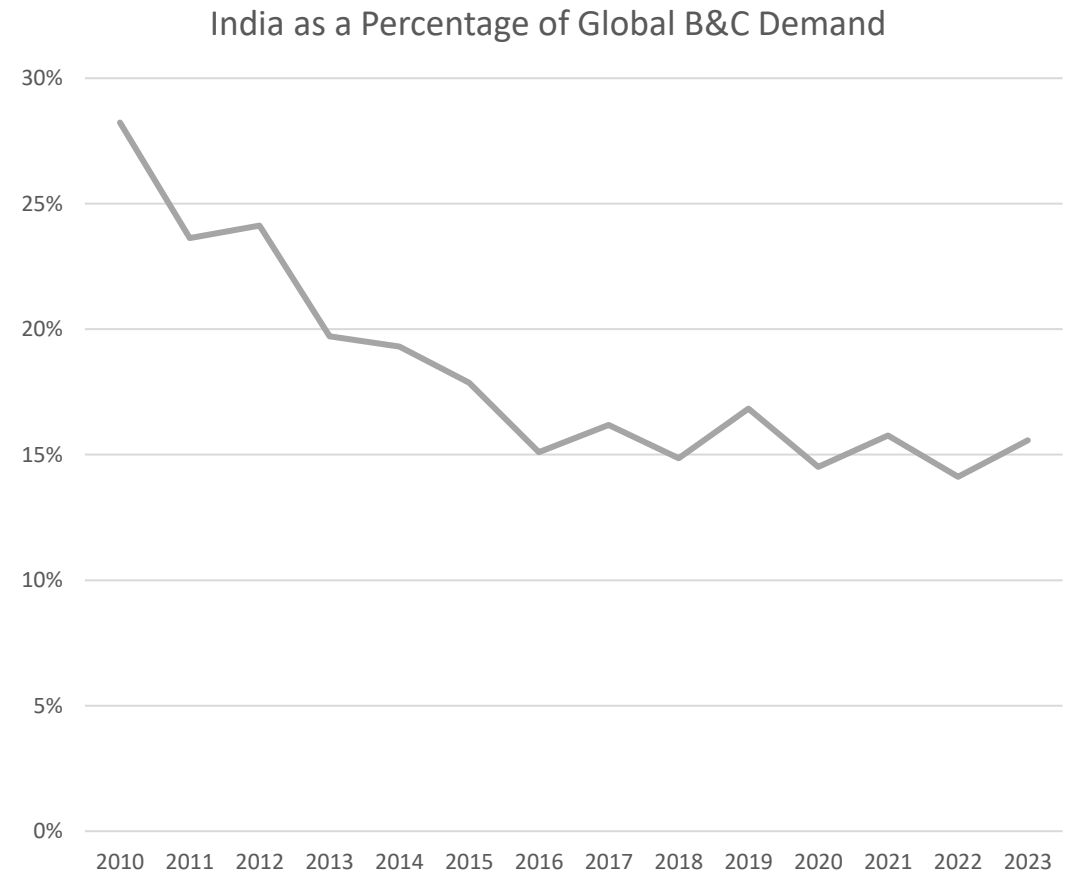


# India B&C Demand as Percentage of Global

- Little evidence for Indian demand for gold in the context of either CBDC concerns of privacy, surveillance & agency

OR

- Concerns of a financial meltdown.
- Little evidence of concerns in academic literature or social media chatter
- Explanation: India ranks high in the trust Index



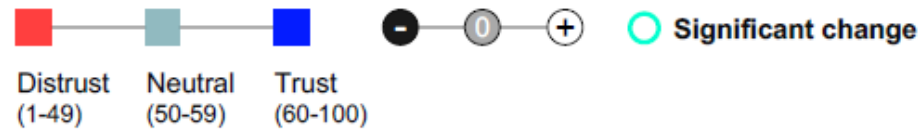
# Gold and the Trust Index

2024 Edelman Trust Barometer

## Trust Index 2023 to 2024: Developing Countries Lead on Trust

### Trust Index

(average percent trust in NGOs, business, government, and media)



2024 Trust Index among

### 2023 General population

55	Global 28
83	China
75	Indonesia
74	UAE
73	India
71	Saudi Arabia
66	Singapore
66	Thailand
63	Kenya
62	Malaysia
61	Mexico
56	Nigeria
54	Netherlands
53	Brazil
52	Canada
51	Colombia

### 2024 General population

56	Global 28
79	China
76	India
74	UAE
73	Indonesia
72	Saudi Arabia
70	Thailand
68	Malaysia
67	Singapore
64	Kenya
61	Nigeria
59	Mexico
56	Netherlands
53	Brazil
53	Canada
52	Australia

# Summing Up

- Weaking of Liberal Order
  - Indian Evidence of increased Central Bank demand – 558 to over 800 tonnes
  - RBI set the lead for central demand for gold – in 2009 as well as in 2019
    - Sovereignty and hedging against geopolitical risk
- Reimagining Money and CBDC concerns
  - Global evidence of increased demand for Bars and Coins
  - Little evidence of Indian demand in the context of either a financial meltdown or surveillance or agency concerns.



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