

A STUDY ON THE BULLION MARKET IN INDIA DURING 2019-20

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Abstract: *The study titled “bullion market” it is the comparison of bullion in commodity market was undertaken to know the demand of gold and silver and also to identify the reason of the price fluctuation. the investor prefer the gold and silver market only through jewellery in old days .but now days the pattern was totally change it was in form of gold and silver bars. This study helps us to know the opportunities for investing in the gold and silver market or the bullion market. It was conducted using 6 months spot price of gold and silver that is from 27th September 2019 to 27th march 2020. The tools been used are relative strength index , rate of change and moving average convergence and divergence .the charts made technically which is helpful for the investor for investment and also to know the entry and exit point based on the market demand and price fluctuation.*

Key Words: *bullion market, commodity market, moving average, index relative strength.*

1. INTRODUCTION:

It is a place where precious metals such as gold and silver can be bought and sold in the market looking after the customer demand and price fluctuation. The price fluctuation of the metals depends upon the market supply and market demand. These two factors the supply and demand drive the underlying price which is then adjusted upward or downwards depending on the form of the precious metal such as gold and silver .Modern bullion market allows the small and individual investors all the way up large institution or shops to easily buying and selling of the precious metal such as gold and silver.

This market is the most widely traded form of these precious metals. Bullion refers to the precious metal which is in the tradable form of bars, wafers, ingots and coins. The purity of the bars in the bullion market is 0.99 to 0.995. 0.99 purity of gold is rarely find in the market and it is the most pure form of purity of gold and silver and 0.995 is commonly used for the trading of the bullion market in India and other countries of the world.

Bullions are usually taken in the shapes of coins, bars and ingots. Prices are based on the precious metal weights and its contents. According to the history of bullion market, South Africa was the first country to mint bullion coins, the bullion coin s tended to be quite rare, many with mintages have less than 10,000. It was been minted since 1980 and are designed to be bought and sold on the metal content, not their face value. But now its depend on both the main cause the metal content as well as the face value of the metal in that particular market globally.

The history of gold start with a small child who finds a shiny rock in a creek, thousands of years ago, and after that the humans were introduced to it. It was first discovered as shinning, yellow nuggets. “GOLD IS WHERE YOU FIND IT”, gold was first discovered in its natural state, which stream all over the world. It was the first metal known to be early hominids. Gold was found in Egypt at 200 B.C, which is the first metal used by the humans for ornaments and rituals, but rather gold was more popular history of more than 7000 years in India, which is been found in the religious book of Hindu, it is considered as a metal of immense value. It is the most precious metal and is being considered as a value of the standard for many currencies (The Gold Standard) in history.

Gold symbolise for royalty, purity and value of that particular person or throughout the nation. From the early time gold has become a part of every human culture. Its natural beauty and lustre, and its great malleability and resistance to tarnish make it enjoyable to work and play with. Gold is dispersed widely throughout the geological world, nearly everyone who found was impressed with it, and it was the developing culture in which they lived in. Early civic establishments compared gold with divine beings and rulers, and gold was looked for in their name and devoted to their glorification. People naturally place a high incentive on gold, likening it with force, excellence, and the social first class. Furthermore, since gold is generally dispersed everywhere throughout the globe, we locate this equivalent contemplating gold all through antiquated and present day civic establishments all over the place. Gold, excellence, and force have constantly gone together. Gold in antiquated occasions was made into places of worship and symbols ("the Golden Calf"), plates, cups, containers and vessels of numerous sorts, and obviously, gems for individual decoration. The "Gold of Troy" treasure crowd exhumed in Turkey and dating to the time 2450 - 2600 B.C., show the scope of gold-work from sensitive gems to a gold sauce pitcher gauging a full troy pound. This was when gold was exceptionally esteemed, yet had not yet become cash itself. Or maybe, it was claimed by the ground-breaking and very much associated, or made into objects of love, or used to finish holy areas. Gold has consistently had an incentive to people, even before it was

cash. This is exhibited by the remarkable endeavors made to get it. Prospecting for gold was an overall exertion returning a great many years, even before the primary cash as gold coins showed up around 700 B.C.

In the journey for gold by the Phoenicians, Egyptians, Indians, Hittites, Chinese, and others, detainees of war were sent to work the mines, as were slaves and lawbreakers. What's more, this occurred during when gold had no an incentive as 'cash,' however was simply viewed as an attractive product all by itself. Yearly gold creation overall is about US\$35 billion and by a wide margin the one of the biggest exchanging world product. Around the world, gold mines produce around 2,464. tons in the year 2004 from absolute inventory of 3328 tons however unfit to fulfil recognizable need of 3497 tons. Gold is mined in excess of 118 nations around the globe, with the huge number of improvement extends in these nations expected to keep creation developing admirably into the following century. Right now, South Africa is the biggest gold creating nation, trailed by the United States, Australia, Canada, Indonesia, Russia and others, a portion of this nations likewise represent most noteworthy gold stores from potential 50,000 tons of overall stores.

2. OBJECTIVE OF THE STUDY:

This study has the following objectives:

- a. The objective of the study is to analyze the price trends of spot prices in the bullion market of India during the time period between September 2019 to December 2020.
- b. To analyze the volume of trading of bullion in the commodities market in India during the selected time period.

3. LITERATURE REVIEW:

As an instrument for private speculation, gold has for the most part been seen as a fence against cash swelling or cheapening and as an object of "place of refuge" venture. Albeit a few experts intermittently question the significance of gold right now, noticeable quality given to the gold market in the monetary press, where every day value developments are commonly revealed conspicuously, recommends that gold stays an advantage the cost and speculation execution of which is generally checked. Besides, in spite of the way that gold's authentic essentialness as a money related stay has blurred away, it holds its significance as an official save resource, with somewhere in the range of 40 percent of the world's financial saves despite everything held as gold. The market for gold comprises of a physical gold market, wherein gold bullion or coin is moved between showcase specialists, and a paper gold market, which includes exchanging cases to physical stocks as opposed to in the stocks themselves. Physical gold is primarily exchanged the type of bullion, yet official and impersonation gold coins, emblems, and adornments (particularly that of low creation quality yet of high gold substance) are likewise effectively exchanged. Gold bullion is accepted to allude to gold that has been shaped into bars, either in rough structure as treated at the mine site or as characterized by weight and more prominent fineness and validated by the stamp of a perceived processing plant. Loads extend from 1 kilogram to 400 ounces. At the point when refined, gold bars for the most part comprise of parts of gold running somewhere in the range of 995 and 999 for each thousands.

Abken (1980) clarifies the financial aspects that underlie the developments in the cost of gold. The spot costs of every single storable ware including gold are especially impacted by the expectation of future spot costs. On account of gold, the general unimportance of stream organic market contrasted with stock, the overall lack of care of stream organic market as for spot value developments and changes in the gold cost particularly delicate to changes in its foreseen future spot value, the roundabout run-ups and run-downs in the cost of gold related with times of monetary and social unrest, have all interested the much of the time confounded spectators of gold market. At such occasions, examiners frequently reason that horde brain science overpowers the market as market members dismiss supposed market essentials. Anyway the hypothesis and experimental assessment of gold value developments introduced here exhibit that specially appointed interests to horde brain research are pointless to clarify the conduct of gold cost. The paper expresses that financial hypothesis seems adequate to represent gold value development.

Al-Eisa, Al-Nsour, and Hammoudeh (2003) gave an institutional investigation of the money related valuations for the individual Gulf Cooperation Council (GCC) markets (Oman, Kuwait, Bahrain, Saudi Arabia and UAE). They inspected whether any long haul relationship exists among these business sectors, utilizing co-combination strategies and exploring the transmission of changes and unpredictability in oil costs, as spoke to by the NYMEX oil fates costs, to the Inter-linkages between Equity, Currency, Precious Metals and Oil Markets: an Emphasis on Emerging Markets individual GCC securities exchanges, utilizing the vector blunder revision models and the GARCH models. They dissected day by day information for the GCC stock lists and the oil costs that spread the period 15/02/1994 to 25/12/2001. They found that the five GCC markets are firmly co-coordinated, which implies that they have many long

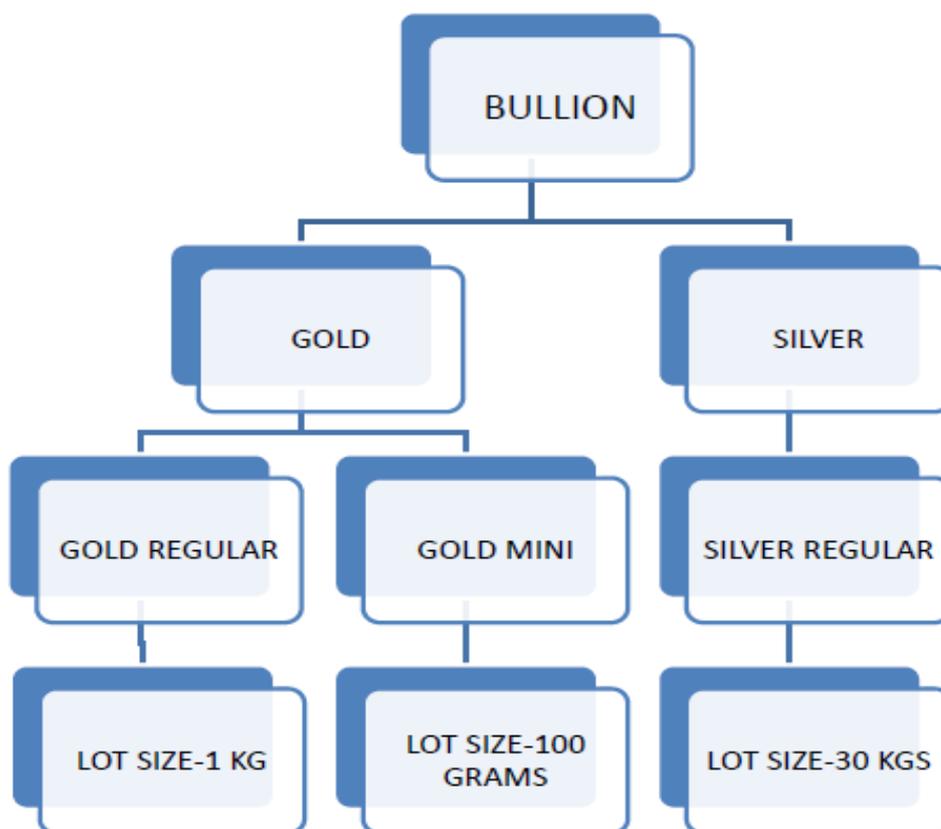
haul connections and that they co-moved after some time. Oil value unpredictability overflows are huge in all the GCC markets; this instability moves a similar way with the oil unpredictability at NYMEX, implying that if the oil costs become increasingly unstable in NYMEX, the offer costs in GCC markets feel this instability.

Fernández (2004) inspected the nearness of auxiliary breaks in unpredictability utilizing two elective methodologies, the iterative aggregate entirety of squares (ICSS) calculation and wavelet investigation, taking a gander at the impact of the episode of the Asian emergency and the psychological oppressor assaults on September 11, 2001, on developing Asian and Latin American markets. She additionally investigated North American and European securities exchanges. Her outcomes demonstrated that the quantities of movements identified by the two Inter-linkages between Equity, Currency, Precious Metals and Oil Markets: an Emphasis on Emerging Markets techniques were significantly decreased when sifting through the information for restrictive hetero-skedasticity and sequential connection. Specifically, for the sifted stock information, the ICSS calculation didn't discover any instability moves more than 1997-2002, though the wavelet investigation discovered proof of unpredictability breakpoints at some given sizes of the information and just for 1997-1998.

4. DATA COLLECTION :

For the purpose of the study, data has been collected from secondary sources. Mainly from the website of commodities market (MCX, NCDEX) and other websites like CMIE PROWESS (Centre for Monitoring of Indian Economy). The graphical Analysis of this data

STRUCTURE OF THE BULLION MARKET



Bullion market is for two type's customer, the producer and the speculator. Producers are the customer who usually buys the metals for producing jewellery and electronic devices. Speculator are those people who think it will provide a hedge against inflation or the price of the precious metal will increase because demand will exceeds supply. Bullion be the most affordable way to own precious metal. Bullion usually reduces the volatility of a portfolio while adding profitability. Many times economies falter and currencies become devalued, at that position Bullion tends to retain its value

THERE ARE 13 MAJOR GOLD PRODUCING COUNTRIES:

1. UNITED STATES

2. SOUTH AFRICA
3. CANADA
4. AUSTRALIA
5. CHINA
6. RUSSIA
7. PERU
8. INDONESIA
9. UZBEKISTAN
10. PAPUA NEW GUINEA
11. GHANA
12. BRAZIL
13. CHILE

The bullion save of a nation is the pointer of the measure of riches a nation has. Bullion is characterized as a mass amount of valuable metals comprising of gold, silver and others that can be evaluated by weight and give a role as a protuberance. Bullion is esteemed by its immaculateness and mass instead of its presumptive worth which is relevant on account of cash. India Bullion Market is an unmistakable file that features the financial development of the country.

5. ADVANTAGE OF INVESTING IN GOLD:

DIVERSIFICATION

- In any advantage portfolio, it once in a while bodes well to have all your investments tied up on one place. Clearly the cost of gold can vacillate - yet so too do the trade and loan fees of monetary forms held available for later. A technique of save enhancement will ordinarily give a less unstable profit than one based for a solitary resource.
- Gold has great expansion properties in a money portfolio. These originate from the way that its worth is dictated by organic market on the planet gold markets, though monetary standards and government protections rely upon government guarantees and the varieties in focal banks' money related arrangements. The cost of gold along these lines carries on in a totally unique manner from the costs of monetary forms or the trade rates between monetary forms

ECONOMIC SECURITY

- Gold is a one of a kind resource in that it is nobody else's obligation. Its status can't in this manner be undermined by expansion in a hold money nation. Nor is there any danger of the risk being disavowed.
- Gold has kept up its incentive as far as genuine buying power over the long haul and is in this manner especially fit to shape some portion of national banks' stores. Conversely, paper monetary standards consistently lose an incentive over the long haul and frequently in the present moment too.

PHYSICAL SECURITY

Nations have in the past forced trade controls or, even under the least favourable conditions, all out resource freezes. Stores held as remote protections are defenceless against such measures. Where 15 suitably found, gold is substantially less helpless. Stores are for utilizing when you have to. All out and undeniable liquidity is consequently fundamental

UNEXPECTED NEEDS

- Owning gold is hence a choice against an obscure future. It gives a type of protection against some implausible in any case, in the event that it happens, profoundly harming occasion. Such occasions may incorporate war, a surprising flood in swelling, assumed up emergency prompting disavowal of remote obligations by significant sovereign borrowers, a relapse to a universe of cash or exchanging alliances or the worldwide seclusion of a nation.
- In crises nations may require fluid assets. Gold is fluid and is generally satisfactory as a method for instalment. It can likewise fill in as insurance for obtaining.

CONFIDENCE

- The open takes certainty from realizing that its Government holds gold - an indestructible resource and one not inclined to the inflationary stresses overhanging paper cash. A few nations give unequivocal acknowledgment to its help for the local cash. Furthermore, appraising offices will take comfort from the nearness of gold in a nation's stores.
- The IMF's Executive Board, speaking to the world's legislatures, has perceived that the Fund's own property of gold give a "major quality" to its accounting report. The equivalent applies to gold hung on the monetary record of a national bank.

INCOME

Gold is some of the time depicted as a non income acquiring resource. This is false. There is a gold loaning business sector and gold can likewise be exchanged to produce benefits. There might be an "open door cost" of holding gold be that as it may, in a universe of low financing costs, this is not exactly is frequently thought. Different focal points of gold may very much balance any such expenses.

INSURANCE

The opportunity cost of holding gold might be seen as practically identical to a protection premium. It is the cost purposely paid to give insurance against an exceptionally unrealistic yet profoundly harming occasion. Such an occasion may be war, a surprising flood of expansion, a summed up obligation emergency including the renouncement of remote obligations by significant sovereign borrowers, a relapse to a universe of cash and exchanging alliances, or the global disengagement of a Nation.

6. DISADVANTAGE OF INVESTING IN GOLD:

GOLD'S DEMAND/SUPPLY IMBALANCE

As indicated by the World Gold Council, in 2003 this reserve comprising of 33,000 metric tons represented about 25% of all the gold at any point mined. In that equivalent year, a sum of just 3,200 metric huge amounts of gold was provided to the commercial centre through mining and scrap - this implies the national banks' reserve of 33,000 tons could overpower the market on the off chance that it were sold. At the end of the day, there is sufficient gold in the vaults of national banks to fulfil world interest for a long time without another ounce being mined! What other ware has this sort of interest/supply lopsidedness?

Moreover, without a best quality level, this valuable metal has constrained vital use for these national banks. Since gold doesn't win any speculation premium, some national banks - like that of Canada during 1980-2003 - have just dispensed with their gold stock. The potential for gold inventory to overshadow its interest represents an obstacle to the metal's latent capacity return well into what's to come.

TAXED AS A COLLECTIBLE

An interest in an ETF that tracks gold costs doesn't comprise of genuine gold proprietorship with respect to the investors. A speculator can't make a case on any of the gold offers and under IRS law, starting at 2008, their proprietorship in the ETF speaks to a possession in a "collectible". In spite of the way that the reserve's directors don't make interests in gold for their numismatic esteem, nor do they search out collectible mint pieces, the investor's venture is treated as a collectible. This makes long haul putting resources into gold ETFs (for one year or more) subject to a generally enormous capital additions charge (greatest pace of 28%, as opposed to the 15% rate that is 18 relevant to most other long haul capital additions, as per the GLD plan). So as to stay away from this duty suggestion, speculators frequently leave their situations before a year, which decreases their capacity to benefit from any multiyear gains that may happen in gold.

MARKET RISK

Trade exchanged subsidizes that track gold are additionally presented to a hosts of organization chances that have nothing to do with the real vacillation in gold's worth. In the SPDR Gold Trust plan, the trust can exchange if there is under \$380 million dollars in the trust, if the Net Asset Value (NAV) dips under \$60 million, or by understanding of investors owning at any rate 66.6% of every single extraordinary offer. These moves can be made whether or not gold costs are solid or powerless.

- At long last, assets, for example, GLD are intrinsically lessening speculations. Since the gold itself delivers no pay and there are still costs that must be secured, the ETF's administration is permitted to offer gold to cover these costs. Every offer of gold by the Trust is an assessable occasion to investors. That implies that a store like GLD's 0.40% administration charges alongside any support or advertising expenses must be paid by exchanging resources. This reduces the general hidden resources per share, which, thus, can leave speculators with an agent share estimation of short of what one-tenth of an ounce of gold after some time. This can prompt inconsistencies in the real estimation of the basic gold resource and the recorded estimation of the ETF.

7. BULLION IN INDIA:

India is the main shopper and shipper of gold on the planet. Because of this, the capability of the India bullion showcase is extremely encouraging. Attributable to the feeble cost of Dollar in the worldwide market, the cost of bullion is taking off. The pearl and adornments industry of India is one of the quickest developing areas of the economy at an inexact pace of 15%. The India Bullion advertise is under the severe supervision of the Government as bullion is one of the significant pointers of the abundance of the nation.

There are various limitations forced on the import and fare of gold when contrasted with some other wares. The bullion market of the nation is extremely divided and sloppy. The cost of bullion shifts especially in various pieces of the nation. The primary explanation behind this is the absence of a benchmark that is legitimate all through the nation. India is the biggest speculator in gold gems as an enormous number of individuals accept that putting resources into gold is advantageous. The residential utilization of gold relies upon factors like the wedding season, bubbly season, the presentation of the gather and the rainstorm of the nation.

Country	Bullion (in tons)
United States	8133.5
France	2445.1
Germany	3408.5
Italy	2451.8
Netherlands	612.5
Switzerland	1041.5
ECB	501.4
India	557.7
Russia	568.4
Japan	765.2
China	1054.0

Source: www.investopedia.com

Gold ought to be significant piece of an enhanced speculation portfolio since its cost increments in light of occasions that cause the estimation of paper ventures. Despite the fact that the cost of gold can be unstable for the time being. Gold has constantly kept up its incentive over the long haul. As the years progressed, it filled in as support against expansion and the disintegration of significant monetary forms and along these lines is a venture well worth considering.

8. DATA ANALYSIS : ANALYSIS OF SPOT PRICING OF GOLD AND SILVER

This paper targets researching the spot prices and the quantum of trading of gold in India from time of 27/09/2019 – 27/03/2020. This investigation is significantly founded on optional information that has been gathered from the database on Indian economy which is kept up by Reserve Bank of India. The examination investigations the yearly household gold costs which have been determined by taking normal of gold cost of Consistently in multi-year.

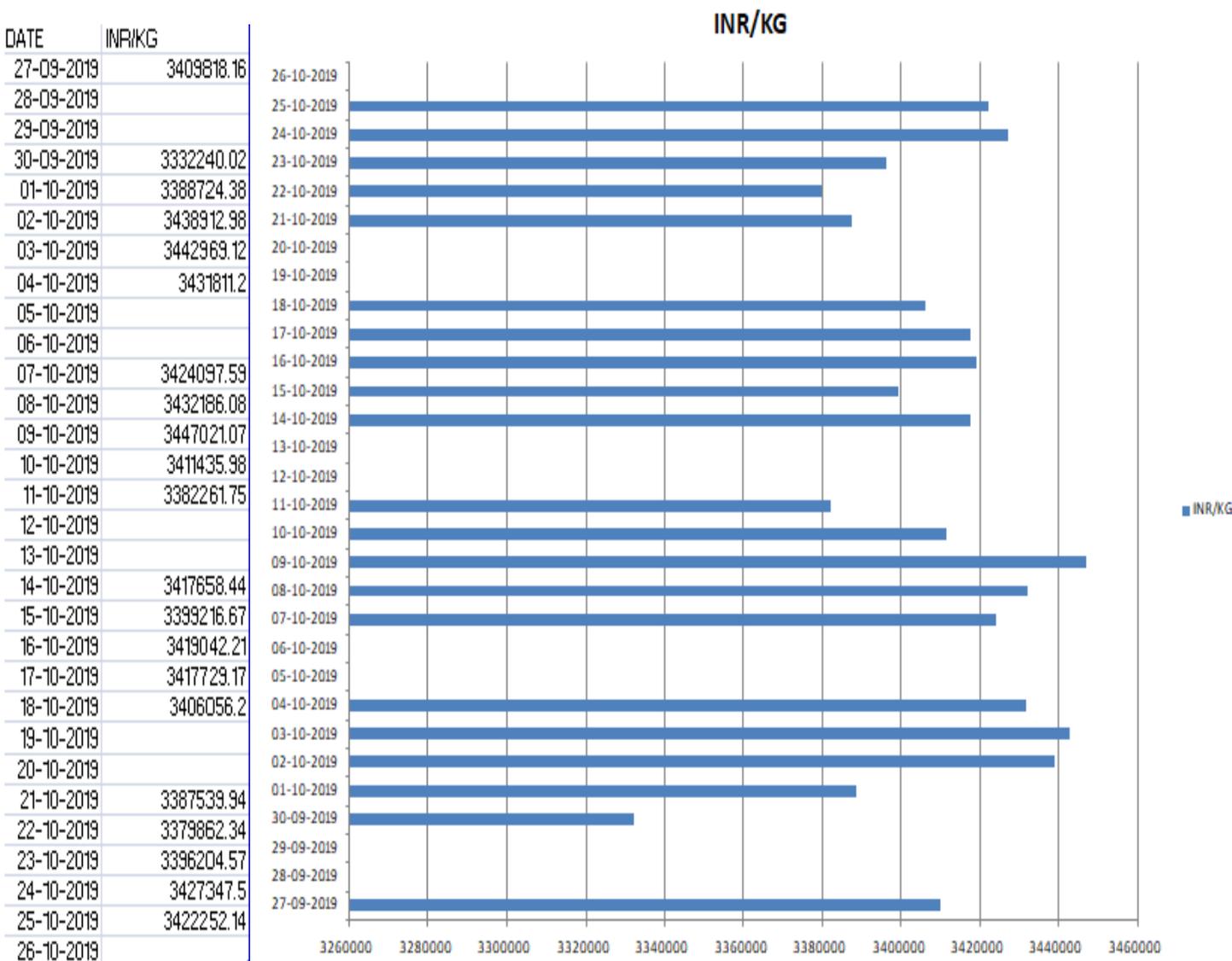


Source: www.rbi.org

In this table it shows the price fluctuation of gold in last 6 months that is from 27th September 2019 to 27th march 2020. From the above table we came to know the rise of price of the gold 3,409,818.16 INR/kg on 27th September 2019 to 3,924,968.29 INR/kg on 27th march 2020.

Here it very well may be embroiled that there is steep ascent in the costs of gold during most recent couple of years. Presently are going to contemplate the elements that are contributing towards this ascent. Presently referenced are the different components which are contributing towards ascending in the costs of the gold and performing pattern investigation.

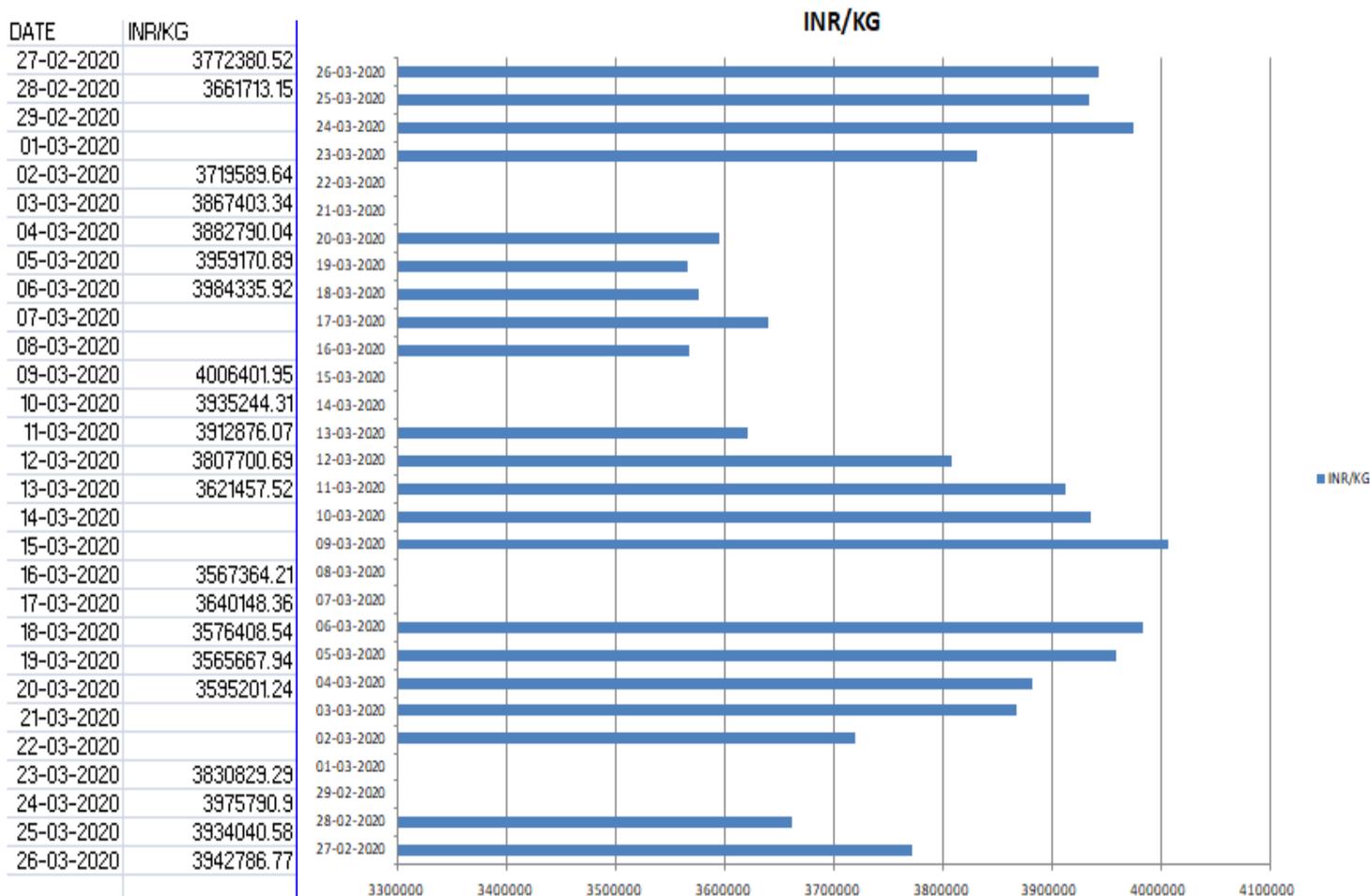
CHART OF SPOT PRICE OF GOLD ON DATE 27 SEPTEMBER 2019 – 26 OCTOBER 2019



Source : www.mcxindia.com

In this chart of Sept-Oct 2019 the price remains between 3,300,000 INR/kg – 3,447,021 INR/kg the price fluctuation here because of little high demand and increase in the supply. According to the survey the price of gold increasing day by day. The highest spot price of 3,44,7021.07 INR/kg was recorded on 9.10.2019 and the lowest spot price of 3,33,2240.02 was recorded on 30.9.2019 and aftermath the price shot up.

CHART OF THE DATE 27th FEBRUARY 2019 -26th MARCH 2020

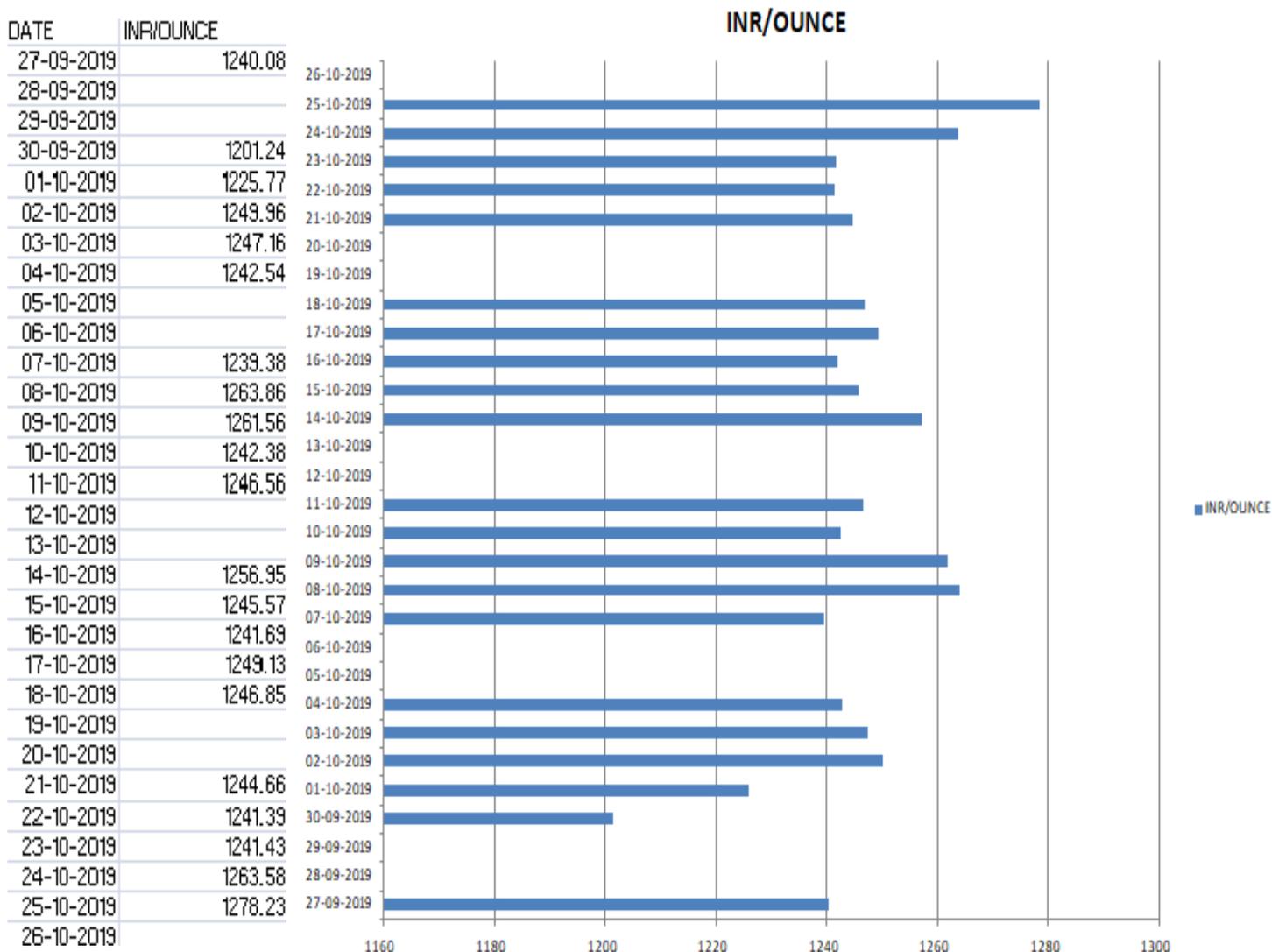


Source : www.mcxindia.com

During the last quarter of 2019-20, the price of gold fluctuated between 3,56,5667.94 INR/KG – 4,00,6401.95 INR/KG.with the highest trading price being recorded on 9.3.2020 and the lowest spot price recorded on 19.3.2020.After which the spot prices had a rising trend .

ANALYSIS OF SPOT PRICING OF SILVER

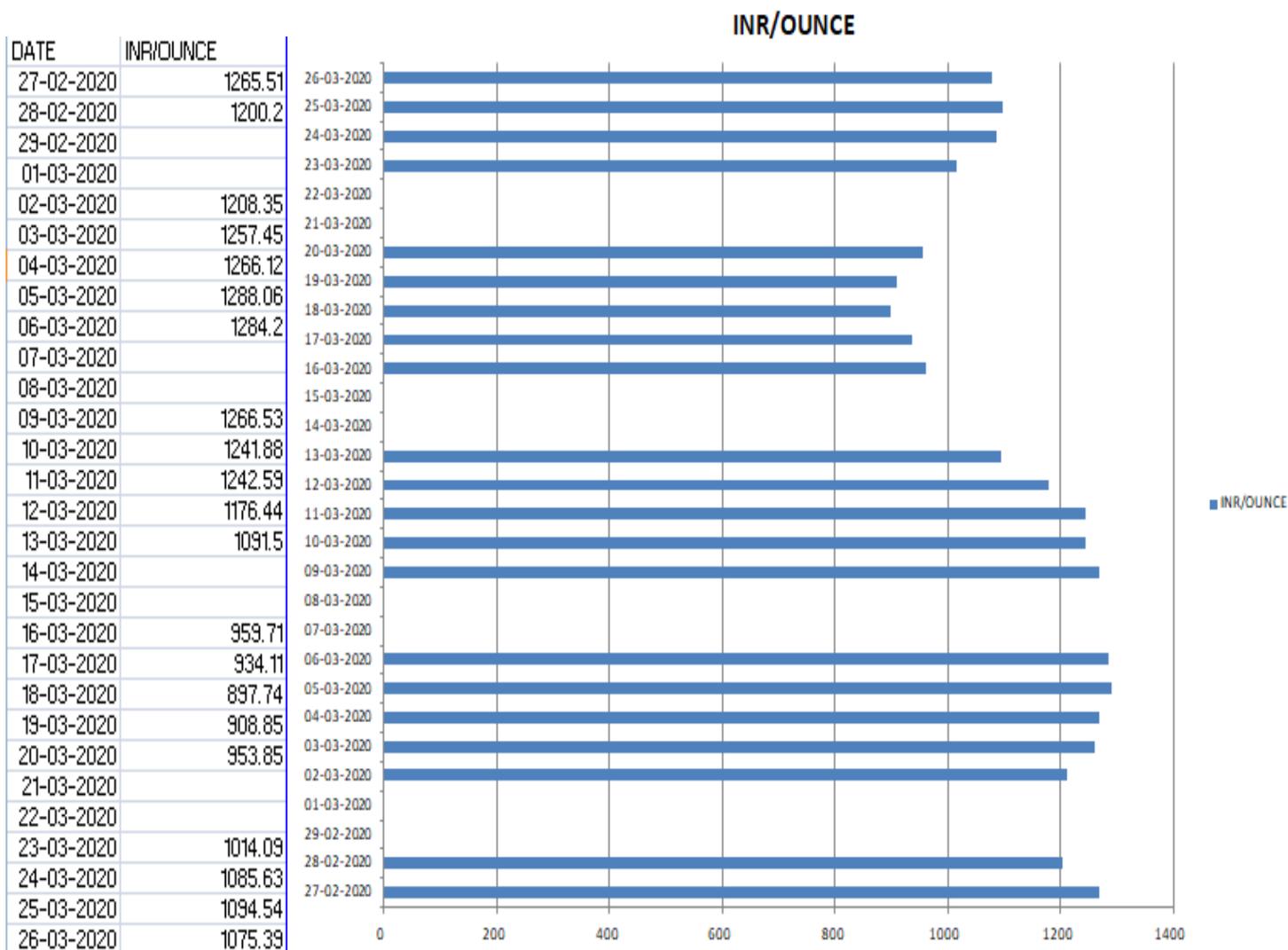
CHART OF THE DATE 27th SEPTEMBER 2019 -26TH OCTOBER 2019



Source: www.mcxindia.com

During this phase the highest spot price of silver was recorded on 25.10.2019 of 1278.23 INR/OUNCE and the lowest spot price of 1201.24 INR/OUNCE was recorded on 30.9.2019 after which the prices were observed to have an increasing trend due to increased demand.

CHART OF THE DATE 27th FEBRUARY 2020 -26TH MARCH 2020



Source :www.mcxindia.com

During the last quarter of 2019-20 ,the highest spot price of silver was recorded on 5.3.2020 of 1288.06 INR/OUNCE and the lowest spot price of 897.74 INR/OUNCE was recorded on 18.3.2020 after which the prices were observed to have an increasing trend due to increased demand

9. FINDINGS OF THE STUDY :

It very well may be embroiled that there is steep ascent in the costs of gold during most recent couple of years. Presently are going to contemplate the elements that are contributing towards this ascent. Presently referenced are the different components which are contributing towards ascending in the costs of the gold and performing pattern.

- During Sept-Oct 2019 the price remains between 3,300,000 INR/kg – 3,447,021 INR/kg the price fluctuation here because of little high demand and increase in the supply. According to the survey the price of gold increasing day by day. The highest spot price of 3,44,7021.07 INR/kg was recorded on 9.10.2019 and the lowest spot price of 3,33,2240.02 was recorded on 30.9.2019 and aftermath the price shot up.
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10. CONCLUSION:

From the above study, there was a better understanding of the bullion market and its advantages and disadvantages of investing gold in the market. Study of daily price fluctuation of the gold and silver commodity in the Bullion Market.

The speculation goal of most financial specialists is to pick up pay just as appreciation. Very few contribute their pay for the security of their capital. People have begun putting resources into Gold ETFs because of low costs, charge effectiveness, and stock-like highlights. Price of Gold predominantly depends on the supply and demand factor.

Internationally exchanging Gold has given the financial specialists exceptionally protected and very fruitful choice. Today individuals who prior dreaded from entering the market are putting resources into Gold as it is the most secure resource and furthermore its cost is less fluctuating. The explanation might be any yet today individuals are happy to put resources into Gold as opposed to Stock.

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