

Gold

Ways to buy gold in India

There are 5 ways to purchase gold

1) Buying physical gold from local jeweller – It is as simple as paying in cash and purchasing the jewellery from the local jeweller. (Lockdowns across states have made this option out of reach for consumers to buy physical gold)

2) Investing in gold ETF's (Exchange Traded Funds) (not so popular in India) – Gold ETF's does not enjoy much popularity in India, it is popular for international investors, hence this option is ruled out for Indian investors.

3) Gold Accumulation Plans (GAP) (gaining momentum) - One can buy gold online via mobile wallets such as Paytm, Phonepe, and under the Gold Rush plan of Stock Holding Corporation of India. These gold buying options are offered either in association with MMTC-PAMP or SafeGold or both. (This option can be chosen by Investors in lockdown, take the delivery of the metal, once the lockdown opens)

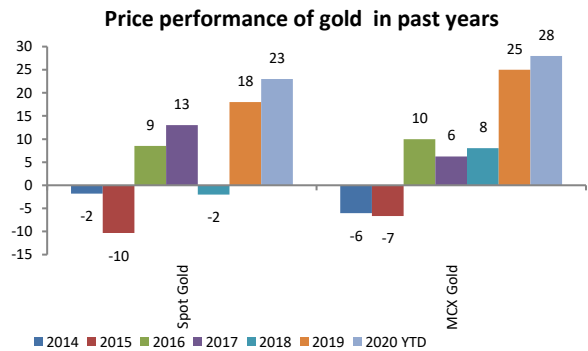
4) Investing in Sovereign Gold Bonds issued by the Government of India – Government of India introduced SGB to discourage buyers from buying physical gold. This option helps investor earn interest. Sovereign gold bonds have a tenor of eight years, with investors having the option to exit after the fifth year on interest payment dates. (Government has not announced the FY 2021-22 auctions for SGB's hence, this option is also ruled out)

5) Buying/selling gold on futures/options platform- This is purely from a trade perspective, wherein one wants to trade in gold by keeping margins in their accounts and benefit out of the price volatility.

Moreover, Gold petal on the MCX platform is also a good option to take delivery.



Want to buy gold this Akshay Tritiya - Understand why?



Source: Refinitiv, Angel Broking Research

Gold as an asset class has given double digit returns in the past 3 out of 7 years. The year 2020 saw gold returns at around **23 percent** in the international markets and **28 percent** on MCX futures.

With blistering performance of the yellow metal in 2020, it brings us the key question, whether it is the right time to purchase gold this **Akshay Tritiya**, auspicious occasion to buy gold in Indian culture. Before we dwell in to this let us understand ways, one can buy gold in lockdown across India and avenues to buy gold remains limited.

Should one buy gold this Akshay Tritiya?

From a price perspective, Gold prices in the international markets have corrected by **3 percent** and **5 percent** in the domestic futures market in **2021 YTD (as on 11th May 2021)**.

Gold as an asset class performs well in times of uncertainty and in an era of pandemic induced crisis and the easy money policy of the central banks globally, the investments in gold are bound to increase in 2021.

The US FED balance sheet size has increased in the past one year drastically. From \$3.8 trillion in August 2019 to around \$7.8 trillion as of May 4 2021, the balance sheet has almost doubled.

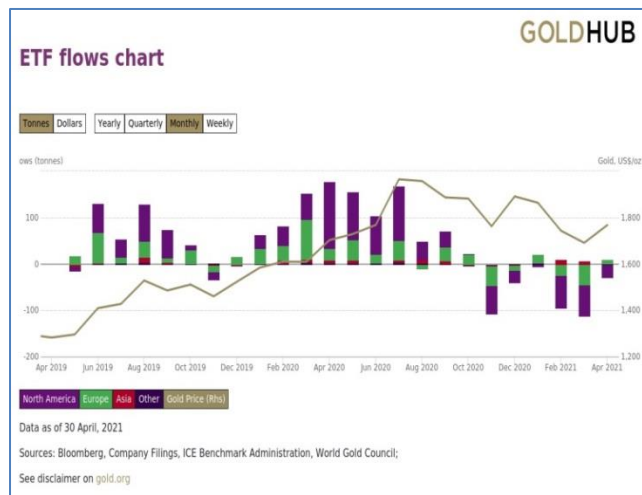
The ECB balance sheet has ballooned to **\$9.2 trillion** while the Bank of Japan balance sheet has ballooned to **\$6.6 trillion as of May 2021**. In totality, the balance sheet of the Global central banks stands at **\$25 trillion**. Increasing the size of QE and the easy money policy, lower interest rate policy are good mixtures for gold prices to rise for the remaining half of 2021.

The rising COVID-19 cases across the globe will further induce central banks to continue its easy money policy leading to investments in gold in an uncertain environment.

Gold ETF have been primary driver of investments in gold in 2020. However, 2021 is different as Global gold ETFs lost 18.3t tonnes (t) (-US\$1.1bn, -0.5% AUM) in April 2021, marking outflows for five of the past six months.

However, global outflows slowed significantly, as European funds added assets for the first time since January. Global assets under management (AUM) stand at 3,567t (US\$203.0bn),¹ after slipping below \$200bn for the first time in over a year during March 2021.

Since the peak asset levels in November 2020, gold ETF AUM has fallen nearly 14%, with 8% coming from outflows and 6% coming from the gold price selloff in US dollar terms. **(Source: World Gold Council)**



Central Banks continue to be net purchasers of gold in 2020 and according to the survey by World Gold Council, they will continue to favour gold as a part of their reserves in 2021. The survey outcomes says that - 75% believe that global central bank gold holdings will increase in the next 12 months compared to 54% last year.

In totality, the pandemic induced uncertainty, rising covid cases globally, easy money policy of the central banks, low interest rates, and possible purchases by central bank in 2021, will favour investments in gold and in turn the price of gold to be higher.

For investors in India, Gold prices have corrected from highs of around Rs.56000/10 gms mark to around Rs.47600 mark as of 11th May 2021. Those who have missed the rally before can invest in gold, in times of uncertainty. **Hence, it is advisable to buy gold this Akshay Tritiya which is on 14th May 2021.**

MCX GOLD – Rs. 47,600 / SPOT GOLD - \$ 1,835



On the above quarterly price chart of Gold, it is clearly seen that prices are following the long-term Bull trend and made a lifetime high of **56,191 levels**. On the technical price charts we can see “Higher Top- Higher Bottom” formation. In the last quarter price closed with Bearish candlesticks, hence prices are likely to test higher bottom levels in this short-term consolidation.

As per moving average prices are trading above its 10 and 50 EMA (quarterly basis), which shows optimism in long term trend. Technical Indicators MACD is showing positive divergence which also supports the bull trend.

Support could be seen at 44,100 to 43,600 (\$1700 - \$1680) levels. Below the levels, strong support could be observed at 40,600 (\$ 1560) levels.

Resistance could be seen at 51200 to 51700 (\$ 1,970 - \$ 1,995) levels. Above the levels, the next resistance levels would be at 54,700 (\$2,110) levels.

Looking towards a positive chart structure and indicators showing optimism we recommend buying in Gold. Considering this short-term consolidation in prices around the lifetime high suggests that it is trying to rest in the bull rally and waiting for further correction in the dollar Index. Any correction near to support levels may give the opportunity to buy gold.

Buy MCX Gold between 44100 – 43600, SL – 40600, Target – 51200 / 51700.

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