IJRAR.ORG E-ISSN: 2348-1269, P-ISSN: 2349-5138

INTERNATIONAL JOURNAL OF RESEARCH AND ANALYTICAL REVIEWS (IJRAR) | IJRAR.ORG

An International Open Access, Peer-reviewed, Refereed Journal

AN ANALYSIS OF RISK AND RETURN OF THE GOLD PRICE IN MARKET

Ms. R. Nandhini, Assistant Professor, Department of Commerce, Rathinam College of Arts and Science.

Ms. R. Kavipriya, III B. Com CA, Department of Commerce, Rathinam College of Arts and Science.

Abstract

The analysis of risk and return of gold prices in the market helps to understand the stability and profitability of gold as an investment. It examines how fluctuations in gold prices affect investor returns over time. This study aims to evaluate the balance between potential gains and associated risks in the gold market. The research focuses on analysing historical gold price trends, volatility, and the associated risk-return ratio to understand gold behaves under varying market conditions. Gold is often considered a safe-haven asset, and this study highlight its role in portfolio diversification and as a hedge against inflation and market uncertainty. Statistical tools such as mean return, standard deviation, and correlation analysis are used to evaluate the risk and return characteristics of gold prices over a specific period. The findings provide valuable insights for investors. Policymakers, and financial analysts to make informed investment decisions.

Keywords : Gold price, Risk and Return, Share Market, Investment, Portfolio Diversification.

Introduction of the study

This study focuses on examining the patterns of risk and return associated with gold in the share market. It aims to evaluate gold’s role as an investment option, its comparative advantages and limitations, and its contribution toward minimizing risk in a volatile financial environment. By analyzing gold’s market behavior, investors can make informed decisions about allocating their resources between traditional equities and alternative assets like gold.

From a financial management perspective, “risk-return trade-off” forms the cornerstone of portfolio decisions. The study of gold prices vis-à-vis share market performance allows investors to understand whether gold should be considered purely a hedge or also a competitive investment instrument. Moreover, it helps identify the correlation between these two asset classes, thereby guiding investors in diversification strategies. If gold exhibits an inverse relationship with equities, it strengthens the case for including gold in an investment portfolio to mitigate risks. On the contrary, if both exhibit parallel movements, the role of gold as a hedge becomes weaker, and investors may need to rethink their asset allocation strategies.

Statement of the problem

The fluctuations in gold prices and their relationship with the share market have become a major concern for investors seeking stability and profitability in their investments. Although gold is traditionally viewed as a safe and reliable asset, its prices are influenced by several factors such as inflation, currency value, interest rates, and global economic conditions. As the same time, the share market offers higher returns but comes with greater risk and volatility. This creates uncertainty for investors when deciding between gold and other financial assets. Therefore, it is essential to analyze the risk and return characteristics of gold in comparison with the share market to understand whether gold truly serves as a hedge or safe-haven asset during periods of market instability. Such as analysis will help investors make informed decisions and develop balanced investment strategies that minimize risk and maximize returns.

Objectives of the study

- To evaluate the risk and return relationship of gold as an investment asset compared to other financial instruments.
- To assess the role of gold in portfolio diversification and its effectiveness in minimizing investment risk.

Scope of the study

The scope of this research is limited to the Indian financial market, focusing on gold prices traded in the share market. The study aims to provide insights into how gold performs as a safe-haven asset during economic uncertainty and stock market fluctuations. The findings may help investors, policymakers, and financial analysts make better investment decisions and develop strategies for risk management.

Review of literature

1. **Alfi Syahri (2020) The correlation of gold, exchange rate, and stock, market on COVID-19 pandemic period** This study aims to analyze the correlation of gold, exchange rate, and CSPI on COVID-19 pandemic periods by testing the effect of gold exchange prices and exchange rate on CSPI and stock volatility. Also, by considering the dynamic correlation of dynamic correlations between CSPI with gold and CSPI exchange rate.
2. **Awatif Ourir (2021) Hedging the Risks of MENA Stock Markets with Gold:** we contribute to the old debate on the dynamic correlation between gold and stock markets by considering a spectral approach within the framework of portfolio hedging. Specifically, we consider eight MENA stock markets (Tunisia, Egypt, Morocco, Jordan, UAE, Saudi Arabia, Qatar, and Oman) and examine the optimal composition between gold and the stock market index, with a minimum portfolio risk and a high expected return.

Research Methodology

Research design

This study adopts a quantitative and analytical research design. The main objective is to analyze the fluctuations in gold prices and to examine the associated risk and return pattern over a specific period. The design focuses on historical data analysis using statistical and financial tools to determine the performance of gold as an investment asset compared to the stock market.

Data collection

This study is based primarily on **secondary data**.

Period of the study

The selected data cover a specific time period for 2019-2025

Tools and techniques of analysis

- Descriptive Statistics
- Correlation

Sample size

22k and 24k gold (10 gram).

Analysis and Interpretation

Table 1.1 Shows Analysis of Standard Deviation of Gold 22K and 24K

		gold 22K	gold 24K
N	Valid	11	11
	Missing	0	0
Std. Deviation		25788.60393	29851.67880
Skewness		1.387	.300
Kurtosis		1.795	-1372

The standard deviation shows the amount of variation in gold prices. Gold 22k has a higher standard deviation, meaning its prices fluctuate more widely. Gold 22k prices are relatively more stable. Thus, 22k gold carries higher price volatility risk compared to 22k gold. Skewness indicates the asymmetry of the distribution. Gold22k has positive skewness (1.387), meaning prices are right-skewed- a few higher prices pull the mean to the right. Gold 24k has a slight positive skew (0.300) meaning its nearly symmetric but with a small tendency toward higher prices. Kurtosis measures the peaked Ness or flatness of the data distribution. Gold 22k has positive kurtosis (1.795) distribution is leptokurtic meaning it has heavier tails more chances of extreme values. Gold 24k has negative kurtosis (-1372) distribution is platykurtic meaning its flatter and has fewer extreme variations

Table -1.2 Shows Analysis of correlation relationship between the gold 24k and 22k

Correlations

		gold24k	gold22k
gold24k	Pearson Correlation	1	.929**
	Sig. (2-tailed)		.000
	N	10	10
gold22k	Pearson Correlation	.929**	1
	Sig. (2-tailed)	.000	
	N	10	10

The Pearson correlation coefficient between gold24k and gold22k prices is 0.929. this indicates a very strong positive correlation between the two variables. A correlation value of 0.929 means that when the price of gold24k increases, the price of gold22k also tends to increase, and vice versa. The significance value - 0.000, which is less than 0.01 shows that the correlation is statistically significant at the 1% level. This means there is a less than 1% probability that the observed relationship occurred by chance. Therefore, it can be concluded that there is a significant and strong positive relationship between the prices of 22k and 24k gold changes is one are very likely to be reflected in the other.

Conclusion

The analysis of risk and return of gold prices in the market reveals that gold continues to be a stable and reliable investment option. The study shows that both 22k and 24k gold prices move closely together, with a strong positive correlation indicating that any rise or fall in one type of gold price directly affects the other. The standard deviation values suggest some level of fluctuation in prices, showing that gold, while generally stable, is still subject to market volatility. However, compared to many other investment options, gold offers a moderate risk with consistent returns. Over time. From the findings, it can be concluded that gold acts as a safe-haven asset providing security during periods of inflation and economic uncertainty. Investors prefer gold for its hedging ability and long-term value preservation. The study also highlights that though short-term price movements may vary, the overall trend of gold prices remains upward in the long run.

Therefore, gold continues to be an attractive option for risk-averse investors seeking steady returns and financial safety in a fluctuating market.

Suggestions

- Safe-haven asset gold is considered a safe-haven asset during economic uncertainty and geopolitical tensions.
- Risks factors like interest rate changes, dollar strength, and market corrections can affect gold prices.

Reference

- Singh, b., &Nadda., J. (2013). Gold vs stock market: A comparative study of risk and return. International journal of management and research, 2(3),103-110.
- Caliskan, D., &Najand., M. (2016). Stock market returns and the price of gold journal of asset management, 17(1), 10-21.
- Blose, L.E., & Shieh, J.C. (1995). The impact of gold price on the value of gold mining stock. Review of financial economics, 4(2), 125-139.
- Shafiee, S., &Topal, E. (2010). An overview of global gold market and gold price forecasting. Resources policy, 35(3), 178-189.
- Aggarwal, R., &Soenen, L.A. (1988). The nature and efficiency of the gold market journal of portfolio management, 14(3), 18.