



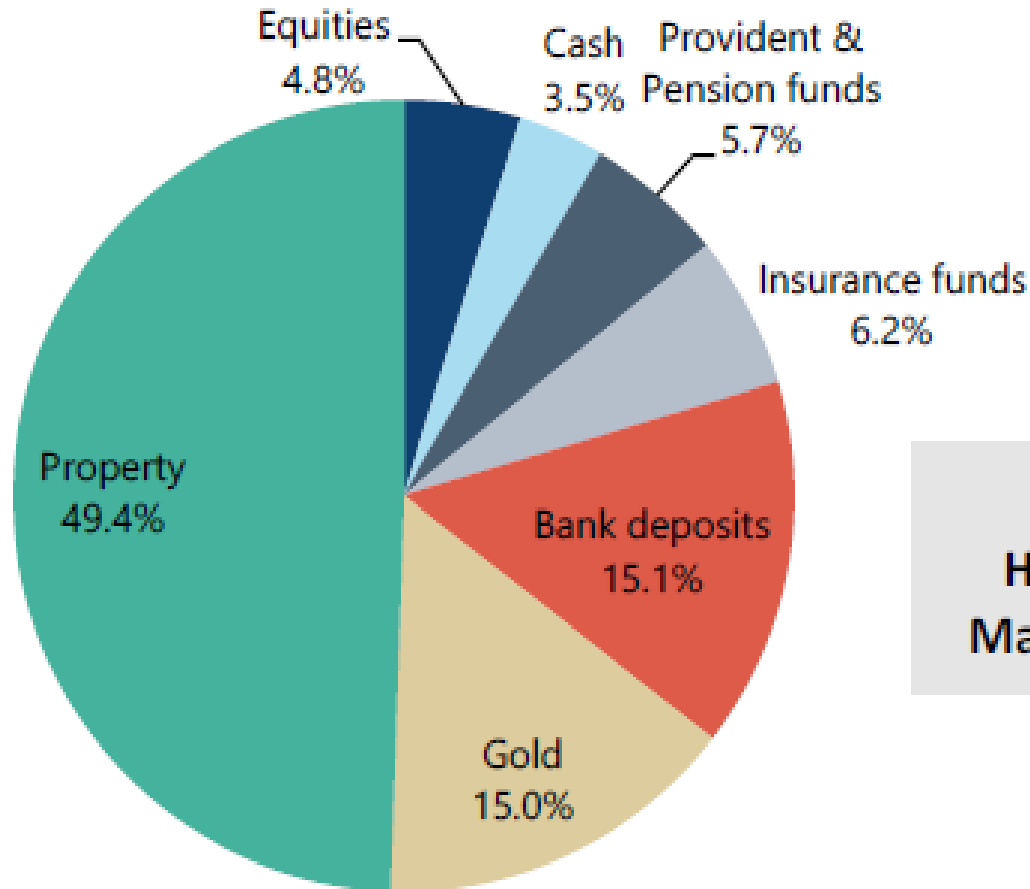
# Gold in Investment Portfolios - an India Perspective

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# India's preference for gold



**Total Indian  
Household assets  
Mar'22 : US\$10.7Trn**

Data as of March 2022

Source: Jefferies



# Indians got it right – 15% allocation to gold is optimal

Portfolio	100% Equity, 0% Gold	95% Equity, 5% Gold	90% Equity, 10% Gold	85% Equity, 15% Gold	80% Equity, 20% Gold	75% Equity, 25% Gold	70% Equity, 30% Gold
Returns (CAGR)	14.0%	14.0%	14.0%	14.0%	13.9%	13.9%	13.7%
Risk (Standard Deviation)	31.3%	29.8%	28.3%	26.9%	25.4%	24.0%	22.6%
Maximum Drawdown	52.5%	48.3%	44.1%	40.0%	35.8%	31.7%	27.5%
Historical VaR (95%)	-24.6%	-21.9%	-19.1%	-17.4%	-16.3%	-15.2%	-14.1%
Historical Expected Shortfall (95%)	-52.4%	-48.3%	-44.2%	-40.1%	-36.0%	-31.9%	-27.8%
Annualized Sharpe Ratio (Rf=0%)	44.6%	47.0%	49.5%	52.1%	54.9%	57.7%	60.7%

Past performance may or may not sustain in future  
 Calculations are based on Sensex and Gold INR returns from 1990 to 2021  
 Source: Bloomberg, Quantum



# Gold - an effective portfolio diversifier

Year	Gold INR	Sensex
1991	31%	82%
1992	6%	37%
1993	28%	28%
1994	-2%	17%
1995	13%	-21%
1996	-3%	-1%
1997	-15%	19%
1998	9%	-16%
1999	3%	64%
2000	1%	-21%

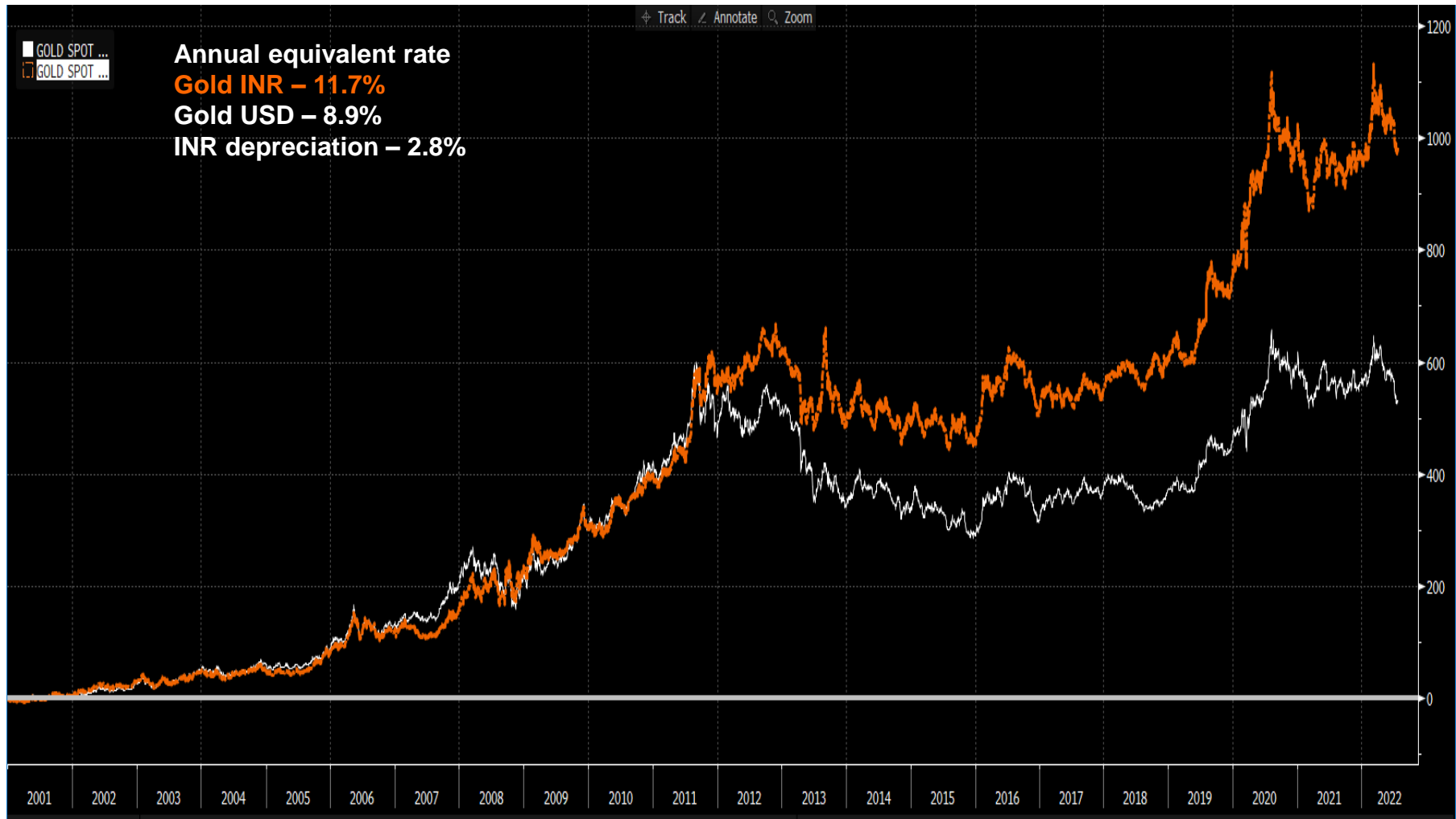
Year	Gold INR	Sensex
2001	6%	-18%
2002	24%	4%
2003	13%	73%
2004	1%	13%
2005	22%	42%
2006	21%	47%
2007	17%	47%
2008	30%	-52%
2009	20%	81%
2010	24%	17%

Year	Gold INR	Sensex
2011	31%	-25%
2012	11%	26%
2013	-19%	9%
2014	1%	30%
2015	-6%	-5%
2016	11%	2%
2017	7%	28%
2018	7%	6%
2019	21%	14%
2020	28%	16%
2021	-2%	22%
2022*	6%	-2.5%

When the stock markets suffered,  
Gold could have limited your overall losses

Past performance may or may not sustain in future; Returns indicate calendar year returns  
 \* YTD returns until 28<sup>th</sup> July 2022  
 Source: Bloomberg

# Rupee depreciation helped domestic gold prices

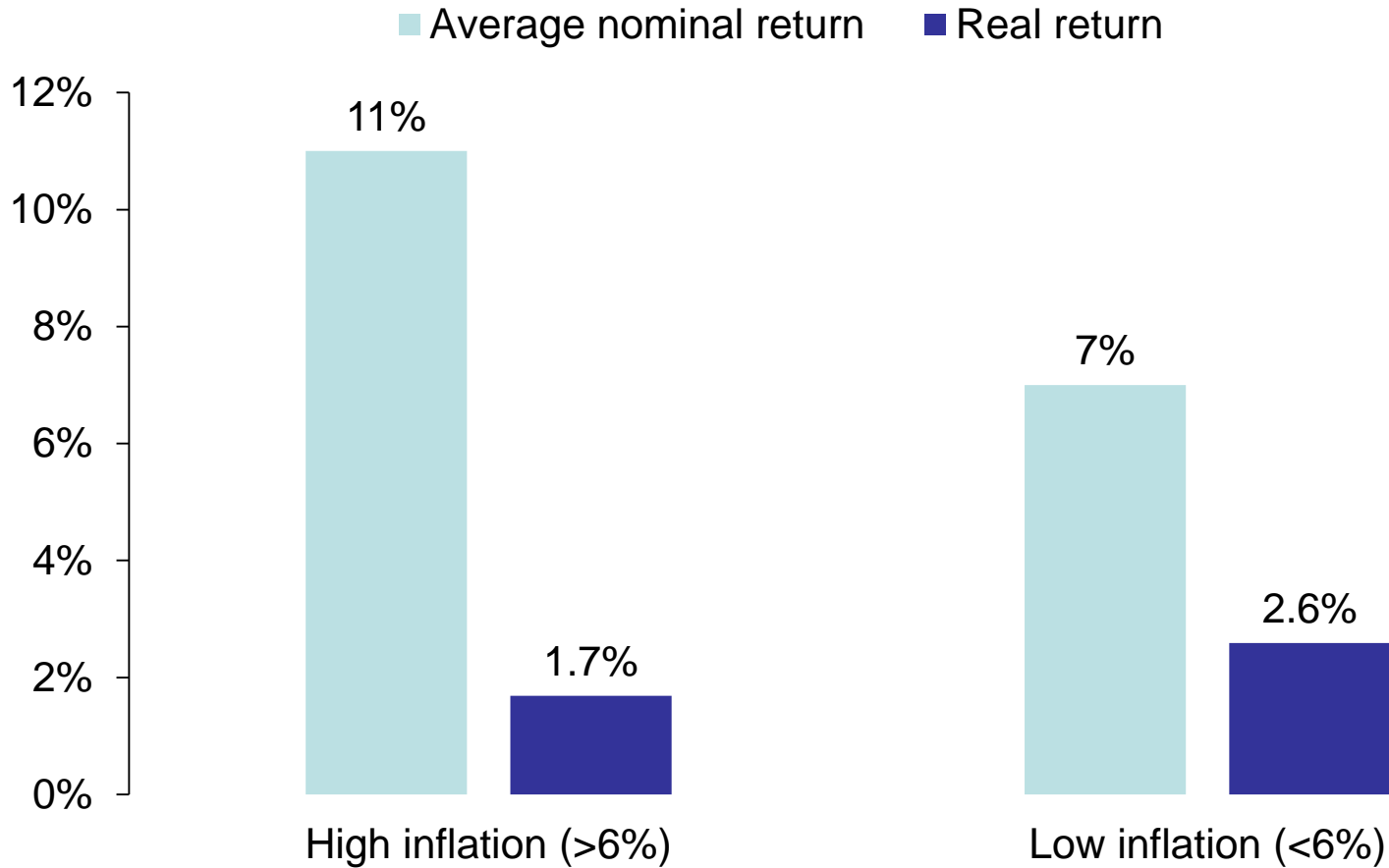


Past performance may or may not sustain in future

Data as of 22<sup>nd</sup> July 2022

Source: Bloomberg

# Gold – an excellent store of value



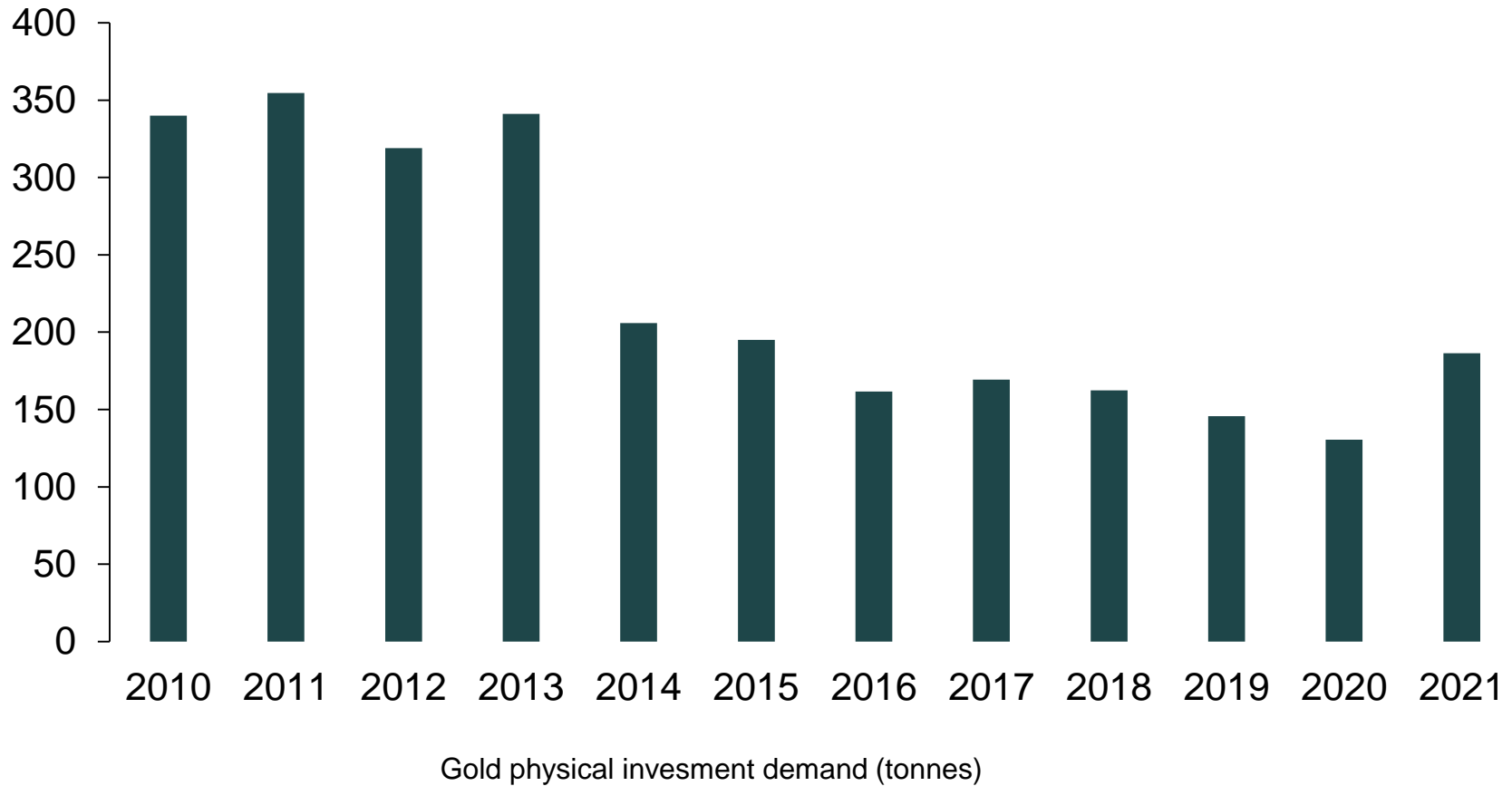
Calculations are based on returns of June month INR gold prices from 1980 to 2022

Past performance may or may not sustain in future

Source: Bloomberg, WGC

# Physical investment losing traction?

## Gold coins and bars

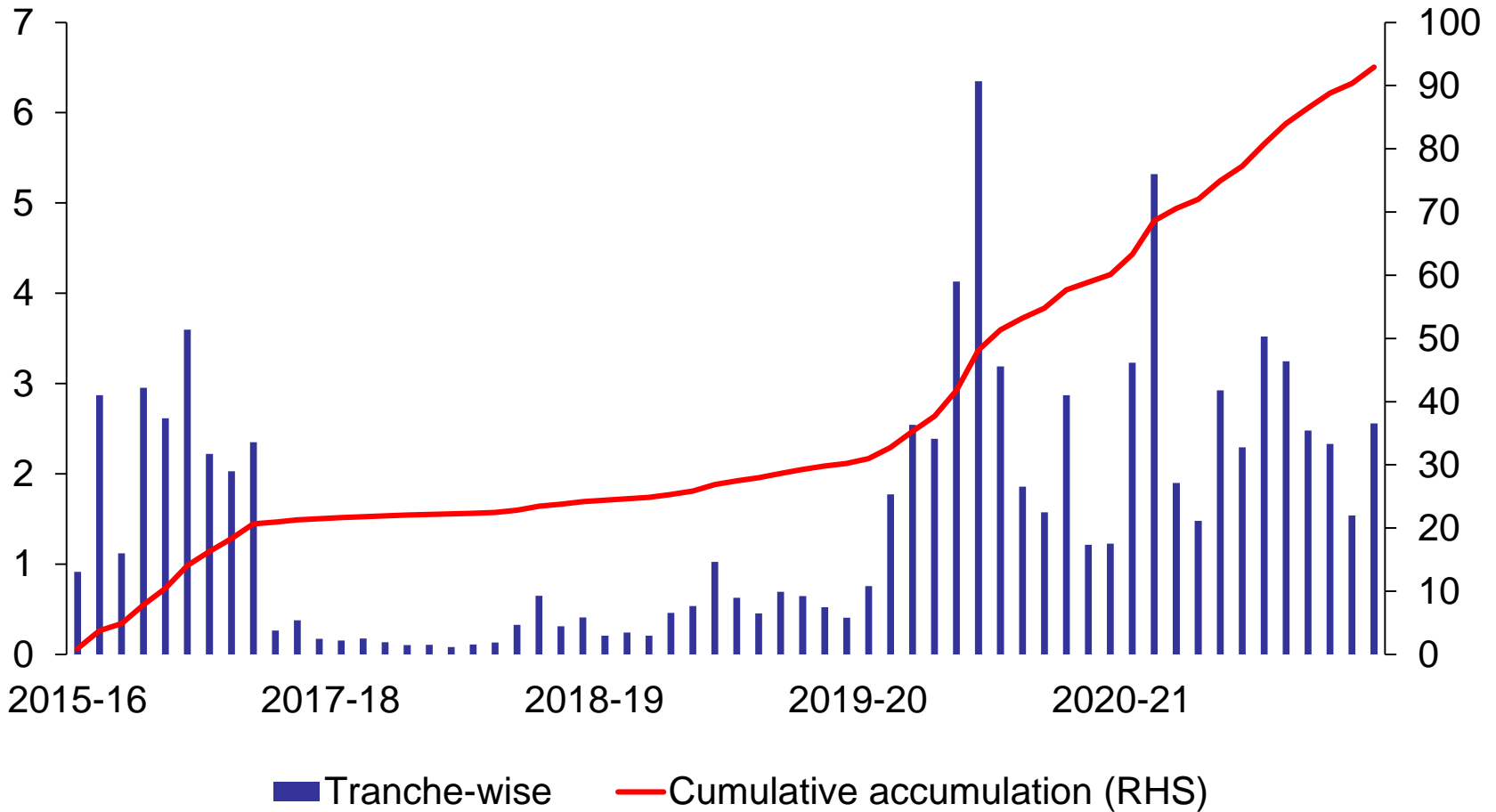


Data as of Q2.22

Source: World Gold Council

# Investors moving to efficient avenues

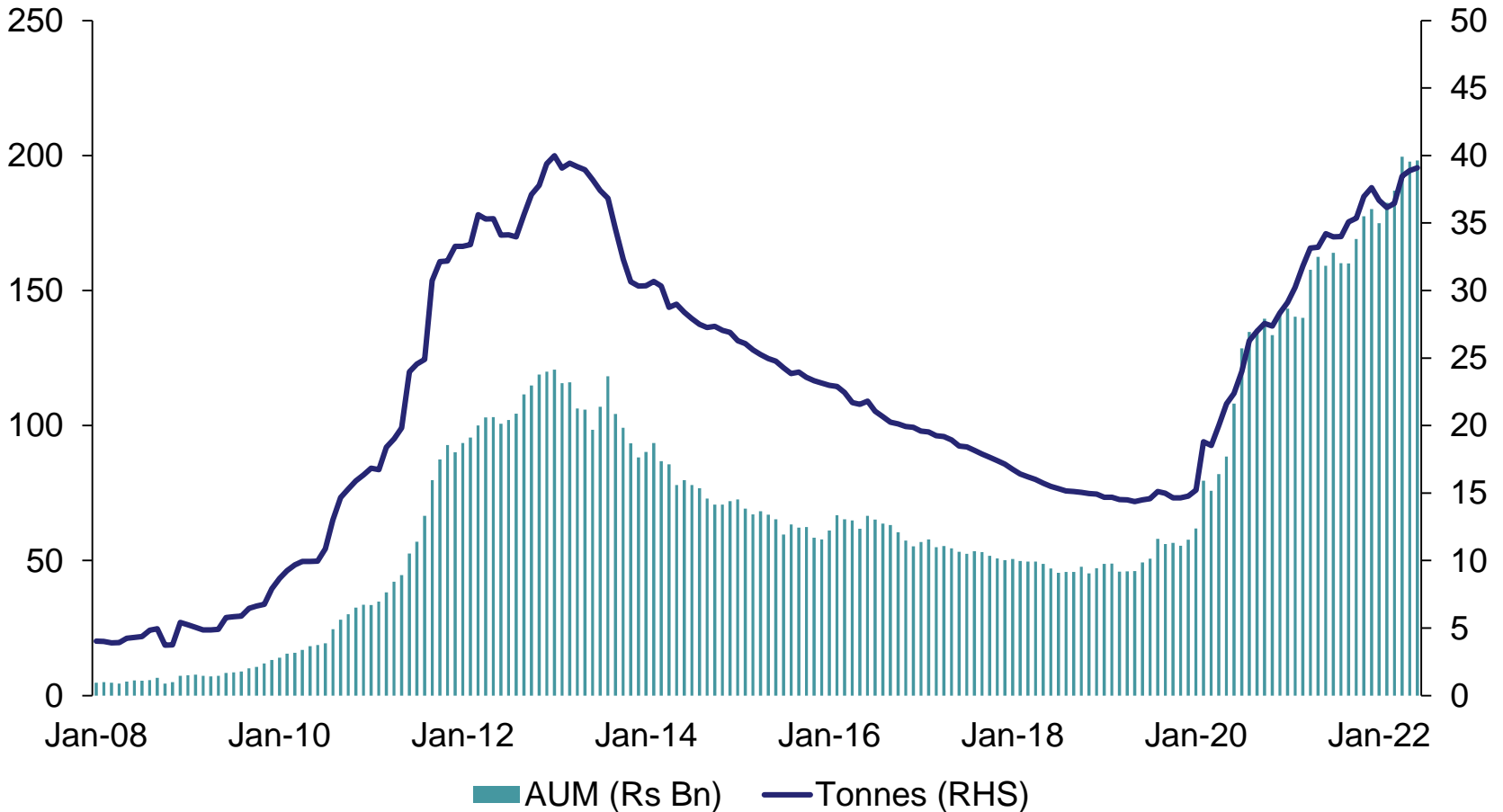
## Sovereign Gold Bonds (tonnes)





# COVID-19 helped regain the lost sheen

## Gold ETF total holdings and AUM

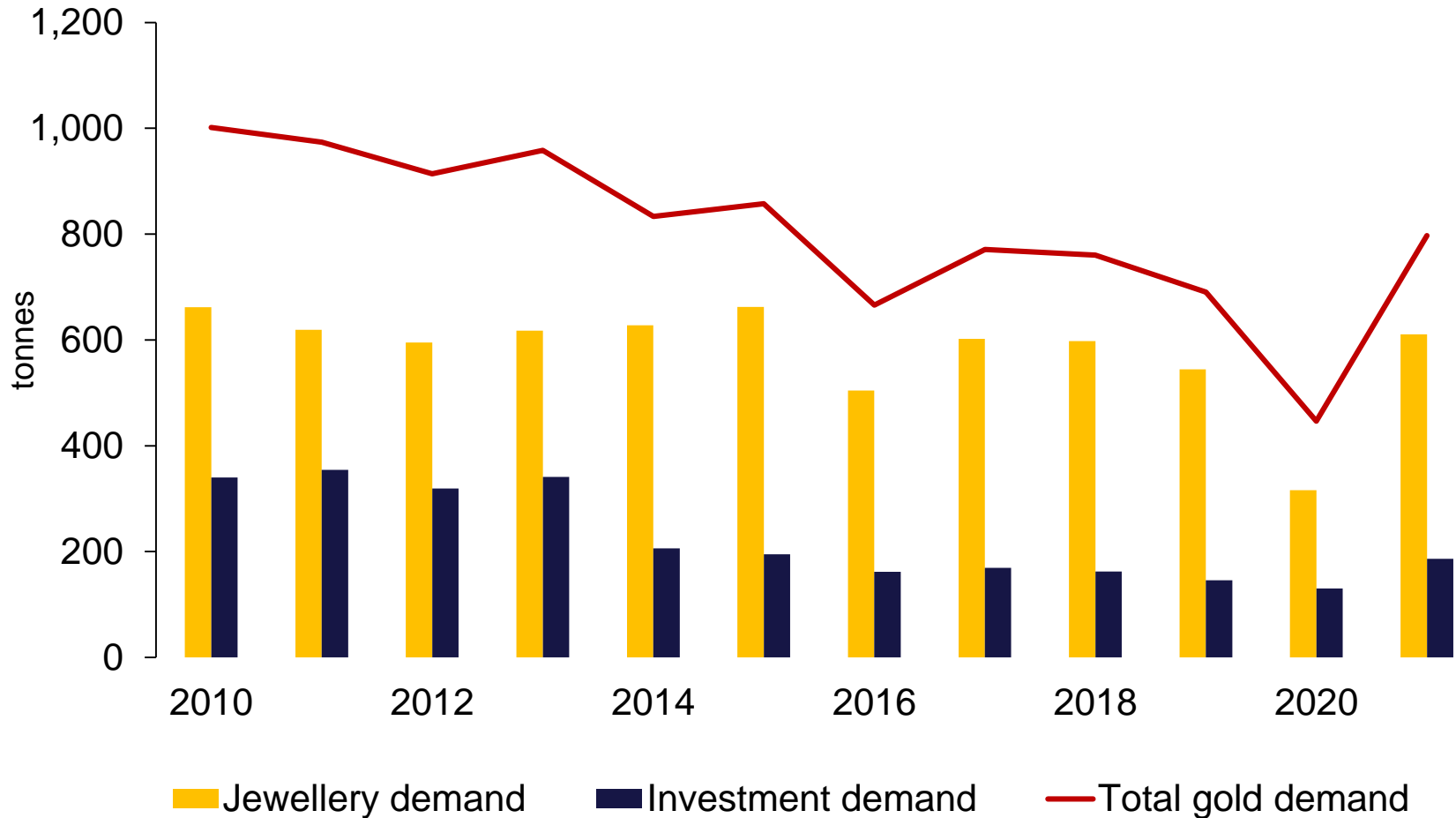


Data as of June 2022

Source: WGC, AMFI

# Are we doing justice to the gold investor?

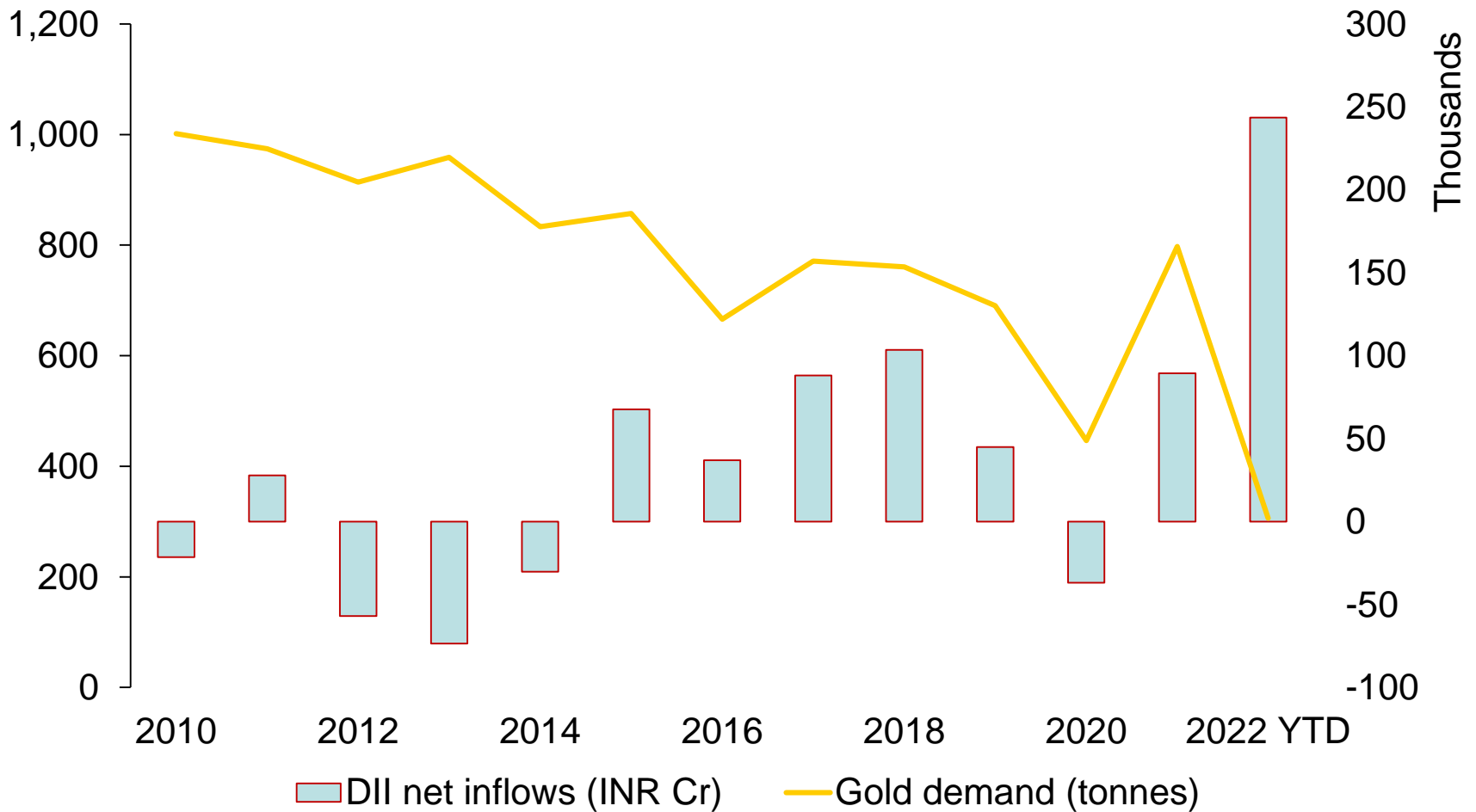
## Jewellery – great for consumption, but investments?



Data as of Q2.22  
Source: WGC



# Are we doing justice to the gold investor?



Data as of June 2022  
Source: Quantum, WGC



# Government's financialization agenda

## Gold Financialisation needs action

- Gold in jewellery form is far more difficult to financialize compared to efficient investment products
- More product driven innovation needed across the value chain
- Eradicate barriers of taxation and movement
- Treat it like a currency



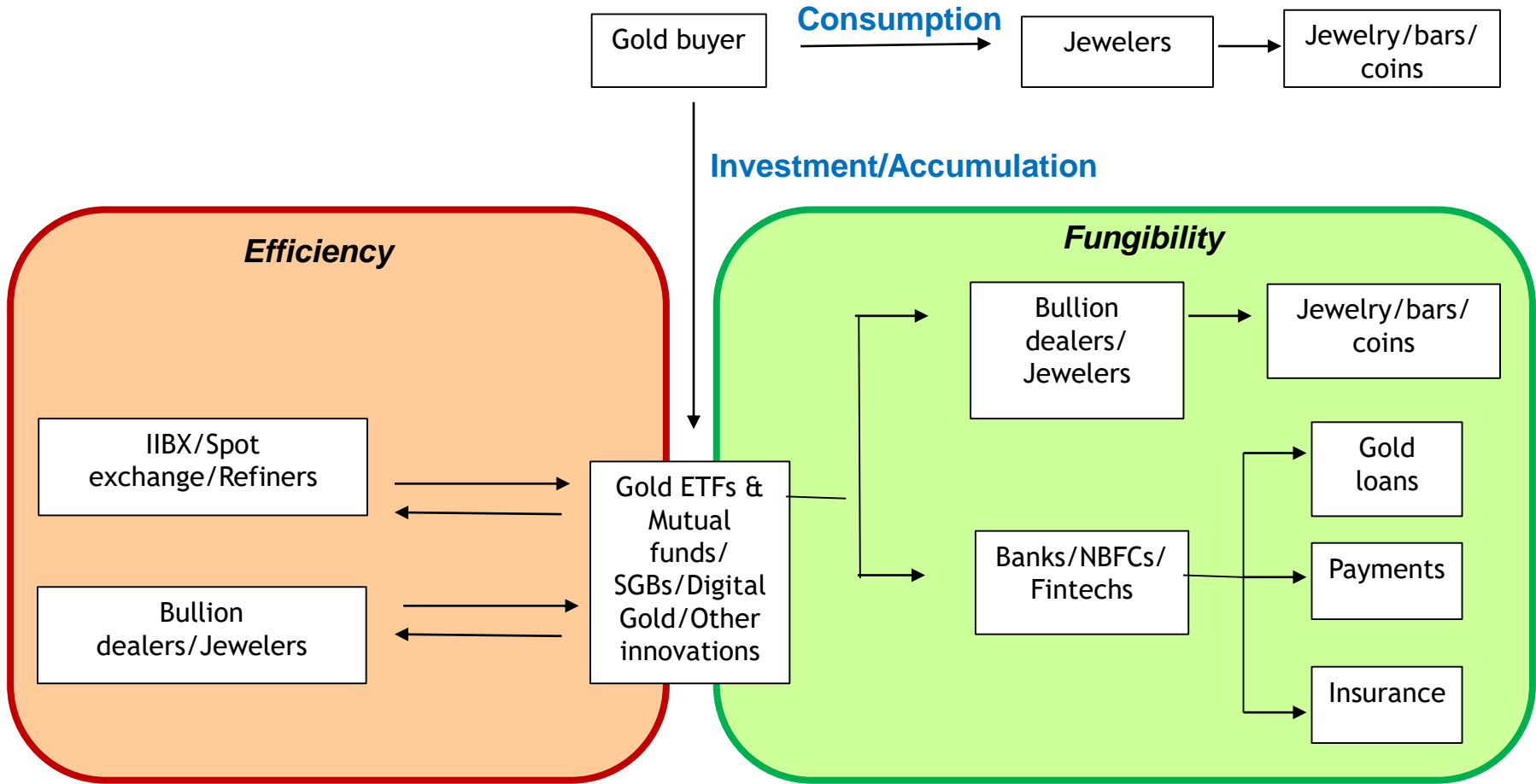
# Is the gold market prime for disruption?

## Role of IFSCA, IIBX, and Spot Exchange

- India, one of the largest consumers of gold, can be a price setter
- Price discovery, given the premiums and discounts in the local market
- Transparent mechanism
- Structured and organized flow of metal

# Creating an integrated ecosystem

*Value chain from investment to consumption*





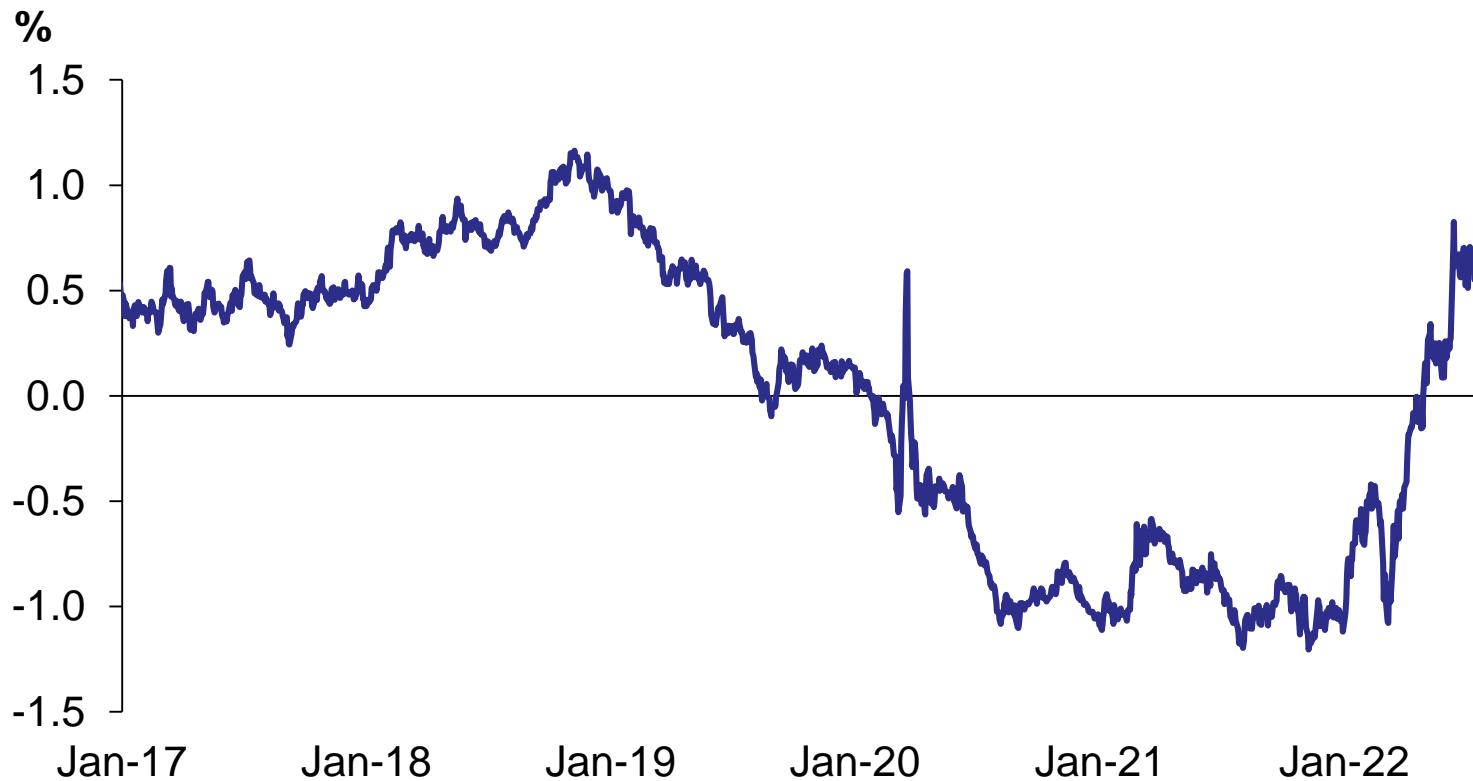
# Gold price - Real factors to watch out for

- The real interest rates environment
- The yield curve
- The US Dollar's strength
- Credit spreads
- The relative strength of the banking sector



# Real rates in positive territory after two years

The most important driver of gold prices - US 10Y TIPS Yield



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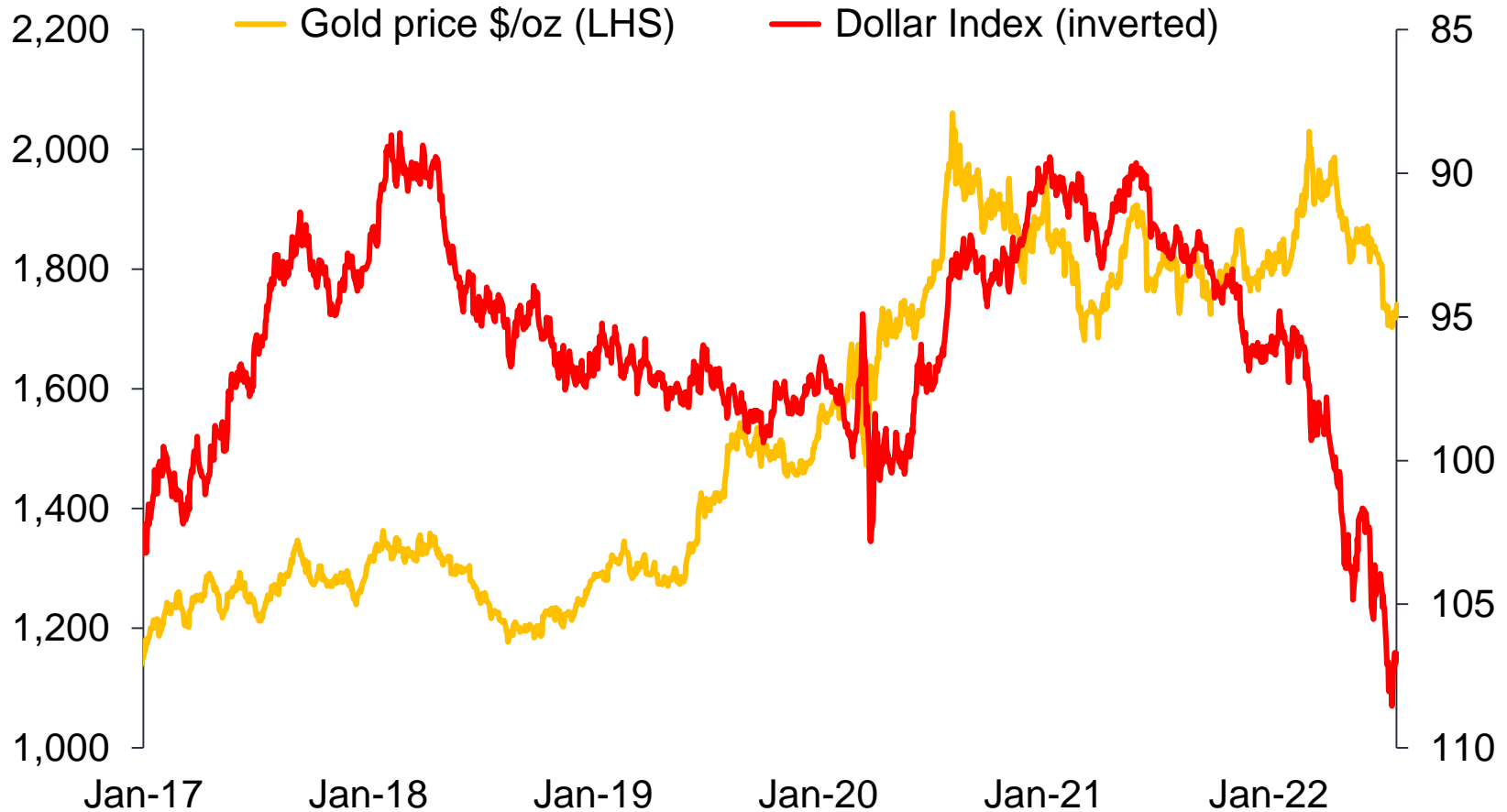
Data as of 28<sup>th</sup> July 2022

Source: Bloomberg





# Greenback's strength hurting gold



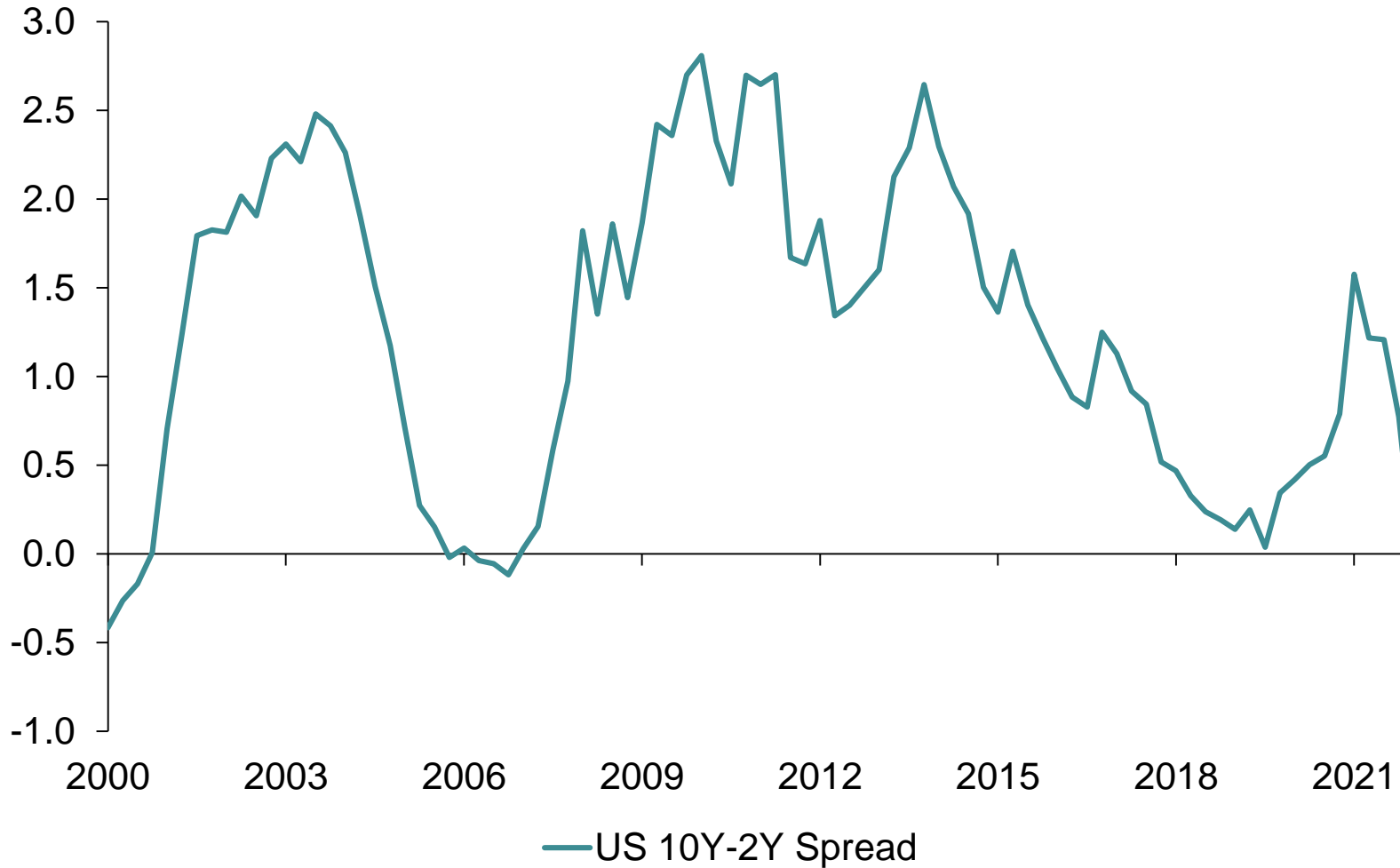
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Source: Bloomberg



# Recession on the horizon?



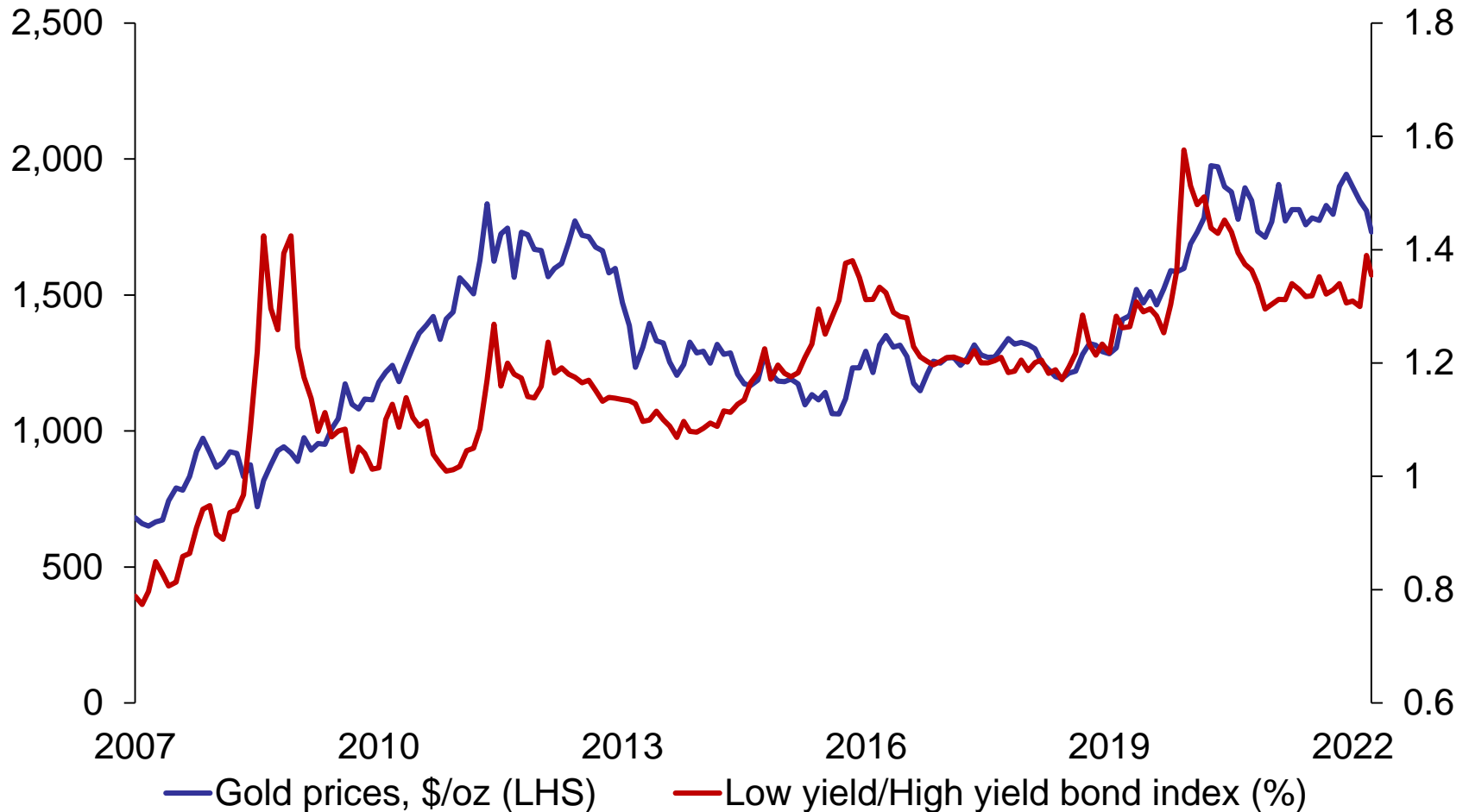
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Data as of 22<sup>nd</sup> July 2022

Source: Bloomberg



# Larger credit spreads, positive sign for gold



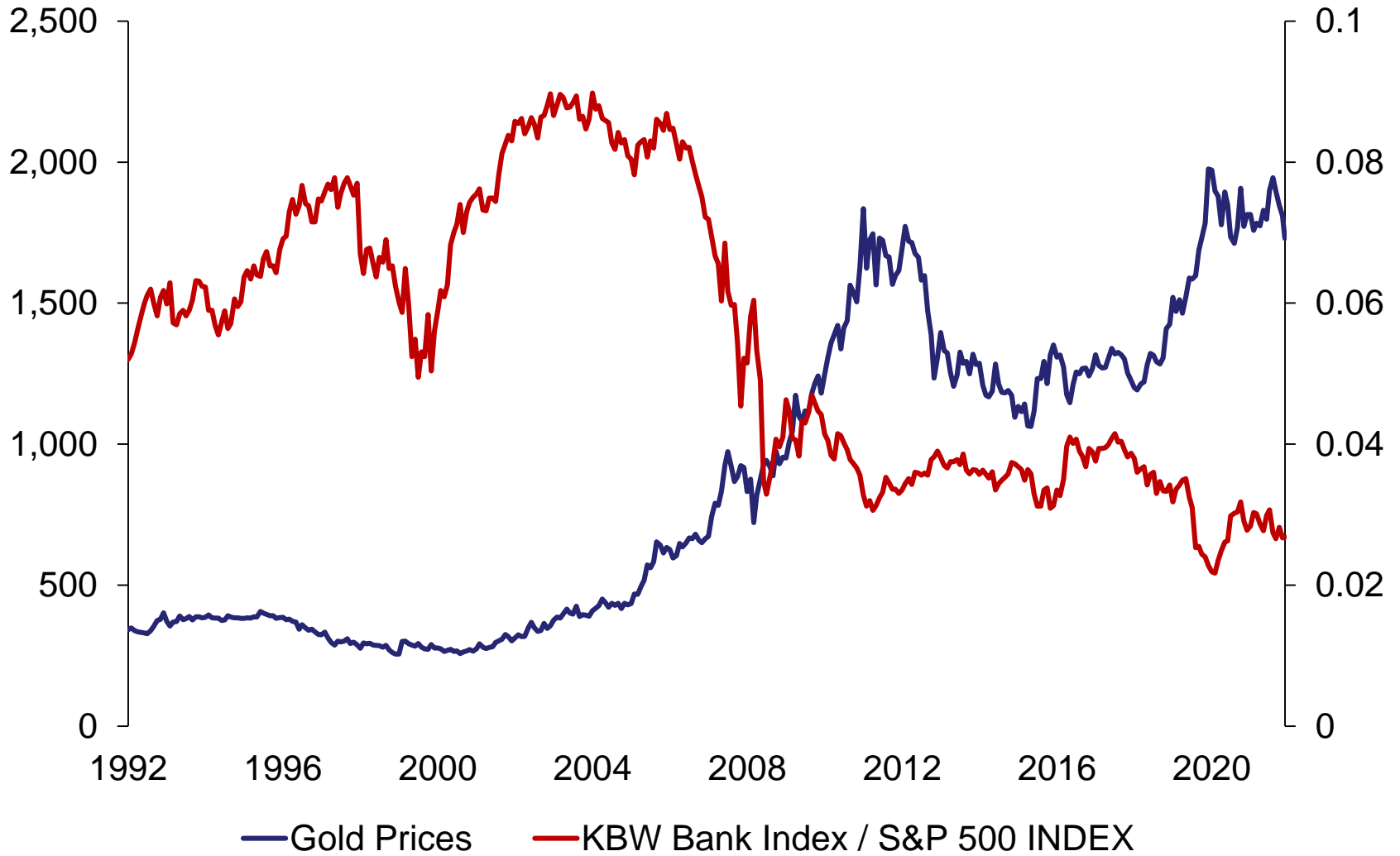
Past performance may or may not sustain in future

Data as of 22<sup>nd</sup> July 2022

Source: Bloomberg



# Banking sector and gold prices



Data as of 22<sup>nd</sup> July 2022

Source: Bloomberg



# Price outlook

- Tightening of liquidity may continue to put downward pressure on gold prices in the near-term
- Recessionary concerns will keep the downside capped
- Recession would mean Fed eventually pivoting to a less hawkish policy
- The Fed's U-turn will be bullish for gold prices



Thank You



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**Dated: July 29, 2022**