



Know Why is the Price of Gold Rising Amid Inflation and Second Wave of Pandemic in India

Gold, a precious metal, has been an integral part of ancient India. For years, Gold has been considered a symbol of wealth, status and an important part of many Indian rituals. Thanks to the metal's affluence and its usage, gold has shown a great shielding effect against the uncertain market condition i.e pandemic.

As the 2021 quarter comes to an end, gold hasn't made a great hit. The precious metal has tumbled 19% from its last August and is back where it was in February last year before the pandemic hit the developed world.

However, as the quarter-end and the pandemic began, the price of gold has subsequently increased. Gold's price has suddenly increased and it touched an over a three-month peak on Tuesday as the investors have shown a great interest in the yellow metal. Another important cause behind the sudden rise of gold prices is the second wave of the pandemic, rising inflation, and a weekend US dollar that marks investors to make Gold a hedge option.

Also, recently, it has been seen that the gold prices are rising with a decent amount and due to the occasion of Akshay Tritiya, the prices are further increased.

The second wave of pandemic gold prices had faced a slight drop but post-Akshay Tritiya occasion, it is again in the spotlight. That means, the prices have recovered and experts say that it will cross the mark of 50000 in July 2021.

Even though businesses are suffering and the economy is struggling to come to its normal pace, many people are perplexed as to why the gold prices are rising during the weak condition of the economy.

Below are the factors that influence gold prices to a greater extent:

A lot of things has been said about the factors that influence financial markets, many investors are unaware of the rising prices of gold:

Demand and Supply

The demand and supply of gold play a crucial role in rising gold's price. The inadequate availability of gold increases the demand for gold and hence the prices rise as well as the supply is limited.

Rate of Interest

Gold prices and interest rates are inversely proportional to each other. As interest rates decline, people don't get good returns. Hence, people are required to split their deposits and buy gold which in turn increases the demand and the price.

Reserves Held by the Government

RBI plays an important role in affecting gold prices. Indian's government maintains gold reserves. By doing this, the Indian government can buy and sell gold through the Reserve bank of India. If they purchase or sell more gold, the prices would affect the gold.

The market for Indian Jewellery

Many people buy gold jewellery in India and hence the gold price rises during festivals and wedding seasons.

Import Taxes

India's contribution to global output is observed as less than 1%. Although the country is the second-largest consumer of gold, to meet its metal demand, India also imports a lot of gold from other countries.

Market For Indian Jewellery

The demand for gold rises during the festive and wedding seasons in India as many people wear gold jewellery on occasions. Such things increase the demand for gold which will eventually rise in its prices.

Why are gold prices rising? Key things to know:

The sudden rise in gold prices makes many investors worried. They fail to recognize the real reasons for rising gold prices. Why are gold prices rising? At what time does the gold price rise? Can they invest in gold now or they have to wait for some months?

Investors now, seeking the safest instrument to invest:

Since March 2020, many countries have adopted nationwide lockdown to prevent the spread of Covid 19 infections. It has helped several countries to minimize the spread of coronavirus among people, however, it also caused a lot of economic damage as all the production was closed and imports and exports were cancelled.

To get rid of the tough times of pandemic, people are finding gold as the safest instrument to invest.

Understanding the relation between lockdown and gold price:

When the lockdown had ended in June 2020, many people would think that the businesses would grow faster and the economy would soon recover. Hence, a large number of investors had started investing in high-quality stocks. However, as the myths of economic recovery have faded, people have started to invest in safer options.

As a result, gold prices are rising day by day as the people see it as a natural shield or safeguard against inflation and economic instability.

Should You Invest in Gold Now?

Although increasing demand for gold prices indicates strong demand for gold jewellery, experts believe that the gold prices will reach up to 65000 per 10 gram in the upcoming years. The reason behind the rising demand for gold depends on a lot of factors such as low interest rates, liquidity and availability.

Is it a good time to invest in gold? Well, the answer heavily depends on how you see the market. If you think that the economy will take a long time to recover and the interest rates will remain low for a long duration; investing in gold is considered a good option.

However, if you think the economy will soon recover and the industries will receive a heavy boom, then you need to look for other investment options i.e stocks.

The Bottom Line

As the gold prices are rising day by day, it catches the investors attention. As a result, many investors have started to invest in gold considering it as the safest instrument.

However, it is also crucial to think of all the other investment options before making any decision. Hence, before jumping on board, please make sure that your investments flow parallelly with your portfolio, investment strategy and risk tolerance.

Therefore, it would be ideal to have a clear understanding of all the situations before investing.

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