

We reiterate our view that gold is in a long term bearish trend. Investment in gold is not advised considering the following points –

- **High Cost of Gold:** India is the second largest importer of gold in world. Being an importer, a rising Dollar makes gold costly for Indians. And at present the USD/INR is at its costliest peak of last seven months. Since gold prices are set in Dollars and Indian buyers buy in rupees at rupee/dollar conversion rate buying it in India makes it very costly.
- **Dollar Weak in Long Term:** Currency appreciates with growth in economy, and Indian economy is expected to rise strongly for several years. This will make Dollar weak compared to Rupee and it may fall below 50 in long run (where it was before 2011). Gold was well below 20000 before 2011 and it is expected to again fall back to that level when Rupee appreciates regardless of international prices.
- **Better Investment Options Available:** Investing in Fixed Deposit itself may give over 10% p.a. and expecting that gold will outperform this is very difficult. In fact gold has given negative returns in 2013 as well as in 2014 and this trend may continue.

RECOMMENDATION:

We recommend buying gold only for jewellery purpose and not for long term investments.

We have been maintaining our view since May this year that gold is in a long term bearish trend and one should avoid investing in it. One should invest in other productive assets like debt or equities based on one's risk profile.

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