AN IMPACT OF SENSEX ON GOLD PRICE

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ABSTRACT

Gold has been highly demanded instrument for investment to hedge against inflation. Every day there is significant price changes for gold and gold price is set by equilibrium of demand and supply. The price of the gold is changing the movement of share market. If the share market Sensex is high so the price of the gold is decrease and if the share market is Sensex is down so the price of the gold increase. There is inverse relationship between Price of gold and Sensex

Keywords: Gold, Equilibrium, Demand and Supply, Sensex, Inverse Relation,

Introduction

Gold is highly demanded option for investment by Indian people. Most of the Indian people are giving priority to the gold for better investment. Last week the Economic Times reported that the Indian publics hold 20,000 tonnes of the yellow metal in jewelry, coins and gold bars. However it would mesh with a news story_three years ago in The Financial Express, which said that Indian households have amassed up to 20,000 tonnes for a historic high of $1.16 trillion, based on the gold price in 2012. The figure came from the World Gold Council (WGC) which estimated that India's household gold reserves at the time were 11 percent higher than the 18,000 tonnes it had earlier pegged. (Sources-Times of India dated 10th May 2010)

The gold Price movement is depending on the Sensex price and the sensex is affected on gold price. Following is the movement of gold prices

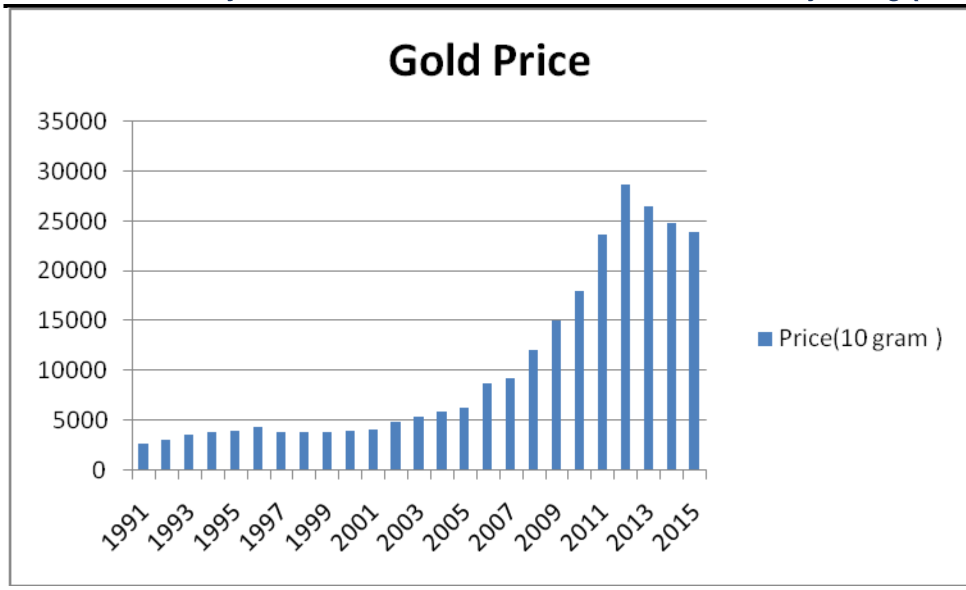


Figure 1: Yearly Movement of Gold Price

Sources- www.gold.org

The gold prices movement is drastic change from the year 1991 to 2015.The prices of gold is increasing trend up to 2013 and after that there is decrease trend for price movement

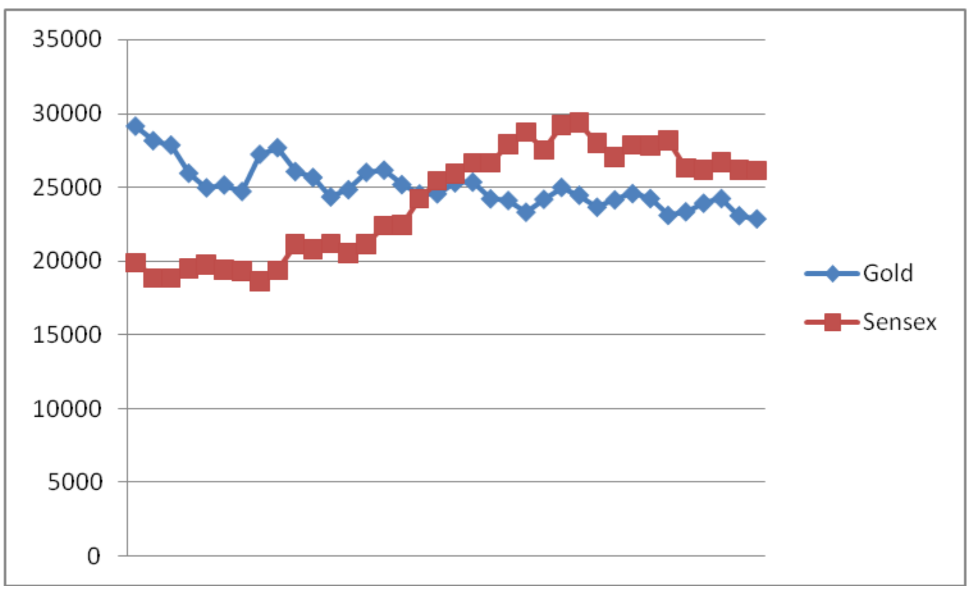


Figure 2: Yearly Movement of Gold and Sensex

Sources- www.gold.org and www.investing.com

Data and Methodology

This paper aims at investigating the dynamic relationship between gold prices and stock market Sensex in India for the period 2013 to 2015. This study is mainly based on secondary data that have been collected from the database on Indian economy maintained by Reserve Bank of India and World Gold Council. The study analyses the monthly data on domestic gold prices and stock market Sensex in India for the aforesaid period.

This research is based on descriptive inferential Research Design nature

Research Methodology:

This research is based on descriptive inferential Research Design nature

Proper selection of research methodology is very important for any researcher to be at minimum risk position. Research Methodology will provide a structure for decision-making like implicit question are posed, explicit answer proposed, collection analysis and interpretation of information. Here, in this study **Analytical**

Research Method is followed, where researcher is looking for conclusions.

Data collection

This Research is based on secondary data

Secondary data will be collected through Website, Newspaper, Articles and Magazine

Hypothesis

H0-There is significant relationship between Gold Price and Sensex

H1-There is no significant relationship between Gold and Price

Techniques of Analysis of Data

Appropriate Statistical tool like **Correlation and Regression, Graph and pie Chart** has been used for Research

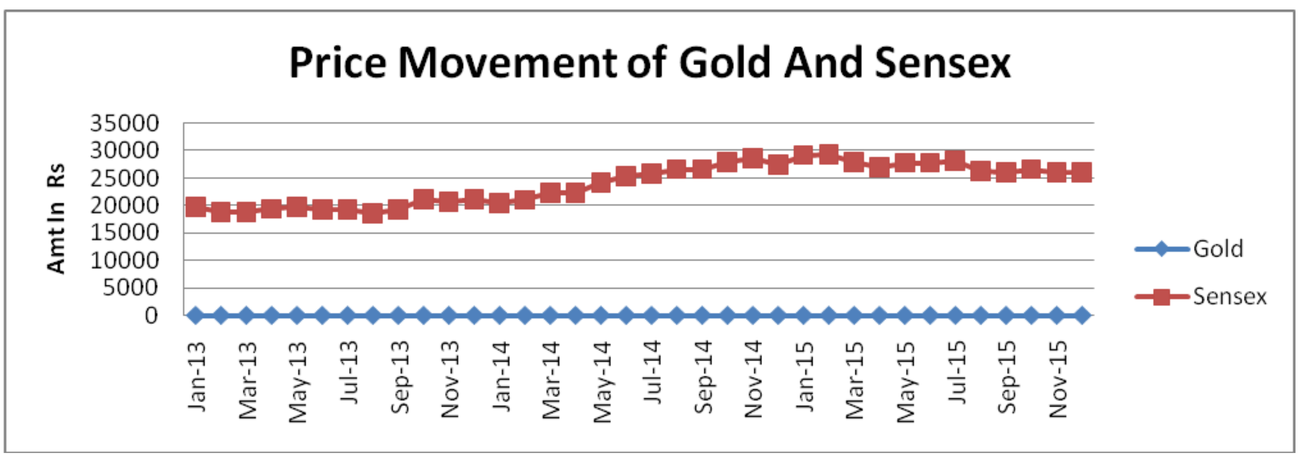
The Gold Price and Sensex movement from the year Jan 2013 to Dec 2015

Empirical Analysis

There is inverse relationship Between Price of Gold and Sensex. The following is the Price of gold and Sensex

Month	Per gram	10 gram	Sensex
31-Jan-13	2915.064	29150.64	19894.98
28-Feb-13	2817.31	28173.1	18861.54
29-Mar-13	2787.559	27875.59	18835.77
30-Apr-13	2597.286	25972.86	19504.18
31-May-13	2499.101	24991.01	19760.3
28-Jun-13	2517.771	25177.71	19395.81
31-Jul-13	2474.24	24742.4	19345.7
30-Aug-13	2724.884	27248.84	18619.72
30-Sep-13	2769.614	27696.14	19379.77

31-Oct-13	2608.774	26087.74	21164.52
29-Nov-13	2568.843	25688.43	20791.93
31-Dec-13	2437.486	24374.86	21170.68
31-Jan-14	2486.037	24860.37	20513.85
28-Feb-14	2603.16	26031.6	21120.12
31-Mar-14	2618.712	26187.12	22386.27
30-Apr-14	2520.156	25201.56	22417.8
30-May-14	2457.404	24574.04	24217.34
30-Jun-14	2457.667	24576.67	25413.78
31-Jul-14	2532.235	25322.35	25894.97
29-Aug-14	2537.296	25372.96	26638.11
30-Sep-14	2424.593	24245.93	26630.51
31-Oct-14	2413.244	24132.44	27865.83
28-Nov-14	2333.995	23339.95	28693.99
31-Dec-14	2421.369	24213.69	27499.42
30-Jan-15	2501.647	25016.47	29182.95
27-Feb-15	2448.637	24486.37	29361.5
31-Mar-15	2367.764	23677.64	27957.49
30-Apr-15	2417.361	24173.61	27011.31
29-May-15	2459.617	24596.17	27828.44
30-Jun-15	2425.768	24257.68	27780.83
31-Jul-15	2312.662	23126.62	28114.56
31-Aug-15	2336.675	23366.75	26283.09
30-Sep-15	2394.866	23948.66	26154.83
30-Oct-15	2425.908	24259.08	26656.83
30-Nov-15	2310.558	23105.58	26145.67
31-Dec-15	2288.933	22889.33	26117.54



From the above graph there is inverse relationship between price of Gold and Sensex

Correlations

		Gold	Sensex
Gold	Pearson Correlation	1	-.722**
	Sig. (2-tailed)		.000
	N	36	36
Sensex	Pearson Correlation	-.722**	1
	Sig. (2-tailed)	.000	
	N	36	36

**. Correlation is significant at the 0.01 level (2-tailed).

Interpretation

This means that as one variable increases in value, the second variable decreases in value.

SPSS generated a Pearson's r value of -0.722, researcher could conclude that when the Price of Gold increases (our first variable), the participant Sensex elasticity rating (our second variable) decreases.

It means Negative Correlation is existed and there is inverse relationship between Price and Gold. It means H0 (Null Hypothesis) is accepted and H1(Alternative hypothesis) is rejected

Findings

- There is Negative correlation between gold and Sensex i.e.-0.722
- The Inverse relationship find out between Price of Gold and Sensex
- The Price of Gold is increased up to January 2015 after that price of Gold is decrease

Conclusion

In this paper, the casual relationship has been examined between Sensex and gold price. The study uses the monthly data which is collected from Reserve bank of India, World Gold Council and from bse-india.com. There is a positive correlation between stock returns and gold price from 2003 to 2005.The gold Price and Sensex is inversely proportionate with each other

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