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Online: CNBC TV18	Link: https://www.cnbctv18.com/personal-finance/gold-prices-at-record-high-keep-these-things-in-mind-before-investing-in-the-yellow-metal-5019781.htm

Gold prices at record high: Keep these things in mind before investing in the yellow metal

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Gold investment is considered as a means to bring financial retreat in one's portfolio. There are several gold investment routes available in the market. Looking at the trend of gold prices recently, many investors may be anticipating whether it is a favourable time to invest in gold.

According to experts, one should hold some percent of gold in the investment portfolio as it creates a good diversification in times of uncertainties like the recent geopolitical tension in the Middle East.

The traditional gold investment mode is buying of physical gold. However, analysts suggest going for electronic gold instead. With physical gold, people generally have to pay for associated charges.

Is this the right time to invest in gold?

Gold is considered as a hedge against inflation in developed markets. Analysts say every person should invest in gold and follow asset allocation policy to maximise their returns.

"In tough times like these with geopolitical certainties looming large on us, gold can be considered as a safe haven. Gold also safeguards against currency depreciation," says Arpit Jain, VP, Arihant Capital.

According to Prof Arvind Sahay, Chairperson, India Gold Policy Centre (IGPC), IIM Ahmedabad, gold prices will keep rising till at least November 2020.

"In light of recent events, our conviction on the price rise is now stronger. And the extent of price rise to January 2021 may be higher. For the next 12 months, gold should be a higher proportion of the portfolio than planned earlier," he explains.

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How should one plan the gold investment?

Gold is typically a natural evade against slower economic growth and global geopolitical uncertainty. According to Ravindra Rao, VP- Head Commodity Research at Kotak Securities, one should at least have a 10 percent allocation of gold in the portfolio.

“However, in the current uncertain scenario that allocation can be as high as 15-20 percent,” he adds.

What are the gold investment options available in the market?

Depending on the liquidity requirements one can choose from the available gold investment avenues.

“If the investor needs liquidity in investment then MCX Gold Petal or Gold ETF can be a good option. If liquidity is not the criteria than sovereign gold bonds (SGBs) are a good option as it pays interest of 2.5 percent along with the price appreciation which no other gold investment offers,” says Ravindra Rao of Kotak Securities.

SGB, which is issued by the Reserve Bank India (RBI) on behalf of Government of India, is sold through scheduled commercial banks (except small finance banks and payment banks), Stock Holding Corporation of India Limited (SHCIL), designated post offices, and recognised stock exchanges NSE and BSE.

The SGB scheme comprises government securities denominated in gold wherein investors are required to pay the issue price in cash. The bonds are redeemed in cash on maturity.

“It is always better to look at ETF funds than taking direct exposure to gold for ease of convenience and avoiding hassles of storing the physical commodity," says Anurag Jhanwar, Co-founder and Partner, Fintrust Advisors LLP.

Gold ETFs spare investors from difficulties of selling, storing and checking the quality of physical gold. In the gold ETF, the credit risk is also very minimal.

The ETF platform can provide quicker exits too as liquidity is much higher.