Fall in bullion prices adds glitter to gold ETFs ahead of Diwali

Press Trust of India

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NEW DELHI: Gold's recent price correction has prompted investors to shift towards exchange-traded funds, with assets under management in schemes rising to ₹1.91 lakh crore in October from ₹1.58 lakh crore in April, according to data. Gold prices have declined 12% over the last six months, while expectations of a recovery in the coming months have added to investor interest in the precious metal.

In October, the yellow metal prices have shed ₹20,900, or 12.8%, and ended at ₹1.42 lakh per 10 grams on October 31 against ₹1,62,900 on May 29.

The precious metal was trading at ₹1,46,600 per 10 grams on Wednesday, up by ₹4,800 from preceding session's closing level.

"With steady central bank buying and tensions in West Asia, we are seeing a structural shift in Indian festive consumption: total rupee expenditure remains strong even as buyers pivot towards gold ETFs," said Rajeev Sharan, Head of Research at Brickwork Ratings.

The ongoing festive and wedding seasons are also expected to support demand for gold. Continued purchases by central banks could provide further support to prices over the next 12 months, the World Gold Council (WGC) said in its latest quarterly outlook. The gold-backed exchange-traded funds (ETFs) have delivered returns of over 30% in the last 12 months.

Nippon India Gold ETF BeES and ICICI Gold ETF topped the list and recorded returns of 30.7% each, while Invesco Gold ETF delivered 30.6%, the data showed. Gold ETFs are open-ended mutual fund schemes listed on stock exchanges that track the domestic price of physical gold.