Gold's dip becomes ETF investors' gain

New Delhi

GOLD'S recent price correction has prompted investors to shift towards exchange-traded funds, with assets under management in schemes rising to Rs 1.91 lakh crore in October from Rs 1.58 lakh crore in April, according to data. Gold prices have declined 12 per cent 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 Rs 20,900, or 12.8 per cent, and ended at Rs 1.42 lakh per 10 grams on October 31 against Rs 1,62,900 on May 29.

The precious metal was trading at Rs 1,46,600 per 10 grams on Wednesday, up by Rs 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 per cent in the last 12 months. Nippon India Gold ETF BeES and ICICI Gold ETF topped the list and recorded returns of 30.7 per cent each, while Invesco Gold ETF delivered 30.6 per cent, the data showed. Gold ETFs are open-ended mutual fund schemes listed on stock exchanges that track the domestic price of physical gold, where one unit represents one gram of 99.5 per cent pure physical bullion. Unlike physical gold, investments through ETFs do not involve making charges, which can add around 15 per cent to the cost of jewellery. They also eliminate concerns over theft and bank locker charges, as units are held in demat accounts. Investors can buy and sell ETF units on the NSE and BSE during market hours at live, spot-linked prices. Such investments also avoid the deductions and testing charges that may apply when selling physical gold.

Gold ETFs further allow investors to take exposure to the precious metal through smaller investments, including systematic investment plans (SIPs).