

AN EMPIRICAL STUDY ON GOLD PRICE DISCOVERY AND VOLATILITY: A THEORETICAL REVIEW

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ABSTRACT

The present study aims to review the research studies and literature to gain knowledge about the field of price discovery and Volatility of the Indian Gold market and know the relationship between spot and futures gold price. In order to review the literature, research papers have been collected from various refereed journals, websites, and other secondary data sources related to price volatility and price discovery of Gold in the Indian context. Findings suggest that the price discovery process is happening in the futures market. This price discovery and the number of volumes traded in the market also have an impact on Volatility. Gold has a long-run relationship with other variables, but in the short-run period its doesn't have due to various factors; this study will help investors and researchers to know about Indian gold markets' existing reviews.

KEYWORDS: Gold Price Discovery, Price Volatility, Commodity Market, Investment

INTRODUCTION

Globalization made commodity markets as well as structured and more systematic transactions. Almost all the markets are integrated now; if anything happens in any one of the markets, it will significantly impact all other markets in the world. Due to technological development, its more transparent and speedy transaction is happening in the commodity market. Hence, many investors are willing to invest and trade in the commodity markets, especially in the Bullion market. All the Indians are having more sentimental towards Gold; as per the latest survey, more than 16 tons of Gold are available in India. There is very less research work that has only been done in the area of Gold markets in India. It is understood from the literature review that research on understanding the relationship between spot and the future price of Gold in India.

Review of literature is the backbone for any research work. Without this process, the justification as to settling down on objectives is not valid. In other words, the primary aim of any research is not justifiable unless fully supported by an excellent and extensive review of literature on the subject issue. This review is essential to obtain a clear picture of studies that various researchers in these areas have conducted till date and where it is possible to identify gaps in the existing research. The relevant literature, done post-2005, has only been considered because the futures trading in Gold in India is a recent development. A sufficient number of studies deal with the price volatility and price discovery of various commodities and various markets. But there is a lack of analysis regarding the price discovery of Gold in the Indian context. Also, to know the relationship between the spot and future price of Gold in India. Hence, this study will pay close attention to the analysis of gold prices, especially in the Indian market

OBJECTIVES OF THE STUDY

- To review the Empirical studies on price discovery and Volatility
- To review Empirical studies on the relationship between spot and future gold market
- To give significant findings and conclusion based on the review