

Summer Internship Project Report

On

“Analyzing the Validity of Gold Investment and Instruments Available: A Study of Nirmal Bang Commodities Pvt. Ltd., New Delhi”

PROJECT SUMMARY

This project was completed during the summer internship programme completed at **Nirmal Bang Commodities Pvt. Ltd., New Delhi.**

The project had five objectives namely:

- To check the validity of the reasons given for investing in gold.
- To determine the relationship of gold prices with various economic indicators.
- To determine whether these determinants holds good in Indian scenario.
- To determine the factors affecting the price of gold.
- To analyze the various vehicles for investment in gold.

Here I have checked the validity of various common reasons promulgated for investment in gold. The reasons may be different for different person but the most common are nearly same such as portfolio diversification, hedge against inflation etc.

To complete these objectives analysis of the relationship of gold prices and returns with prevalent exchange rate, inflation, crude oil prices and equity market returns was done.

The data collected was secondary in nature, from April 2004 till April 2011. It was collected from websites of Reserve Bank of India, World Gold Council, National Stock Exchange, icharts, US Energy Information Administration etc. Correlation and regression function were used to find out the relationship. The relationship was tested using hypothesis testing at 95% confidence interval by using ANOVA. Use of statistical tools from Microsoft excel was done to validate the above cited reasons. The common reasons were found to be valid.

Once it was established that investment in gold can be beneficial for the investor, different means to do that were qualitatively analyzed. These were:

- Gold Jewellery
- Gold bars coins and biscuits
- Gold ETFs and Fund of Funds
- e-gold
- stocks of gold mining companies
- Gold futures contracts

The requirements for each investor can be different. To cater to all these requirements a variety of products are available in the market. Based on investors' requirement and investment target the most suitable method for investment in gold was suggested.

The suggestions are based on some preconditions which are provided along with the suggestion. If the investor feels that he or she fulfils those conditions then the best method is suggested. Another criterion that was kept in mind while providing suggestion was the time horizon and the risk appetite of the investor.

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