MODELLING AND FORECASTING GOLD PRICESUSING ARIMA

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ABSTRACT

Indian investors consider physical gold as an important asset while an investment in gold across the globe is considered as a hedging tool which provides diversification to the portfolio for an investor. It's often correlated with the stock markets during risk-on periods and inversely correlated during periods of stress. Indian investors have demonstrated strong affinity to physical since several decades. The demand for gold in the global market is more than 4000 tones during the last decade out of which 25% of the global demand is attracted by the Indian market. The annual average consumption of gold in the Indian market amounts to 850 tonnes since 2010.The increasing gold prices, economic slowdown and the outbreak of pandemic has resulted in lesser consumption of gold during 2020in India. The continuous increase in prices has led to following study. This paper attempts to forecast the gold prices in the short run, for which 196 observations of the daily gold prices in USD were obtained for a period of 9 months from 1st November, 2019 to 31st July, 2020. The most popular tool the Box-Jenkins ARIMA was used to forecast the prices. The empirical results indicate that the adjusted ARIMA model provides better scope for predicting the prices in the near future. The gold price in the short run is showing an increasing trend.

KEYWORDS: *Gold Is Widely Considered, Similarly, the Investment, Approximately, Significantly.*

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