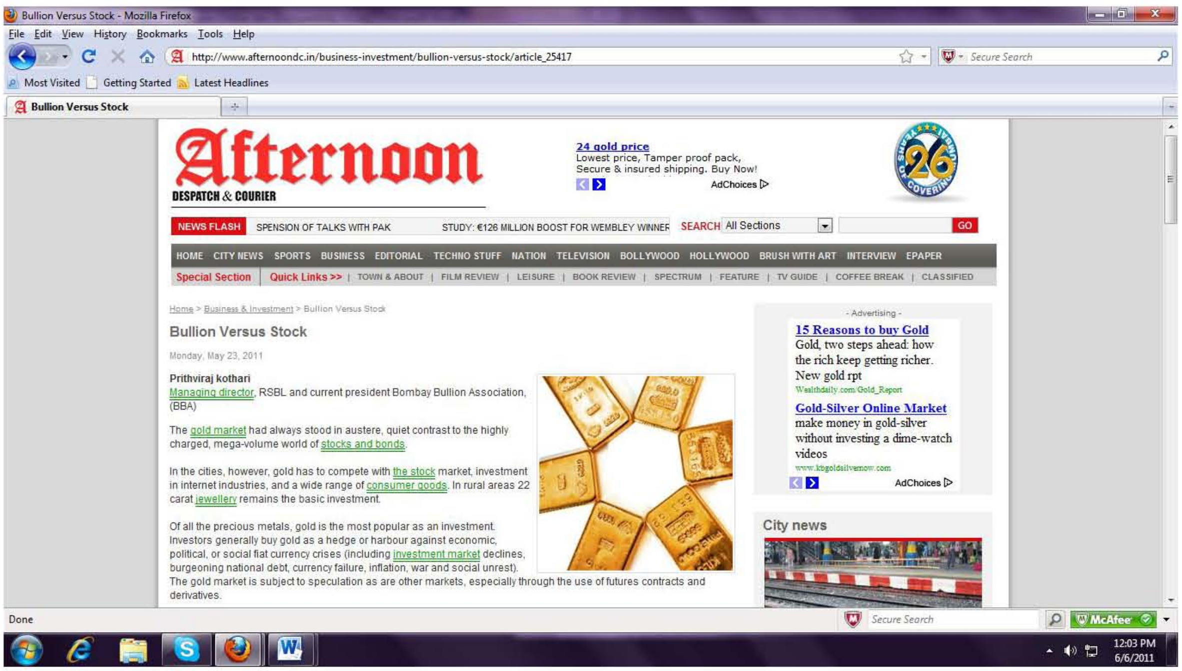
Publication: Afternoon Dispatch & Courier

Link: http://www.afternoondc.in/business-investment/bullion-versus-stock/article_25417

Date: 23rd May, 2011

Coverage Page:



Coverage:

Bullion Versus Stock

Monday, May 23, 2011

The gold market had always stood in austere, quiet contrast to the highly charged, mega-volume world of stocks and bonds.

In the cities, however, gold has to compete with the stock market, investment in internet industries, and a wide range of consumer goods. In rural areas 22 carat jewellery remains the basic investment.

Of all the precious metals, gold is the most popular as an investment. Investors generally buy gold as a hedge or harbour against economic, political, or social fiat currency crises (including investment market declines, burgeoning national debt, currency failure, inflation, war and social unrest). The gold market is subject to speculation as are other markets, especially through the use of futures contracts and derivatives.

The performance of gold bullion is often compared to stocks due to their fundamental differences. Gold is regarded by some as a store of value (without growth) whereas stocks are regarded as a return on value (i.e., growth from anticipated real price increase plus dividends). Stocks and bonds perform best in a stable political climate with strong property rights and little turmoil.

Though a steep down fall has been seen in the stock markets, we do not expect the bullion market to head the stock market. The reason being that this downfall will result in the selling of commodities too, as investors and traders would need money to pay off M2M.

Hence it will creative a negative impact on the bullions market too.

Moreover, the volatility seen in bullions is much higher than stocks. A calculative investor would prefer to invest in rather stable markets.

Rounding it up. Any portfolio should consist of a stable percentage of various investment options like, gold, silver, platinum, equities etc, rather than relying on just one or two modes. This will give a consistent performance. And also it is important to note that the entry and exit levels of each market as this cautious decision will have a fruitful impact in the long run.

The biggest subject that must be decided upon by financial professionals is to realize that gold is actually money and they stop comparing it with the stock markets and other speculation. Gold is not rising on speculation, gold is rising on the fact that it is now and always has been the measurement by which all value is compared to.

Equity and bullions should accompany rather than replace each other.