

Impact of Stock Market Volatility on Gold prices during the COVID-19 pandemic

Garishma Gulyani¹, Priyanka Gupta², and Ramanpreet Singh³

Abstract

The present research study examines the impact of Stock market on Gold prices using daily data for pre and during COVID-19 period (January-October 2020). This study uses Unit root test, Granger causality test, GARCH method and Johansen's co-integration test to evaluate difference in the Volatility as well as the relationship between them. The findings show that no causal relationship exists between Gold Prices and Stock market prices in the short run. The result of the Johansen Co-integration test for the long-run relationship between the Gold price and Nifty Indices show no co-integration at all, but low co-integration in short-run cannot be ruled out. With this study, an attempt has been made to reveal the relationship that exists between Gold and stock markets with empirical findings using the time series analysis which reveals the original side of work during the pandemic. The ARCH and GARCH coefficient explain significantly the persistence of information on stock return volatility. The present study recommends that the integration between Gold and Stock market price entails the need for investors globally to follow a portfolio stock selection strategy to add value from the investments in India. These findings have important implication for the investors seeking portfolio diversification.

Keywords: Stock market price; Gold Price; Coronavirus (COVID-19); Co-integration test; Volatility

JEL CLASSIFICATION: C5, C52, G1, G11, G15.

Introduction

The Coronavirus pandemic (COVID-19) commenced in the city of Wuhan in China in the ending period of December 2019. COVID-19 proved to be highly contagious and it triggered a great deal of global financial and economic uncertainty (Zeren and Hizarci, 2020). The spread of this virus & worldwide enforced lockdowns have significantly impacted the overall demand of the short-term food price volatility (Albulescu, 2020). The fear conceived by this virus has put a substantial stress on the financial markets, where the price volatility has been increasing rapidly. At this time of penning down this paper (11-Nov-2020), the no. of worldwide confirmed cases has exceeded 51.5 million. The lockdown curbs were widely put into practice across the world in order to prevent the further spread of the virus. Also the world stock markets lost nearly one third of their values in the 6-week period from 20-February and March end (FitzGerald et al., 2020).

¹ Garishma Gulyani, Assistant professor, Vivekananda Institute of Professional studies, School of Business studies, India.
E-mail: garishma.gulyani@vips.edu.

² Priyanka Gupta, Assistant professor, Vivekananda Institute of Professional studies, School of Business school, India.
E-mail: priyanka.gupta@vips.edu.

³ Ramanpreet Singh, Associate Professor, Vivekananda Institute of Professional studies, School of Business school, India.
E-mail: ramanpreet.singh@vips.edu.

