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GOLD SCALES ₹1 LAKH PEAK

Allocation, not price speculation, should guide buy-sell decisions

If gold is less than 10% of portfolio, buy periodically or during corrections

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1 With the yellow metal recently scaling the ₹1 lakh mark, even ardent gold investors are in a dilemma: should they continue to invest, or is it time to cash out? Experts say that instead of trying to second-guess gold's direction, investors should let their asset allocation guide them.

Positive drivers

The key driver of the rally is policy uncertainty. "The imposition of tariffs and the current negotiations are an effort to change the world order as it existed. The dynamic changes that are taking place have led to a lot of uncertainty," says Chirag Mehta, chief investment officer, Quantum Asset Management Company (AMC). Policy-making in the United States has created a trust deficit, contributing to a weaker US dollar, which is supporting gold prices.

President Donald Trump's proposed policy changes could result in stagflation—a period of high inflation combined with slower growth. "In such an environment, people shun risky assets and move to the asset class that is known to protect value," says Mehta.

Investment demand has surged. "The reason gold has done well in 2025 is the return of investment or exchange-traded fund (ETF) flows globally," says Vikram Dhawan, head of commodities and fund manager, Nippon India Mutual Fund.

Central banks have been raising their gold holdings for several years. "Countries like Russia, China, and India have all increased the share of gold in their reserves," says Shaily Gang, head-products, Tata Asset Management.



Inhibiting factors

The rally could lose steam if trade-related uncertainties get resolved. "In such a scenario, the economic uncertainty premium that is in the price could unwind, leading to a correction," says Mehta. Gang is of the view that a more accommodative US stance in tariff negotiations could stabilise the dollar, affecting gold's momentum.

Physical demand, driven by jewellery, could decline. "At higher prices, there is a possibility of demand destruction, not in value terms, but in the volume of gold (in tonnes) consumed," says Dhawan. A worsening tariff war could hurt equity markets. "Margin calls in the share market could force some investors to sell gold to protect their equity investments. Such selling could affect the rally," says Gang.

Price expectations

Gold's direction over the next year will hinge on tariff negotiations. "If the trade war worsens, it will support gold. On the other hand, if the US withdraws tariffs entirely, the risk premium in gold could dissipate. If the global situation remains unchanged while the US negotiates trade deals with dozens of countries, that would be moderately positive for gold," says Dhawan. Mehta expects significant vol-

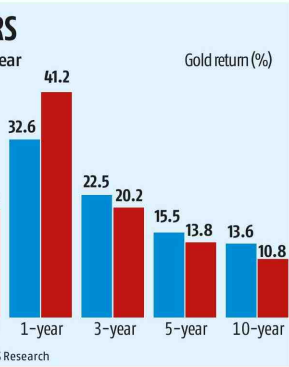
atility but remains structurally positive. "The trust deficit created by the Trump administration's policy-making will lead to central banks seeking diversification of reserves," he says. Rising fiscal deficits and unsustainable debt, or accommodative central bank policies in the event of a growth shock could further support gold.

Buy or sell?

Investment decisions should depend on the investor's current gold allocation. "A 10–15 per cent allocation to gold is optimal. If you are under-allocated, buy more gold over the next six months to reach your ideal allocation," says Mehta. If price movements have led to overweight exposure, investors should consider booking profits and rebalancing.

Abhishek Kumar, Sebi-registered investment adviser (RIA) and founder, SahajMoney.com, advises investors to sell if they need funds or must rebalance. "Investors' decisions should reflect their financial goals, risk tolerance, and the amount of gold already present in their portfolio," he says.

With the government having stopped issuing fresh tranches of sovereign gold bonds (SGBs), investors can consider the ETF route. "There is no purity risk as reg-



ulations require fund houses to buy 995-purity London Bullion Market Association (LBMA)-certified gold. Investors face no storage risk, can buy and sell on exchanges at the intraday price, and they do not incur making charges as with jewellery. They can also invest in small amounts," says Siddharth Srivastava, head-ETF product and fund manager, Mirae Asset Investment Managers (India).

When selecting a gold ETF, investors should prioritise certain factors. "Look for a low expense ratio, minimal tracking error, high liquidity, and a large fund size," says Kumar.

Investors can still buy gold SGBs from the secondary market. "Doing so is only advisable if you can find them trading close to or below the prevailing gold price. Avoid SGBs if they are available at high premiums," says Kumar. He also recommends checking the balance tenure and liquidity before purchase.

Those holding SGBs should redeem after five years only if they need funds or to rebalance. "However, holding them until the eight-year term would provide full tax benefits and continued interest income, so it's best to decide based on one's financial needs," adds Kumar.