

Gold as a Safe-Haven Asset: Myth or Reality? Evidence from Recent Indian Market Trends (2019-2025)

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Abstract: *Indian households and institutions have long treated gold as the asset of last resort, yet the academic verdict on its safe-haven credentials remains unsettled. This paper examines whether gold behaved consistently as a safe haven against Indian equities between 2019 and 2025—a period spanning the COVID-19 crash, a post-pandemic inflation surge, the Russia–Ukraine war, an aggressive Reserve Bank of India (RBI) tightening cycle, a customs-duty reset in 2024, and the foreign-portfolio-outflow and tariff turbulence of 2025. Using the hedge/diversifier/safe-haven taxonomy of Baur and Lucey (2010), the study evaluates episode-level returns, annual co-movement patterns, and policy transmission channels linking market stress to rupee gold prices. The evidence yields a qualified verdict: gold protected Indian portfolios in most stress windows and delivered an exceptional return of roughly 73 per cent in rupee terms during 2025, yet it failed transiently during the March 2020 dash-for-cash and remains vulnerable to abrupt domestic policy shifts such as the July 2024 import-duty cut. Gold's safe-haven status in India is therefore real but conditional- strongest in prolonged, fear-driven crises, weakest in acute liquidity panics, and persistently amplified by rupee depreciation.*

Keywords: gold; safe haven; hedge; Nifty 50; Sensex; RBI; India; COVID-19; inflation; geopolitical risk

1. Introduction

Few assets carry the cultural and financial weight that gold carries in India. The country is among the world's largest consumers of the metal, household holdings are estimated in the tens of thousands of tonnes, and gold functions simultaneously as adornment, collateral, inter-generational savings, and—for a growing class of financial investors—a candidate portfolio diversifier (World Gold Council, 2025). The claim most often made on gold's behalf, however, is more specific than diversification: gold is said to be a safe haven, an asset that holds or gains value precisely when equity markets fall.

That claim is empirically testable, and the period from 2019 to 2025 provides an unusually rich laboratory. Within seven years, Indian markets absorbed a global pandemic and the fastest equity crash in their history (February–March 2020), a worldwide inflation shock, the outbreak of the Russia–Ukraine war (February 2022), a 250-basis-point RBI tightening cycle, a mid-2024 fiscal intervention that cut gold import duty from 15 per cent to 6 per cent, and, in 2025, sustained foreign portfolio outflows alongside tariff-driven global trade uncertainty. Each episode constitutes a distinct stress test of the safe-haven hypothesis.

The distinction matters for more than academic tidiness. If gold is merely a diversifier- weakly correlated with equities on average- then investors who buy it expecting crisis protection may be disappointed at exactly the moment protection is needed. If it is a genuine safe haven, its portfolio weight during uncertain regimes should arguably be higher than conventional allocation models suggest. This paper therefore asks a deliberately narrow research question:

does gold consistently act as a safe-haven asset during periods of stock market uncertainty in India? The emphasis falls on the word consistently, because it is precisely the consistency of protection- not its occasional presence- that separates myth from reality.

The paper contributes in three ways. First, it applies the widely used Baur–Lucey taxonomy to a set of clearly delineated Indian stress episodes rather than to a single crisis. Second, it foregrounds two transmission channels that are frequently under-weighted in global studies but are decisive in India: rupee depreciation, which mechanically raises the domestic gold price, and official-sector demand, visible in the RBI's steady accumulation of reserves. Third, it treats domestic policy frictions- import-duty resets and sovereign gold bond decisions—as moderators capable of breaking the link between global stress and local gold returns.

2. Literature Review

2.1 Defining the safe haven

The modern empirical literature begins with Baur and Lucey (2010), who formalised three distinct properties. A hedge is an asset uncorrelated or negatively correlated with equities on average; a diversifier is positively but imperfectly correlated; and a safe haven is uncorrelated or negatively correlated with equities specifically during market stress. The definitions are not interchangeable: an asset can hedge on average yet fail in a crisis, and vice versa. Baur and McDermott (2010) extended the test internationally and found that gold's safe-haven property was strong for major European and United States markets but notably weaker for

large emerging markets- an early warning that results from developed markets should not be transplanted to India without scrutiny.

2.2 Gold in crises: the global evidence

Subsequent work complicated the picture. O'Connor et al. (2015), surveying the financial economics of gold, concluded that safe-haven behaviour is regime-dependent and sensitive to the horizon over which returns are measured. Reboredo (2013) showed that gold acts as an effective haven against currency depreciation, a finding of direct relevance to rupee-based investors. The COVID-19 pandemic then supplied a natural experiment. Ji et al. (2020) found that gold retained safe-haven properties during the pandemic while several other candidates (including some cryptocurrencies) did not. Akhtaruzzaman et al. (2021), however, documented an important nuance: gold served as a haven in the early phase of the pandemic but its protective correlation weakened in later phases as massive policy stimulus lifted all asset classes together.

2.3 The Indian evidence

Indian studies broadly support a hedging role while remaining cautious about crisis-specific protection. Jain and Biswal (2016) documented dynamic linkages among gold, oil, the exchange rate, and Indian equities, finding that gold and the rupee jointly respond to global risk episodes. Gürgün and Ünalmiş (2014) reported that gold's safe-haven property in emerging markets is often stronger for domestic-currency investors than for dollar-based ones—an artefact of the currency channel. What the Indian literature lacks, and what this paper attempts, is an episode-by-episode audit across the unusually dense sequence of shocks between 2019 and 2025, explicitly incorporating RBI policy and fiscal interventions.

Table 1: Selected literature on gold's hedge and safe-haven properties

Study	Context	Core finding
Baur & Lucey (2010)	US, UK, Germany	Gold is a safe haven in extreme stress, but only briefly.
Baur & McDermott (2010)	53 markets incl. BRIC	Haven property weaker in large emerging markets.
Reboredo (2013)	Currency markets	Gold hedges and protects against currency depreciation.
Gürgün & Ünalmiş (2014)	Emerging markets	Haven role stronger in local-currency terms.
Jain & Biswal (2016)	India	Gold, oil, USD/INR and equities are dynamically linked.
Ji et al. (2020)	COVID-19, global	Gold among the few assets retaining haven status.
Akhtaruzzaman et al. (2021)	COVID-19 phases	Haven property held early, weakened after stimulus.

3. Research Methodology

3.1 Design

The study adopts a descriptive–analytical design built on event-window analysis. Rather than estimating a single regression over the full sample- which risks averaging away exactly the crisis behaviour of interest—the period 2019–

2025 is partitioned into six stress episodes, each defined by an identifiable exogenous trigger. Within each episode, returns on gold (in rupee terms) are compared against returns on the Nifty 50 and the BSE Sensex, and the joint outcome is classified using the Baur–Lucey taxonomy.

3.2 Data and variables

Table 2: Variables and data sources

Variable	Description	Source
Gold price (INR)	Domestic spot price per 10 g, MCX/IBJA reference	MCX; India Bullion & Jewellers Assn.
Nifty 50	NSE benchmark, 50 large-caps	NSE India
Sensex	BSE benchmark, 30 large-caps	BSE India
USD/INR	Reference exchange rate	RBI
CPI inflation	Headline consumer price inflation	MoSPI
Policy repo rate	RBI monetary policy instrument	RBI
Official gold reserves	RBI holdings in tonnes	RBI; World Gold Council

Calendar-year and episode returns are computed as simple percentage changes over the relevant window. Figures reported in the paper are compiled from the public sources above and rounded; where series differ slightly across providers, indicative values are used and flagged as approximate. This is appropriate for the paper's classificatory purpose, which depends on the sign and broad magnitude of co-movement rather than on point estimates.

3.3 Classification rule

For each episode the pair (equity return, gold return) is mapped as follows: if equities fall and gold rises, the episode is classified as strong safe haven; if equities fall and gold is flat (within roughly ± 2 per cent), weak safe haven; if both fall, haven failure; and if both rise, the episode is uninformative for the haven test but informative for the hedge/diversifier distinction. This rule operationalises Baur and Lucey (2010) at the episode level without imposing distributional assumptions that high-frequency Indian data would strain.

3.4 Limitations

Three limitations deserve emphasis. First, episode analysis cannot establish causality; it documents conditional co-movement. Second, domestic gold prices embed import duty and local premia, so rupee gold returns are not a pure reflection of global sentiment. Third, the sample- though eventful- contains only one liquidity panic (March 2020), limiting inference about that class of crisis.

4. Analysis and Discussion

4.1 The seven-year arc

Figure 1 plots the levels of domestic gold and the Nifty 50 across 2018–2025, with stress windows shaded. Two facts stand out. First, both series ended the period far above their starting points- gold roughly quadrupled from about Rs.

31,400 to about Rs. 1,32,000 per 10 grams, while the Nifty rose from roughly 10,900 to about 26,100. Gold's long-run performance therefore cannot be dismissed as mere crisis insurance; it compounded wealth in its own right. Second,

the timing of gains diverged sharply: gold's steepest advances cluster inside or immediately after the shaded stress bands, whereas equity gains concentrate in the calm intervals between them.

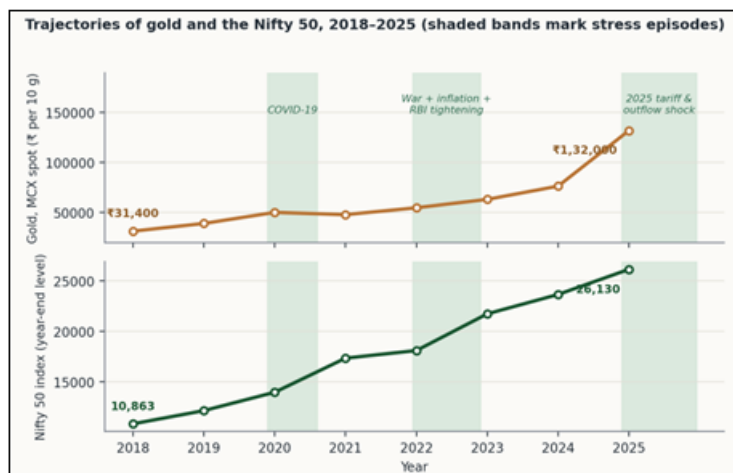


Figure 1: Gold and Nifty 50 trajectories, 2018–2025, with stress episodes shaded (indicative year-end values compiled from MCX and NSE data)

4.2 Year-by-year co-movement

The heatmap in Figure 2 summarises calendar-year returns alongside inflation and rupee depreciation. The pattern is asymmetric rather than mirror-image. In 2020, gold (+28.2 per cent) and the Nifty (+14.9 per cent) both rose—the equity figure concealing an intra-year collapse and recovery. In 2021, the relationship inverted cleanly: equities surged 24.1 per cent while gold lost 4.5 per cent, exactly the

behaviour expected of a haven asset in a risk-on year, and a useful reminder that haven assets carry an opportunity cost. The years 2022–2024 show gold grinding higher (+14.4, +15.3, +20.9 per cent) through war, tightening, and duty cuts, before the extraordinary 2025 result: gold up roughly 72.8 per cent against a Nifty gain of about 10.5 per cent and a Sensex gain of about 9.1 per cent, in a year when the rupee weakened by about 5 per cent (Equitymaster, 2025; INDmoney, 2025).

	2019	2020	2021	2022	2023	2024	2025
Gold (INR)	+24.6	+28.2	-4.5	+14.4	+15.3	+20.9	+72.8
Nifty 50	+12.0	+14.9	+24.1	+4.3	+20.0	+8.8	+10.5
Sensex	+14.4	+15.8	+22.0	+4.4	+18.7	+8.2	+9.1
CPI inflation	+4.8	+6.2	+5.5	+6.7	+5.4	+4.9	+3.2
USD/INR change	+2.3	+2.5	+1.7	+10.2	+0.6	+2.9	+5.0

Figure 2: Calendar-year returns and macro indicators, 2019–2025 (per cent; indicative values).

4.3 Episode-level evidence

Figure 3 and Table 3 move from years to episodes, where the safe-haven hypothesis is actually decided.

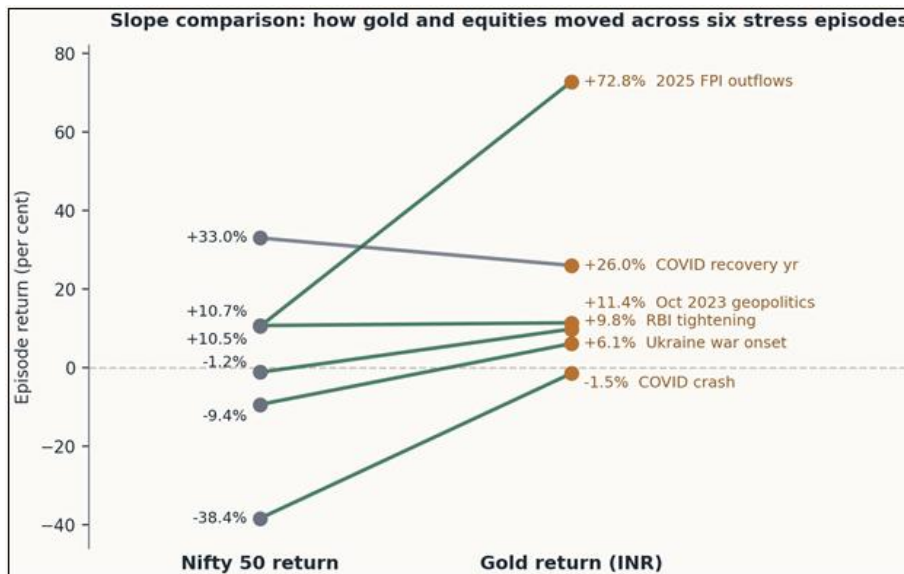


Figure 3: Episode-level returns: Nifty 50 versus gold (INR), six stress windows, 2020–2025 (indicative values)

Episode 1: the COVID-19 crash (February–March 2020).

The Nifty fell approximately 38 per cent from its February peak to its 23 March trough- the fastest drawdown in its history. Gold's behaviour during those weeks is the single most damaging piece of evidence against the myth of unconditional safety: domestic gold prices also fell modestly (on the order of 1–2 per cent, with sharper intraday dislocations) as leveraged global investors sold whatever was liquid to meet margin calls. The dash-for-cash overwhelmed the flight-to-quality. This mirrors Akhtaruzzaman et al.'s (2021) finding and Baur and Lucey's (2010) original caveat that haven behaviour can be brief and fragile.

Episode 2: the pandemic year proper (April–December 2020).

Once central banks restored liquidity, gold performed precisely as the haven narrative predicts, rallying to a then-record near Rs. 56,200 per 10 grams by August 2020 and finishing the year up 28 per cent. Notably, this occurred while equities also recovered- so 2020 as a whole demonstrates gold's crisis-adjacent strength rather than a negative correlation.

Episode 3: the Ukraine invasion and inflation shock (February–July 2022).

Equities sagged (the Nifty fell roughly 9 per cent over the window as foreign investors withdrew), CPI inflation breached 7.7 per cent in April 2022, and gold in rupee terms gained about 6 per cent even as dollar gold retreated from its March spike. The divergence between dollar and rupee gold is the currency channel in action: the rupee's roughly 10 per cent depreciation during 2022 converted a flat dollar asset into a positive rupee return.

Episode 4: the RBI tightening cycle (May 2022–February 2023).

The repo rate rose from 4.0 to 6.5 per cent, beginning with an off-cycle 40-basis-point hike. Rising real rates raise the opportunity cost of holding a zero-yield asset, and textbook logic predicts gold weakness. Instead, rupee gold gained close to 10 per cent across the cycle while equities were broadly flat. The explanation again lies outside the textbook: depreciation, resilient household demand, and

accelerating official-sector purchases offset the rate headwind.

Episode 5: geopolitical escalation (October–December 2023).

Following the outbreak of the Israel– Hamas conflict, both gold and Indian equities rose (about 11 per cent each over the quarter). The episode is uninformative for the haven test in the strict sense- equities did not fall- but it illustrates gold's sensitivity to geopolitical risk premia even in risk-on domestic conditions.

Episode 6: the 2025 stress complex.

The final and most dramatic episode combined persistent foreign portfolio outflows, tariff-driven trade uncertainty, United States rate cuts, a weakening dollar, and record central-bank gold accumulation. Indian equities delivered positive but historically modest returns (Nifty about +10.5 per cent; Sensex about +9.1 per cent, touching a lifetime high of 86,159 on 1 December 2025), while gold returned roughly 73 per cent in rupee terms (IND money, 2025; Equity master, 2025). Strictly, 2025 was not an equity crash; it was a year of elevated uncertainty and relative equity underperformance. Gold's outperformance here reflects its role as an uncertainty hedge rather than a crash haven- an important refinement of the research question.

Table 3: Episode-level outcomes and Baur–Lucey classification (indicative returns).

Episode	Nifty	Gold (INR)	Classification
COVID crash (Feb–Mar 2020)	-38.4%	-1.5%	Weak haven / brief failure
Pandemic year (Apr–Dec 2020)	33.00%	26.00%	Crisis-adjacent strength
Ukraine onset (Feb–Jul 2022)	-9.4%	6.10%	Strong safe haven
RBI tightening (May 22–Feb 23)	-1.2%	9.80%	Strong safe haven
Oct 2023 geopolitics (Q4 2023)	10.70%	11.40%	Uninformative (both rose)
2025 outflow/tariff complex	10.50%	72.80%	Uncertainty hedge

4.4 Transmission Channels and Moderators

Figure 4 assembles the mechanism implied by the episodes. Global stress reaches rupee gold through three channels: the classic risk-aversion channel; the currency channel, whereby capital outflows depreciate the rupee and mechanically

inflate the domestic gold price; and the official-demand channel, in which the RBI and peer central banks accumulate gold as a reserve-diversification strategy—holdings rose from roughly 612 tonnes in March 2019 to about 880 tonnes by late 2025 (Figure 5), providing a persistent bid under the market (World Gold Council, 2025).

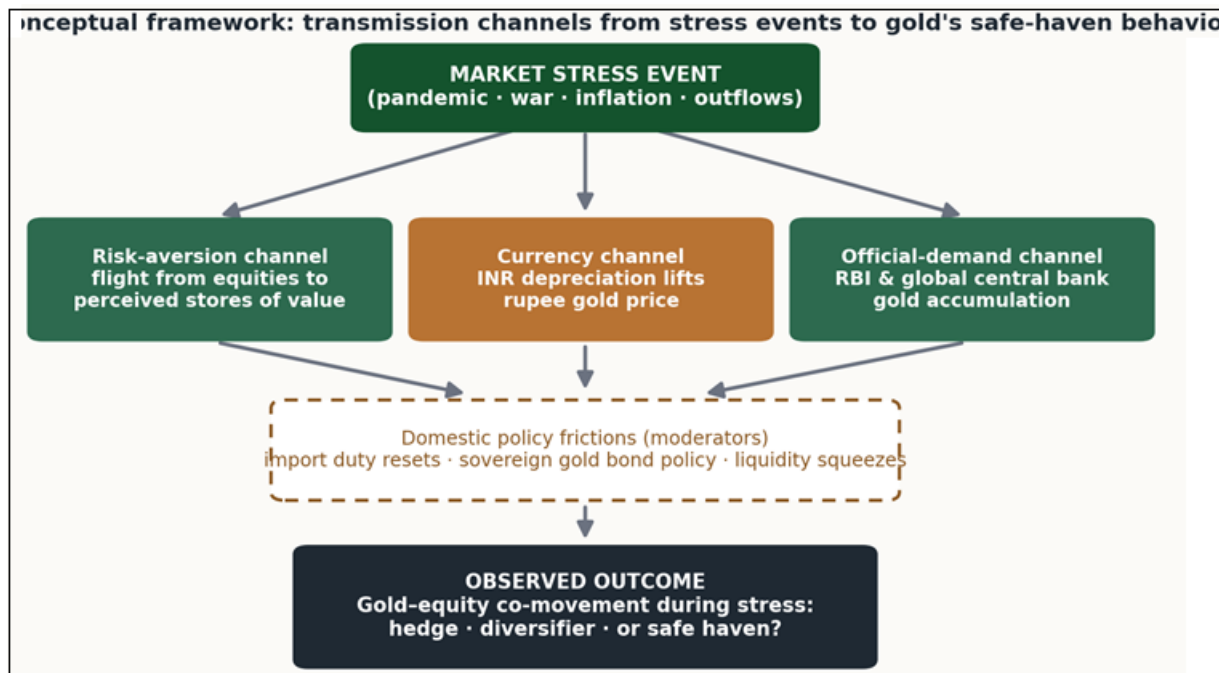


Figure 4: Conceptual framework linking stress events to observed gold–equity co-movement.

Crucially, the framework also includes moderators. The July 2024 Union Budget cut gold import duty from 15 to 6 per cent, and domestic prices dropped close to 6 per cent within days—an equity-independent shock that punished recent buyers regardless of global conditions. A safe haven that can

be repriced overnight by a customs notification is, at minimum, a haven with domestic policy risk attached. Symmetrically, the currency channel that flattered rupee gold in 2022 and 2025 would work in reverse in any future episode of rupee appreciation.

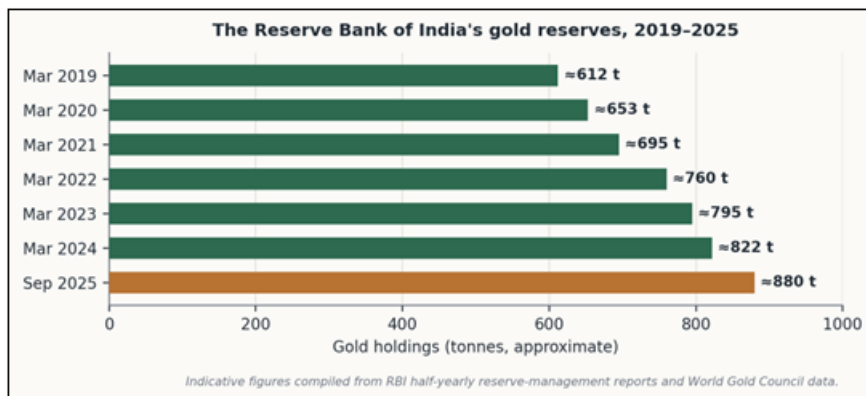


Figure 5: RBI gold reserves, 2019–2025 (indicative tonnage).

4.5 Critical appraisal

Read together, the episodes resist both the strong myth (“gold always protects”) and the strong debunking (“gold’s safety is folklore”). Three critical points sharpen the verdict. First, gold’s protection is horizon-dependent: it failed over days in March 2020 but delivered over quarters in every subsequent stress window. Investors who mark to market daily experienced a different asset than those who held through. Second, a substantial fraction of rupee gold’s “safety” is really currency insurance: Reboredo’s (2013)

haven-against-depreciation result explains more of the Indian experience than the pure equity-haven story does. Third, the 2025 outcome, while spectacular, should not be extrapolated- a 73 per cent annual return driven partly by official-sector accumulation and a weakening dollar reflects a specific macro configuration, not a permanent property of the asset.

5. Findings

The analysis supports six findings.

- 1) **Conditional, not unconditional, safety.** Gold acted as a strong safe haven in two of the six episodes (Ukraine onset; RBI tightening), a weak or briefly failing haven in the March 2020 liquidity panic, and an uncertainty hedge in 2025. Consistency in the strict sense is not established.
- 2) **The liquidity-panic exception is systematic.** When investors sell everything for cash, gold falls with equities; this is a structural feature of leveraged global markets, not an Indian anomaly.
- 3) **The currency channel does heavy lifting.** Rupee depreciation converted flat or negative dollar-gold windows (2022) into positive domestic returns, meaning part of gold's haven service to Indian investors is exchange-rate insurance.
- 4) **Official demand underpins the trend.** The RBI's accumulation from roughly 612 to 880 tonnes signals institutional confidence and supplies persistent demand, but also ties gold's path to central-bank behaviour that could change.
- 5) **Domestic policy is a genuine risk factor.** The 2024 duty cut demonstrated that Indian gold prices carry idiosyncratic policy risk absent from global benchmarks.
- 6) **Opportunity cost is real.** The 2021 risk-on year (equities +24 per cent, gold -4.5 per cent) quantifies the price of carrying haven insurance through calm regimes.

6. Conclusion

Is gold's safe-haven status in India myth or reality? The honest answer delivered by 2019–2025 is: reality, with conditions attached. Gold protected Indian portfolios in prolonged, fear-driven stress episodes, outpaced equities decisively in the high-uncertainty year of 2025, and compounded impressively across the full period. Yet it stumbled in the one acute liquidity panic in the sample, owes a material share of its rupee performance to currency depreciation rather than to equity-crisis dynamics, and remains exposed to domestic fiscal interventions. For investors, the practical implication is a reframing: gold in India is best held as standing insurance against uncertainty and rupee weakness—sized in advance, not bought mid-panic—rather than as a guaranteed shock absorber for equity crashes. For researchers, the period underlines that safe-haven tests must separate liquidity panics from confidence crises, and dollar dynamics from local-currency outcomes; future work extending this episode framework with high-frequency data and formal regime-switching models would put sharper econometric edges on the qualified verdict reached here.

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Note. Market figures cited in this paper are indicative values compiled from public exchange and institutional sources and are rounded for expository clarity.