Twitter Thread by Vinam Suri



Vinam Suri
@surivinam

90% of my savings were in equity, debt was never attractive! Last few months have taught me the imp of diversification!

Gold - through SGBs was my move on diversifying! Holder since Jan'20 - so far so good!

A■on talk given by @PositiveGamma on Investing in Gold!

(1/16)



Link to the here - https://t.co/NxEkVKZi2H
MMTC PAMP is where Krishna worked before Setu and he was also responsible for launching Digi Gold at PayTM!

1) Why Gold?
1.1 Diversification - Volatility & Returns not tied to market conditions - diff. from financial assets.

(2/16)

1.2 Safe Haven - High value asset, easy to transport! Large value - limited space. Liquid and easy to convert to cash across the world.

1.3 Hedge against inflation and currency depreciation! (Depreciation of Rupee is a major factor behind Gold returns in India)

(3/16)

1.4 Upside in Tail Risk - Confidence in currencies & financial systems is low, gold can see upside in scenarios like this!

1.5 Upside on Demand/Supply - Constant Demand - Supply is stable!

2) Gold - Indian Context - Better returns compared to other asset classes...

(4/16)

... specially in the last 2-3 years. Gold has done well both in low inflation & high inflation returns. So both real (ex. inflation) & nominal returns have been good!

3) How much to Allocate?
3.1 Diversification/Inflation Hedge - 10-20%
3.2 Tail Risk/Safe Haven - 5-20%

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4) There has been a rethink on investment in Gold over last year or so - due to Price performance and people looking for reasons of continue performance! Pandemic - Demand for stimulus and easing of rates - currency trust goes down - faith in Gold increases!

(6/16)

5) How is Gold in India Priced?
How are the prices of gold calculated that we see in newspapers, news channels etc.

If long gold in US$ form in London - instead of 41% increase is only 31%, because Rupee has depreciated substantially compared to the $. (3rd Tweet)

(7/16)

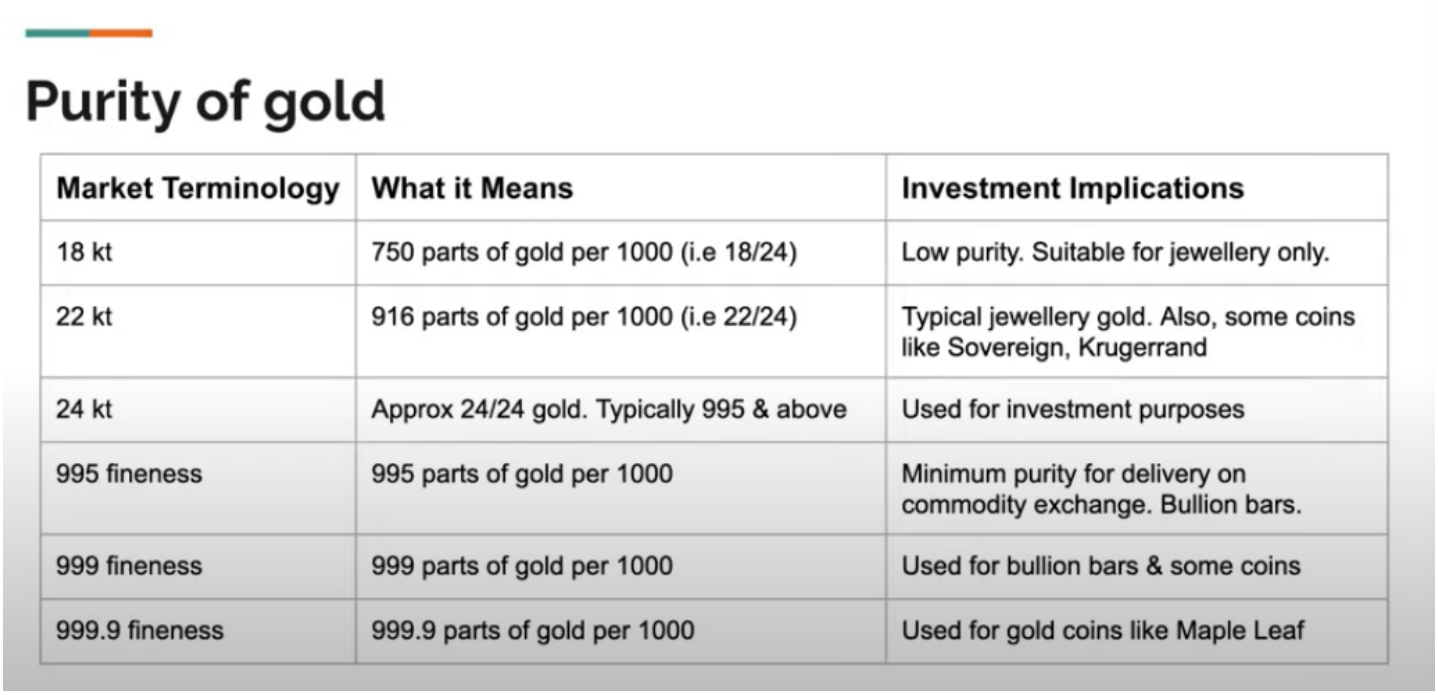
How is Gold In India Priced ?

Indian Price = London Spot Price * USD/INR + Customs Duty + Physical Premium/Discount

	In Rs /10 gm	In USD/Oz. Can we converted into USD/gm	Spot Exchange Rate	Declared by Govt every fortnight	Based on domestic demand supply conditions
May 2019	Rs.32470	$1281.30	Rs.69.3095	Rs.2989/10 gm	
May 2020	Rs.46036	$1688.65	Rs.75.6911	Rs.5412/10 gm	

6) Purity of Gold!

(8/16)



Purity of gold

Market Terminology	What it Means	Investment Implications
18 kt	750 parts of gold per 1000 (i.e 18/24)	Low purity. Suitable for jewellery only.
22 kt	916 parts of gold per 1000 (i.e 22/24)	Typical jewellery gold. Also, some coins like Sovereign, Krugerrand
24 kt	Approx 24/24 gold. Typically 995 & above	Used for investment purposes
995 fineness	995 parts of gold per 1000	Minimum purity for delivery on commodity exchange. Bullion bars.
999 fineness	999 parts of gold per 1000	Used for bullion bars & some coins
999.9 fineness	999.9 parts of gold per 1000	Used for gold coins like Maple Leaf

7) Gold Investment Options in India
7.1 Jewellery ■■
7.2 Gold ETFs ■
7.3 Sovereign Gold Bonds (SGB) ■
7.4 Bullion■
7.5 Gold Futures ■
7.6 Digital Gold■
7.7 Paper Gold/Cert. from Jewellers ■
7.8 Gold Mining Fund ■■
7.9 Overseas Options via LRS 🛩■

Details below...

(9/16)

8) Pros & Cons of Options

(10/16)

Pros & Cons of Options

Investment Option	Pros	Cons
Jewelry	Easy to acquire	High markups Questionable resale value due to purity concerns GST
Physical gold (coins/bars)	Direct ownership	Markups depending on size of purchase Storage Can be difficult to get good price on liquidation GST
Gold certificates/Paper Gold / Gold savings schemes	No need to own physical gold	Only as good as the jeweller that backs them Only a few jewellers issue them Largely illiquid. Can only convert to jewellery

9) SGBs is something I like and feel is probably the best instrument if you see GOLD as a long term investment.
9.1 Attractive pricing in Primary (Disc. on Digital Purchase) & Secondary Market
9.2 Annual Interest Component - 2.5% Annual Return

(11/16)

9.3 Tax Benefits - Tax Free after holding period of 8 Years!
9.4 Liquidity - Less liquid compared to Gold ETFs, hence only good for Long Term Gold buying!
9.5 Govt. Issued and Backing
9.6 Fine Print behind SGBs - 10K Cr. of Govt. Borrowings through SGBs - money used...

(12/16)

in funding Govt. deficit! Govt. is not buying Gold for SGB, at the end its a promissory note based on gold prices. Metal lease rates are b/w 1.5-2.5%, so interest offered is based on that! Hence very different from buying Gold Bars.

Instrument not well discovered...

(13/16)

... and hence Liquidity in the secondary market is poor. Not being marketed as nicely as MFs, overtime market will deepen over time!

10) Digital Gold - By Digital Gold anytime and anywhere at the same price across the country - Tier 2 & 3 cities have...

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physical gold prices which are higher than Tier 1 cities - Digital Gold is uniform, Main Purpose-Democratise investment in Gold - low ticket investments as well. Total Cost of buying & selling is 6-7% because of GST & Markup! Risk of platform and

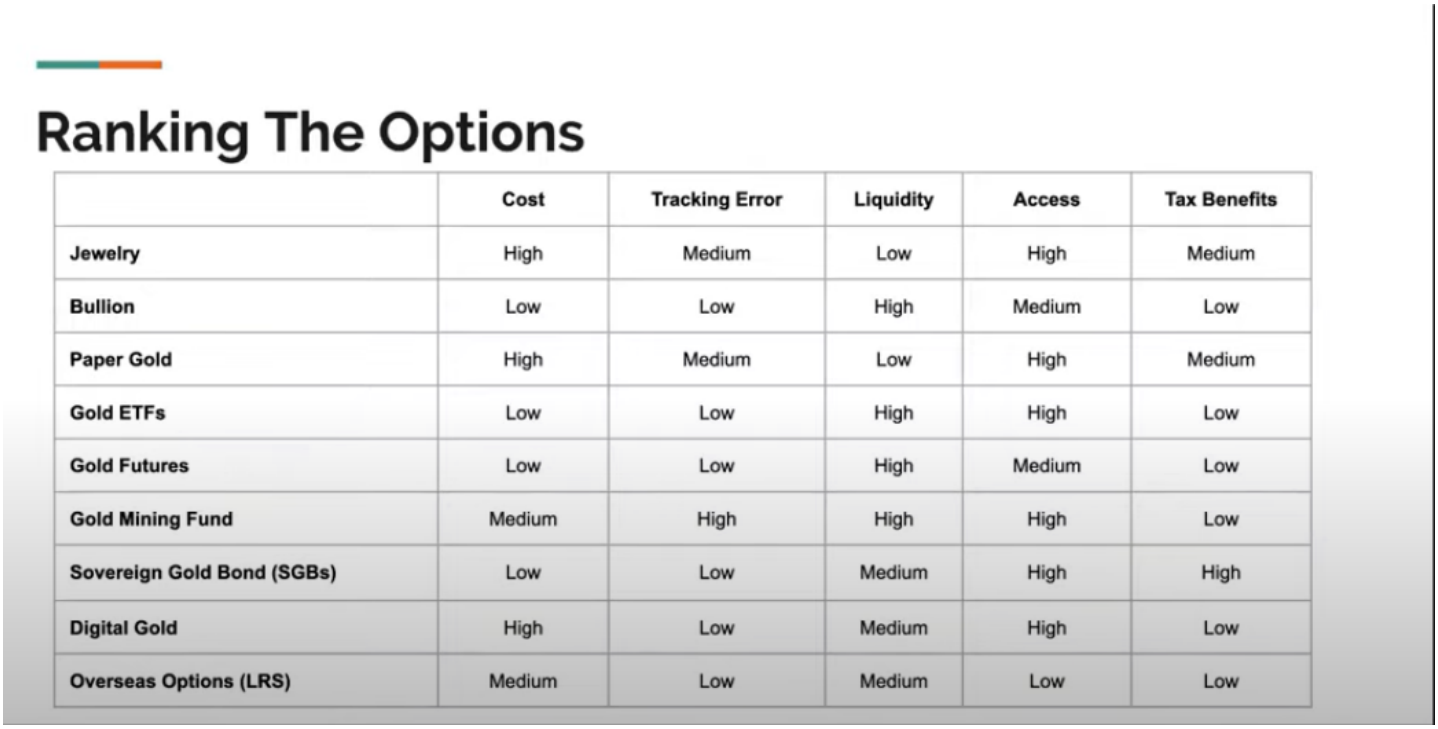
digital gold provider!

(15/16)

11) Discussed SGBs & Digital Gold coz of the easier purchase model but below is rating for various options of all gold buying modes according to six criteria!

This was a really insightful talk & I definitely know more now! Thank you @PositiveGamma for this! (16/16)

Fin.



Ranking The Options

	Cost	Tracking Error	Liquidity	Access	Tax Benefits
Jewelry	High	Medium	Low	High	Medium
Bullion	Low	Low	High	Medium	Low
Paper Gold	High	Medium	Low	High	Medium
Gold ETFs	Low	Low	High	High	Low
Gold Futures	Low	Low	High	Medium	Low
Gold Mining Fund	Medium	High	High	High	Low
Sovereign Gold Bond (SGBs)	Low	Low	Medium	High	High
Digital Gold	High	Low	Medium	High	Low
Overseas Options (LRS)	Medium	Low	Medium	Low	Low

Sorry for the Typos■■■

Another Great article I read last week on this topic!

https://t.co/lg7G0uHzTH

Adding 3 great videos by @WeekendInvestng to this thread, love the daily bytes!

1) Why should you buy gold - https://t.co/4fW8SQfkCm

2) Should you buy gold bolds- https://t.co/vyY5rlnTKW

3) Gold at 18% discount - https://t.co/oHFAob4X6p (Very interesting framework)

Adding another great video on a Framework for asset allocation b/w Gold vs Equity in your portfolio - https://t.co/a1BtKuJB5C