Built by investors for investors

The Gilded Lock:

Gold and silver are off their highs. Are they worth buying at these prices?



Dhanteras Edition with Vikas Biyani
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For many families, buying gold or silver on Dhanteras is a tradition. A coin bought on the occasion serves a purpose of its own. For families considering a larger precious metal purchase for their portfolio(s), this year's sharp rally and subsequent correction raise a question: does the price drop justify adding to what they already hold?

In India, the choice of investment routes has also narrowed. Several fund houses temporarily restricted fresh subscriptions to gold funds of funds in mid-October. Investors could still buy gold exchange-traded fund (ETF) units on the exchange, and existing SIPs could continue under the terms of the relevant schemes. No new Sovereign Gold Bond tranche has been issued since February 2024, although investors can still buy listed bonds, subject to availability, price (and taxation). Bullion in the form of bars, coins and jewellery remains available.

1. If a gold fund is closed to fresh investment, what can an investor buy instead?

A gold fund of funds (FoF) typically invests in a gold ETF. If the fund of funds has paused fresh subscriptions, an investor can look at buying units of the underlying ETF directly on the exchange, but subject to a discount/premium vs. the gold price.

An investor looking through other gold-related funds may also come across one that invests in gold mining companies. The link to gold here is largely straightforward: miners earn revenue from selling the metal, and their profitability can improve when gold prices rise rapidly (faster than the underlying inflationary impact on input costs), but these funds also carry company and equity-market risks. However, the availability of and access to such funds for domestic investors are also limited.

In both cases, the comparison starts with what the family wanted to own. A change in route can alter both the price paid and the risks the family takes. This is why before committing capital, families should establish their original investment objective. At Multi-Act, we have always considered Gold as the ultimate store of value, with a role as insurance in the portfolio.

2. Has the correction changed Multi-Act's view on adding gold or silver?

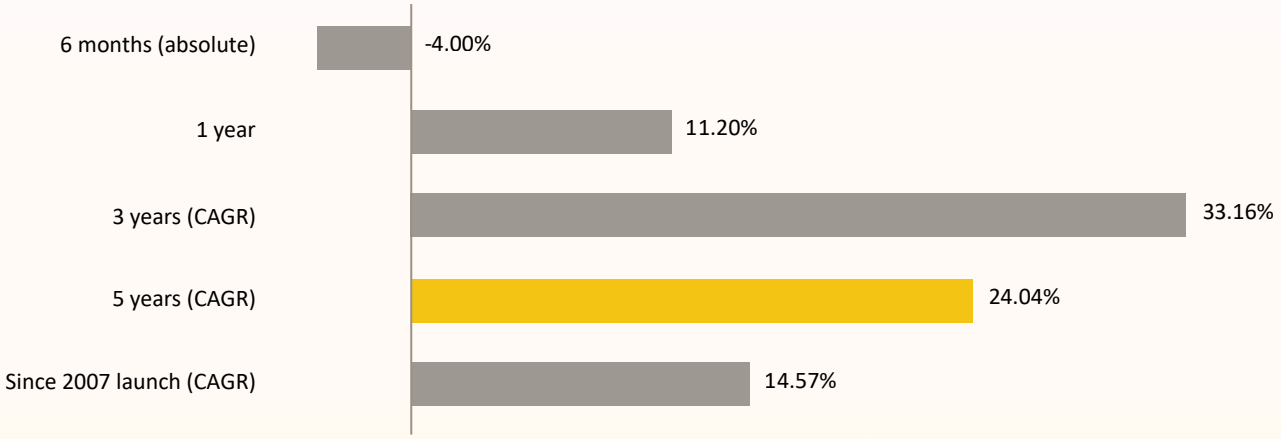
Our long-term view on gold, as stated above, hasn't changed per se. In January 2026, we advised clients to stop fresh gold purchases and trim gold exposure (if it represented a substantial weight in the portfolio). In our assessment, spot prices had become too stretched, and speculative buying was contributing to the rally (more so in silver!). Our technical team also discussed the risk of a sharp pullback or a prolonged period of consolidation in the January edition of **The Scanner**.

Following the correction, we have changed our stance to add gold in the underweight portfolios at levels between US$3,600 and US$4,000 per troy ounce. We are observing silver closely, where US$50 per troy ounce is the key support level we are watching for. If silver falls further, US$35 per troy ounce would be where it would become attractive from a medium to long-term perspective.

The correction also looks different depending on when an investor bought (the impact of starting and ending points). As of 19 October 2026, the Kotak Gold ETF had returned 24.04% a year over five years, even after a 4% decline over the preceding six months.

Gold compounded about 24% a year over five years, even after the 2026 sell-off

Trailing returns of Kotak Gold ETF, %, as of 19 October 2026



Source: Kotak Mutual Fund, NAV as of 19 October 2026. Returns for periods longer than one year are annualised. Past performance is not indicative of future returns.

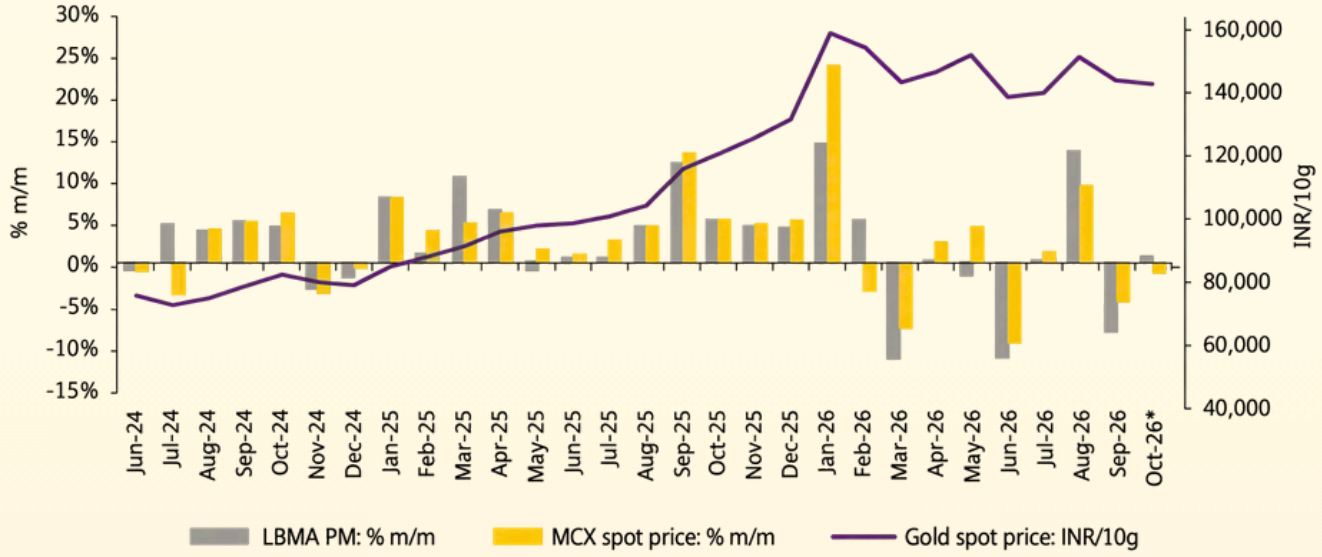
We continue to see a role for gold in long-term portfolios, irrespective of its recent price movements, with the allocation depending on the family's objectives and existing exposure. For a family that held gold through the rally, gold may still account for a larger share of the portfolio than intended. An investor who bought more recently may see the decline as an opportunity to lower the average purchase price. In either case, it helps to take a nuanced and calibrated view in the context of overall asset allocation goals/targets.

3. How much of a fall in international gold prices reaches an Indian investor?

One might ask what these gold and silver reference levels mean in rupee terms. This is where things get tricky for domestic investors. In September 2026, international gold fell 8.5% in US dollars, while the domestic spot price fell 4.8% in rupees. A weaker rupee cushioned part of the decline. Similarly, Import duty also affects the price paid in India. India raised the duty on gold from 6% to 15% in May. A future reduction could bring domestic prices down even if the international price held steady.

Gold Stabilizes after sharp pullback

Month-end LBMA Gold Price PM and MCX spot gold price changes and movement*



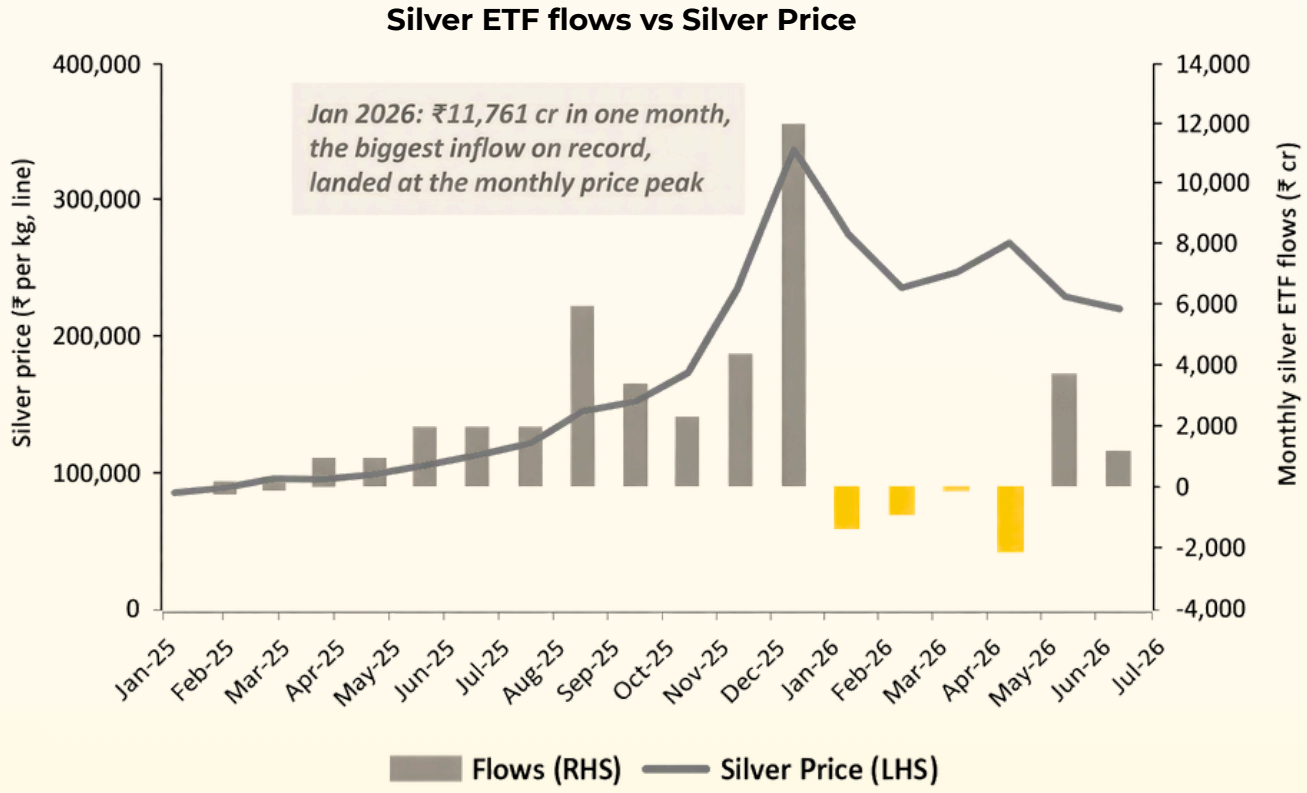
*As of 16 October 2026. Source: Bloomberg, World Gold Council

For a family watching our US$3,600-4,000 gold price reference range, September 2026 shows why the INR denominated price deserves a separate look. An investor following the international market saw an 8.5% correction. An investor looking to buy in India saw a considerably smaller decline, even before accounting for any premium on the chosen product.

4. What does January's silver buying tell us about the investors' behaviour?

DSP's September 2026 Netra report shows a record INR11,761 crore in net inflows into domestic silver ETFs in January 2026, the largest monthly inflow in the period shown. It coincided with the highest monthly silver price on the chart. By the time most of that money arrived, a substantial part of the rally had already taken place (much of the sentiment then was chasing past returns!).

One of Silver's Biggest Bull Markets, Yet Much of the Late Money Is Underwater.



Source: DSP Netra, September 2026. The chart covers January 2025 to July 2026.

An investor who first bought silver in January 2026 saw the same headline rally as one who held it for a year. The chart shows when money entered. Each investor's return would thus depend on the dates and amounts of their own purchases and sales.

For a family considering a portfolio purchase this Dhanteras, start by adding together the physical holdings and financial investments in each metal. Then calculate what share of the portfolio each would represent after the purchase. If the family already holds as much silver as it intended, buying more simply to reduce its average cost would leave it with a larger position than it wanted. Where there is room to add, compare the rupee price on offer with the level at which the family is willing to buy. If the available product carries too high a premium, the family can wait.

Season's Greetings and Diwali Wishes to all Rational Investors!

Sources:

1. HDFC Mutual Fund notice
2. World Gold Council, India Q3 2026
3. Government of India SGB issue notice
4. DSP Netra archive
5. Coverage of DSP's silver ETF analysis

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