

THE EVALUATION OF INDIAN GOLD PRICE VOLATILITY: AN EMPIRICAL ANALYSIS

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ABSTRACT

The current paper attempts to examine the volatility of gold prices in India over the period January 1, 2011 to March 31, 2024 using GARCH model. To begin with, the existence of ARCH effect has been verified applying ARCH Lagrange Multiplier (LM) test of Heteroskedasticity. After confirming the ARCH effect, the volatility measure in gold prices has been captured using GARCH (1,1) model. The results bring out that there is persistence of frequent volatility shocks in the Indian gold prices and a shock that occurs at time t will persist for future periods. Furthermore, the existence of volatility clustering has been confirmed and approximately 85 percent of the volatility of the current day's gold price is being contributed by the volatility of preceding day's gold price. Thus, it can be concluded that variations in the gold prices have an impact on long-term estimations of gold price volatility.

KEYWORDS: *Indian Gold Prices, Garch, Persistent Volatility, Volatility Clustering.*

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