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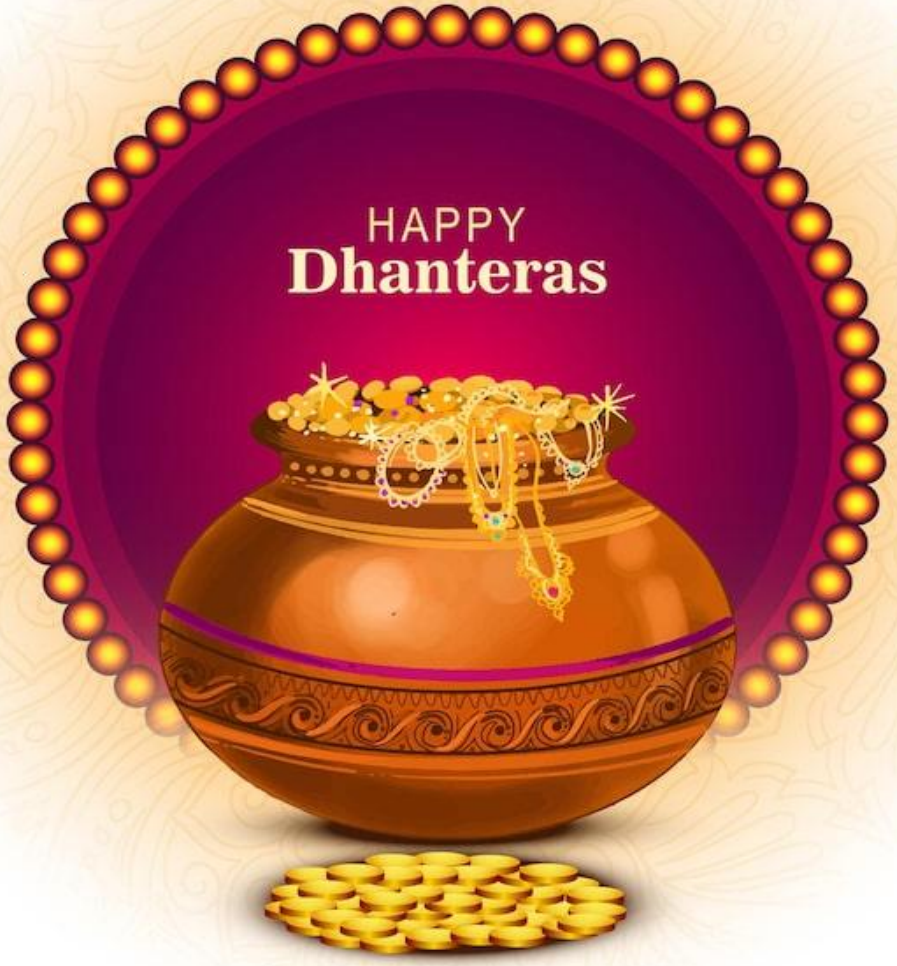

Will Gold Continue to Glitter Until the Next Dhanteras?

AXIS DIRECT

In Gold We Trust

Many festivals in India are considered auspicious for buying gold, and Dhanteras stands out as a favourite. It often steals the spotlight for those considering gold as an investment, with consumers flocking to jewellery showrooms on this day. In India, gold is typically not purchased for short-term gains, but as a long-term store of value. This cultural approach is one of the key reasons Indian households collectively hold the world's largest private gold reserves — valued at over $3 Tn. Moreover, Gold is also a preferred asset for both consumers and businesses due to its high liquidity.

Since last Dhanteras, Gold has delivered a return of nearly 8%, significantly outperforming the Nifty 50.

Gold Dhanteras returns in the last 6 years:

Year	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Returns	-5%	10%	20%	30%	60%	8%

Glittering Prospects: Correction in Gold prices is a good buying opportunity?

Dhanteras is one of the most auspicious occasions to buy gold, and this year, the yellow metal is trading at a discount of over 22% from its peak of Rs 1,80,000, with domestic prices hovering around Rs 1,42,000

Geopolitical tensions in the Middle East, a strong US dollar and elevated Federal Reserve interest rates have weighed on prices, raising concerns about the sustainability of gold's long-term bull trend. However, consistent central bank buying and ETF Inflows may support the gold bull case.

Factors That Have Led to the Correction in Gold Prices

Fed Rate Hike Expectations: Gold prices peaked in Jan’26 amid expectations of multiple interest rate cuts by the Federal Reserve during the start of the year. However, the outbreak of war involving Iran, the US and Israel triggered a sharp rise in crude oil prices, from around $60 to $120 per barrel, fuelling global inflation concerns. This shifted market expectations from rate cuts towards Fed rate hikes by central banks, pushing bond yields higher and reducing the appeal of gold, a non-yielding asset.

Strong Dollar Index: Historically, gold and the US Dollar Index share an inverse relationship. The recent 4% surge in the dollar index has weighed heavily on the yellow metal, reinforcing the trend that gold typically underperforms when the greenback and bond yields rise.

Technical Breakdown

MCX Gold faced strong resistance near the Rs 1,60,000 level, which gradually turned into a supply zone as prices made repeated attempts to sustain above it over the past seven months. Additionally, a weekly close below the 20 EMA in September weakened the bullish outlook. On the international front, COMEX Gold settled below $3,900 on the weekly chart for the first time in a year, further denting market sentiment.

Factors That Have Led to the Correction in Gold Prices

Permanent Ceasefire Between the US and Iran

The surge in crude oil prices has largely been driven by supply concerns surrounding the Strait of Hormuz, a critical shipping route that handles nearly 20% of global oil consumption. The conflict and attacks on energy infrastructure have disrupted supply flows and increased the geopolitical risk premium in oil prices.

Diplomatic efforts are underway to secure a peace deal between Iran and the US. A lasting ceasefire could provide significant relief to global markets by easing supply concerns and moderating inflationary pressures. This could reduce the need for further rate hikes, putting downward pressure on bond yields and the US dollar. Such a development could provide a fresh boost to gold prices.

Interest Rate Cuts

Historically, Federal Reserve monetary policy has played a crucial role in influencing precious metal prices. Higher interest rates tend to weigh on gold by increasing the opportunity cost of holding a non-yielding asset, while lower rates generally improve its appeal.

In 2026, the conflict and elevated inflation concerns have strengthened expectations of further monetary tightening, with markets anticipating another rate hike in December. However, if inflation moderates and the Fed begins cutting rates in 2027, gold could benefit from declining bond yields and a weaker dollar. Renewed investment demand could further support prices.

Factors That Have Led to the Correction in Gold Prices

Central Bank Buying and ETF Inflows

Central banks have increasingly diversified their reserves away from the US dollar, partly due to concerns about financial sanctions and the freezing of overseas assets. Gold has emerged as a preferred reserve asset, with central banks purchasing substantial quantities since 2022.

Annual central bank purchases have remained around 1,000 tonnes in recent years, providing structural support to gold prices. Given the prevailing geopolitical uncertainties, sustained central bank demand could continue to underpin the bullish case for gold in 2027.

Investment demand has also strengthened. Gold exchange-traded funds (ETFs) recorded a substantial surge in inflows in 2025, attracting approximately $89 Bn compared with $3.4 Bn in 2024. This reinforced gold's appeal as a safe-haven asset amid global economic and geopolitical uncertainty.

The trend has continued in 2026, with gold ETF inflows reaching approximately $39 Bn through September. Sustained inflows, even amid elevated gold prices, indicate continued investor interest and could provide further support to bullion.

Rupee Depreciation

The Indian rupee has faced considerable depreciation against the US dollar, driven by factors such as elevated crude oil prices, foreign fund outflows and broad-based dollar strength.

As of October 2026, the rupee has weakened significantly over the past year. It began 2026 at around Rs 89.85 per dollar and has since depreciated towards Rs 96.73, touching a record low of approximately Rs 96.83 in May’26. Over the longer term, the rupee has generally depreciated against the dollar by around 3–4% annually.

Why Rupee Depreciation Benefits Gold Prices in India

Gold is internationally priced in US dollars, and India imports most of its gold requirements. Consequently, the USD/INR exchange rate plays a crucial role in determining domestic gold prices.

When the rupee depreciates, Indian importers need more rupees to purchase the same quantity of gold, even if international prices remain unchanged. This raises the landed cost of imported gold and supports domestic prices. Therefore, continued rupee weakness could cushion Indian gold prices against corrections in the international market.

Gold Dhanteras Effect

Gold has delivered an extraordinary absolute return of nearly 200% over the past five years, from Dhanteras 2021 to the run-up ahead of Dhanteras 2026. The price of gold in the domestic market has surged from Rs 47,600 per 10 grams in Nov'21 to approximately Rs 1,42,750 in late Oct'26 before Dhanteras, translating into a phenomenal CAGR of 24.53%.

Current gold prices appear attractive for investors, having corrected more than 20% from their peak. This presents long-term investors who missed the rally with a compelling opportunity to add gold in a staggered manner to their existing portfolios.

We may expect some volatility in the yellow metal due to hike interest rate. However, should favourable developments materialise, **we expect gold to deliver returns of approximately 20–25% by next Dhanteras, with target prices of Rs 1,65,000–Rs 1,71,000.**

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