

Gold as a Safe-Haven asset during Economic Uncertainty: A Historical Analysis”

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Abstract:

Stable, universally accepted, and wealth-preserving, Finance Gold has long been considered one of the most secure and valuable assets in human history. Gold has intrinsic worth, is not impacted by inflation, currency devaluation and political uncertainty and is not like paper money or other financial products. In the past, gold was used as the currency of trade and the sign of prosperity and, over the ages and between civilizations, as a secure store of value. In the present study, the question of gold as a safe haven asset during financial and economic crises is explored. Throughout history, including the Great Depression, 1970s oil crisis, 2008 Global Financial Crisis, and the COVID-19 pandemic, people have always looked toward gold as their go-to asset during times of market volatility and uncertainty. It has also low correlation with equities and other risky assets, making it a good diversification and risk management tool. The study also emphasizes the increasing importance of gold in the current international economy, where financial systems are interconnected and are at risk due to economic shocks, geopolitical conflicts, and high inflation. Gold also has a cultural and emotional value, as it is seen as a symbol of wealth and a traditional form of savings in some countries, such as India, where it is held in high regard.

Key Words : Gold, Safe Haven, Financial Crisis, Wealth Preservation

Introduction:

Throughout history, Finance Gold has been considered one of the most precious and reliable assets. Gold also has intrinsic value, it is universally accepted, and it has stability, in contrast to paper money and other forms of currency. Whether in ancient civilizations or modern economies, gold has always been a symbol of wealth, prosperity, and financial security. Its special physical characteristics, including durability, malleability and corrosion resistance,

have further reinforced its status as the store of value. In the highly digital and technology-driven financial world of today, gold remains a very important factor in investment decisions and financial policies around the globe. One of the most important traits of gold is that it serves as a haven for investment when the economy is uncertain. When there is a crisis that involves a financial crisis, inflation, recession, political changes, or a volatile stock market, investors will move their money away from risky investments to less risky investments. Gold has been a solid bet in the past for wealth preservation and diversification during such times. Also, when compared to conventional financial assets such as stocks and bonds, it has a low correlation, making it even more appealing in times of economic uncertainty. The history of events is enough proof to know that gold was very important as a stabilizing asset. The price of gold surged higher during the Great Depression, during the inflationary 1970s, during the Global Financial Crisis of 2008 and during the COVID-19 pandemic, when investors turned to the precious metal for financial security. The periodic waves illustrate that gold has always been a protective wall against economic and financial uncertainties. The role of gold has gained greater significance in the modern day and age of the global economy and a very high measure of interconnection of the financial markets. Economic shocks, geopolitical tensions, trade wars, and currency fluctuations can have a quick impact on the world market and investors and central banks will turn to gold as a reliable asset. It is believed that the central banks of different countries are still holding large amounts of gold in their vaults to ensure the security and stability of the economy and to minimize the risk of foreign currency dependence.

In addition to being a valuable commodity, gold has also held significant cultural and emotional importance in many economies, especially in India. Gold is not just a valuable investment in India; it also serves as a marker of wealth, tradition, and social security. For many homes, gold is one way to save money that can be used when times get tough or in an emergency. Unlike other investment options, gold

also has a cultural value, making it unique in this sense. The current research is designed to investigate the safe haven effect of gold in times of economic uncertainty. The study is aimed at the understanding of the historical performance of gold, its role in the current financial markets and investors' preference for gold during crises. The study aims to explore the correlation between gold and financial instability, and to assess the effectiveness of gold as a form of financial security and stability in uncertain economic environments.

Objectives of the Research

- a) To test whether gold acts as a safe haven during market stress and economic crises.
- b) To compare gold's behaviour in different types of crises (financial crisis, pandemic, inflationary periods).
- c) To measure gold's statistical relationship with stock markets, inflation, and exchange rates.

Hypothesis

- a) H_0 (Null Hypothesis): Gold does not act as a safe-haven asset during times of economic uncertainty.
- b) H_1 (Alternative Hypothesis): Gold acts as a safe-haven asset and provides security to investors during times of economic uncertainty.

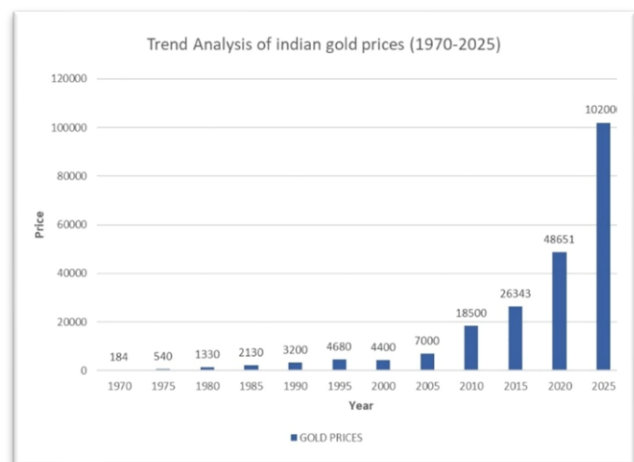
Review of Literature

There have been several studies on this issue, however, considering gold as a safe haven asset in the time of economic and political uncertainty. While gold has been extensively examined as a hedge during financial crises, little research has been conducted on its performance during political crises, Javid (2021) noted. This indicates the need for further exploration of gold's behaviour under different uncertain conditions. In her presentation, Ewa Feder-Sempach (2024) explained the difference between "safe assets" and "safe-haven assets" and provided an explanation of the changing definition of safe-haven assets. Safe-haven assets are prioritized in times of financial uncertainty and turmoil, the study noted. According to Maatoug (2021), gold has been a good investment during bad economic times. The research specifically targeted the purpose of the 2008 subprime crisis, when gold prices hit unprecedented peaks, boosting investor trust in the history of gold. Thakkarl(2025) investigated the ability of gold to serve as an inflation hedge, economic uncertainty, and geopolitical risks. The results of the research revealed that gold remains to be a good store of wealth during the times of market volatilities. In order to study the gold price dynamics, Chen (2026) applied Error Correction Model (ECM) and the supply-demand valuation model. The study

described the relationship between short-term fluctuation of gold prices and the long-term trends, depending on different economic conditions. Afees A. Salisu (2021) examined the use of gold as a safe haven during the COVID-19 pandemic. The results indicate that gold is a safe-haven asset during the crisis period, but that effect is relatively stronger in the pre-pandemic period. Around the time of the 2020 Nobel Prize, Heni Boubaker (2020) performed a long-term historical study, and discovered that gold has always been a solid hedge against global crises, based on the data of 1258–2018. The study also found that silver was not a safe-haven like gold. This suggests that investors are risk averse, as well as relying on gold when uncertainty and ambiguous economic signals are highest, as Baur (2012) found that investors tend to prefer gold over U.S. government bonds when uncertainty is particularly high and economic signals are unclear. A research article in Journal of Risk and Financial Management (2020) examined gold, oil and Swiss Franc as safe haven assets. Financial crises also drive investors to less volatile assets such as gold, the study revealed, supporting the notion that gold acts as a buffer in the face of market volatility. Last, but not least, Neo Moji (2024) highlighted the historical role gold has fulfilled as a means of currency, having a tangible value and serving as an economic asset in times of uncertainty.

Historical Data Analysis

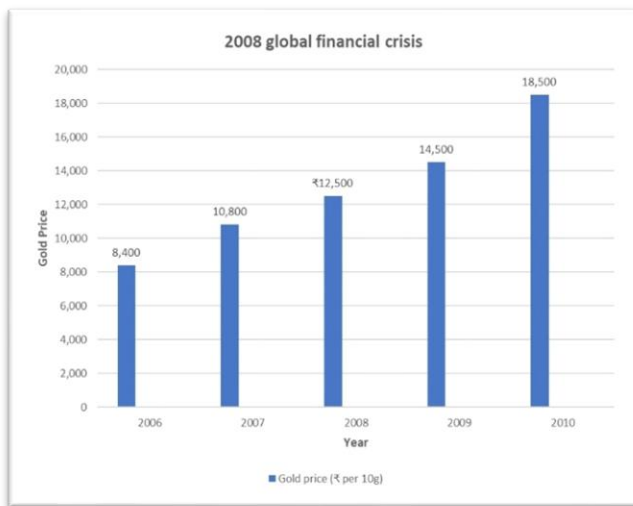
Chart : 1



A comparison of Indian Gold prices (1970-2025) indicates that there has been an unabated and pronounced rise in the cost of gold in India over the past five decades. In 1970, the price of gold was only ₹184 per 10 grams, which gradually

increased to ₹540 in 1975 and ₹1,330 in 1980. The price of gold continued to climb in the 1980s and 1990s as inflation and economic reforms in other countries, and rising worldwide demand, pushed prices higher. By 1995, the price reached ₹4,680 per 10 grams. There was a slight dip in the year 2000 in prices with a decrease to ₹4,400, but from that year forward, gold prices rose sharply. Prices rallied significantly between 2005 and 2010, from ₹7,000 to ₹18,500, largely because of the effect of the global financial crisis of 2008 on the preference for safe-haven investments such as gold. This increase was even greater since 2010. The prices of gold have increased to ₹26,343 in 2015 and risen even further to ₹48,651 in 2020 amid a global economic uncertainty and increased investment demand for gold during the COVID-19 pandemic. The growth rate is the highest in the year 2020 to 2025 where the price has increased by more than 200% to approximately ₹1,02,000 per 10 grams. This significant rise could be due to geopolitical uncertainties, inflation, currency volatility, and the growing demand for gold as a safe asset in the international markets.

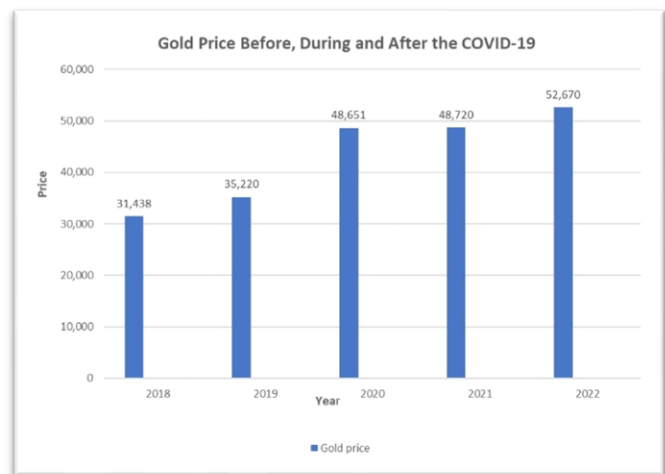
Chart : 2



The chart, “2008 Global Financial Crisis” shows the year on year change in gold prices between 2006 and 2010 and its effect on the gold prices during the global financial crisis in 2008. This data indicates that gold prices have consistently risen over this time, suggesting that gold emerged as an attractive investment choice amidst economic uncertainty. The price of gold in 2006 was about ₹8,400 per 10 gms. It rose to ₹10,800 in 2007 due to the regular growth in the market and demand for gold. The year of 2008, in the wake

of the global financial crisis that greatly impacted on financial institutions and stock markets across the globe, the price of gold further increased to ₹12,500 per 10 grams. Consumers shifted their investments from speculative financial instruments to more secure ones, such as gold, resulting in a significant surge in demand. The increase continued in the next few years. In 2009, gold prices reached ₹14,500, and by 2010, prices increased significantly to ₹18,500 per 10 grams. The significant increase reflects the fact that gold was a “safe haven” investment in the times of financial instability and economic recession.

Chart : 3



The chart above illustrates gold prices before, during and after COVID-19 in 2022, 2018 and 2021. During an uncertain economic period, the data shows that the price of gold is also going up significantly during the pandemic period, making gold a crucial safe haven investment. In 2018, the gold price stood at ₹31,438, which increased moderately to ₹35,220 in 2019. But in 2020, when the COVID-19 pandemic caused significant economic disruptions, lockdown, financial instability and uncertainty in the global markets, gold prices skyrocketed to ₹48,651. This significant increase is attributed to investors' preference for safer investments due to the increased volatility of stock markets and other financial assets. Gold prices in 2021 have not seen much change from the previous year, staying at ₹48,720, which shows that investor faith in gold has not waned even after the initial pandemic panic. In 2022, the price of gold rose again to ₹52,670, reflecting the continued demand for gold amid the inflation, geopolitical risks and global economic recovery uncertainties..

Chart 4:



The above graph shows gold prices trends over the past four years (2021 to 2025) before, during and after the Russia – Ukraine war. The data shows that gold prices continued to rise steadily and significantly over the course of this period, as investors reacted to the uncertainty of the geopolitical climate and the economic instability in the world. Prior to the Russia–Ukraine war, the gold price was at ₹48,720 in 2021. The war in 2022 added uncertainty in the global markets due to rising geopolitical tensions, energy supply disruptions, inflation and fear of an economic slowdown which caused gold prices to reach ₹52,670 in 2022. This increase is indicative of the possibility that investors turned to gold as a safer investment choice during the period of uncertainty. Gold prices broke the trend in 2023 as they began to increase rapidly, reaching a price of ₹65,330. The rise is attributed to ongoing world instability, inflation fears and uncertainty in financial markets. Gold prices continued to climb in 2024, reaching a new high of ₹77,913, reflecting the growing trust among investors in gold as a safe and secure investment vehicle. The price of gold in 2025 was ₹1,02,000 per gram, which is a significant rise from the pre-war era. This strong increase reflects the high demand of gold in the midst of protracted geopolitical crises and economic uncertainty. Gold was the preferred choice for investors when it came to wealth preservation and inflation protection, currency fluctuations, and market volatility.

Findings of the Study

Several key insights have emerged from the analysis of gold as a safe-haven asset during economic uncertainty. The analysis of gold as a safe-haven asset during economic

uncertainty has yielded several significant findings about gold's role in safeguarding wealth and financial stability. The research revealed that gold prices have a tendency to rise considerably when there are important economic and financial crises. Previous studies have shown that when markets become volatile, investors tend to seek out gold as a safe investment choice. For example, in India, the price of gold rose rapidly from ₹202 in 1972 to ₹506 in 1974 during the Oil Crisis of 1973-74. This increase was driven by investor fears of inflation, economic uncertainty, and a lack of trust in conventional financial frameworks. The study also showed that over the periods of financial market uncertainty, gold is a good safe-haven asset. When stocks markets are volatile or there are economic conditions, investors usually move their investments to gold in order to protect themselves from the risk and keep their wealth. This is evident in the price of gold which rose from ₹12,500 in 2008 to ₹18,500 in 2010 during the Global Financial Crisis. Global financial markets lost a lot and gold maintained investor confidence, and financial security. The other major conclusion of the study is that gold is a good inflation hedge. When inflation is on the rise, currency loses its value and it makes investors think of investing in gold to safeguard their wealth. The analysis revealed that the price of gold has risen from INR 52670 in 2022 to INR 65330 in 2023 during the period of global inflation from 2022 to 2023. This is a testament to how well that gold protects investors from inflation. The study also observed that geopolitical events and international conflicts have a direct impact on gold prices. When political tensions, wars and the global uncertainty increase, they make gold a more sought-after and safer investment. For example, during the Russia–Ukraine War in 2022, gold prices increased from ₹48,720 in 2021 to ₹52,670 in 2022. This increase reflects a further increase in the attractiveness of gold investments as a result of geopolitical instability. Finally, the research noted an excellent long-term gold price appreciation for several decades. Gold has always gained value over time and it's always been a great way to invest in it as a store of wealth. Gold prices in India increased from ₹184 in 1970 to more than ₹1,00,000 in 2025. The continuous increase in growth shows how gold continues to play a crucial role in not just wealth preservation but also as a financial asset.

Conclusion:

The current study points out that large-scale economic developments, inflation, geopolitical strains, currency movements and central bank monetary policies have

significant impact on the price of gold in India and the USA. This analysis supports the idea that gold has always been a safe-haven asset in times of financial instability and macroeconomic uncertainty.

Key Insights:

- 1) Gold prices tend to rise during global economic crises such as the 2008 Financial Crisis, COVID-19 pandemic, and the Russia–Ukraine War.
- 2) Periods of high inflation and currency depreciation contribute to increased demand for gold as a hedge against declining purchasing power.
- 3) Interest rate decisions by central banks, particularly the US Federal Reserve and the Reserve Bank of India (RBI), play a crucial role in influencing gold price movements.
- 4) Geopolitical tensions and global market volatility create uncertainty, leading investors to shift their investments toward gold.
- 5) In the long term, gold has demonstrated consistent appreciation, reinforcing its position as a reliable store of value.

Final Thoughts:

Gold continues to remain one of the most trusted and stable investment assets during economic downturns and uncertain global conditions. The findings of this study strongly support the hypothesis that gold acts as a safe-haven and inflation-hedging asset. Therefore, monitoring global economic trends, monetary policies, and geopolitical developments is essential for making informed investment decisions related to gold.

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