

10:42 AM | 16 OCT **LIVE** **MARKET STATS** Sponsored Mutual Funds ★★★★★
DSP BlackRock Opportunities
 Direct Plan-Growth NAV **₹221.05** | Day Change **0.74 (0.33%)** | Class:Equity Category:Multi Cap | 1M 0.05 | 6M 11.58 | Returns in % 1Y 22.41 | 3Y 19.08 | **START SIP**
For regulatory disclaimers, click here.

Why gold bonds in secondary market are better investment than the new issue

BY [NARENDRA NATHAN](#), ET BUREAU | OCT 16, 2017, 06.30 AM IST

[Post a Comment](#)

The new series of [gold bonds](#) will be available for purchase on the first three days of each week starting 9 Oct, till 27 Dec.

The Reserve Bank of India (RBI) will fix their price on a weekly basis. This 'on tap' facility can be useful for [investors](#) who want to buy small quantities of [gold](#) in a staggered manner. The RBI, which has increased the investment cap for individuals from 0.5 to 4 kg, has restricted the Rs 50 initial discount to investors who apply for the bonds online.

Should you subscribe to this new series of gold bonds? Investors should decide whether they need to allocate more money to gold and get in only if their existing gold allocation is very small. The long-duration of the bonds—eight years, with the option to exit only from the fifth year—is discouraging. "My problem with gold bond is its long duration.

Why you should ignore new gold bonds

These bonds are at a disadvantage both in terms of price and yields

Bond issue date	Issue price ₹	Coupon	LTP* ₹	Running yield
24 SEP 2017	3,150	2.75	2,800	3.09
24 AUG 2017	3,119	2.75	2,800	3.06
24 MAR 2017	2,916	2.75	2,780	2.88
24 NOV 2017	2,957	2.50	2,783	2.66
23 NOV 2017	2,684	2.75	2,810	2.63
25 MAR 2017	2,893	2.50	2,756	2.62
25 MAY 2017	2,901	2.50	2,799	2.59
24 FEB 2017	2,600	2.75	2,798	2.56
25 JUL 2017	2,780	2.50	2,770	2.51

*Last traded price. Source: NSE. Data as on 11 Oct 2017

Equity generates better returns than gold in the long term, so no need to get into gold for better returns," says Mukund Sheshadri, Co-Founder, MSVentures Financial Planners. Also, investors should not buy these bonds, simply because they are available. "Since the new bonds are not offering any substantive additional benefits, buying the existing gold bonds from the [secondary market](#) makes better sense," says Suraj Saraogi, Managing Director, New Berry Group.

The earlier series of bonds are available in the secondary markets at lower prices and offer higher yields. These bonds are now trading at around Rs 2,800, which is significantly lower than the price of the new bonds, even after adjusting for the Rs 50 discount. The running yields on the existing bonds are higher than the 2.5% offered by the new bonds. "Penetration of gold bonds may not go up much in this series as well," says Dinesh Rohira, Founder and CEO, 5nance.com.

The 'on tap' facility can be useful for investors who want to buy small quantities of gold in a staggered manner.

The 'on tap' facility can be useful for investors who want to buy small quantities of gold in a staggered manner.

Related

- 7 watchouts before you fit in sovereign gold bonds in your financial plan
- Why investing in sovereign gold bonds for child's marriage could be a bad idea

Big Change:
The end of Five-Year Plans: All you need to know

However, the volume of the gold bonds traded in the secondary market is not great, so purchasing them will be useful only for those retail investors who want to buy in small quantities. Even if you want to invest a substantial sum, it will be best to stagger your purchase else the discount in the secondary market may get eroded because of large buy orders. **"In addition to the price impact, buying in small quantities makes sense now because of contradictory signals in gold,"** says Vishal Dhawan, CEO, Plan Ahead Wealth Advisors.

Stay on top of business news with The Economic Times App. [Download it Now!](#)

THE ECONOMIC TIMES

Powered by **TIMESINTERNET**

Live Market
News
Portfolio
Mobile
Live TV
Biz Listings

Industry
Newsletters
Commodities
Speed
Blogs
RSS

About Us
Create Your Own Ad
Advertise with Us
Terms of Use & Grievance Redressal
Privacy policy

FOLLOW US



Download it from
APP STORE



Download it from
GOOGLE PLAY



Download it from
Windows Store

Other Times Group news sites

इकनॉमिक टाइम्स | ईकोनॉमिक्स टाइम्स | Pune Mirror | Bangalore Mirror | Ahmedabad Mirror | ItsMyAscent | Education Times | Brand Capital | Mumbai Mirror | Times Now | Indiatimes | नवभारत टाइम्स | महाराष्ट्र टाइम्स | ವಿಜಯ ಕರ್ನಾಟಕ | Go Green | AdAge India | Eisamay | IGN India | NavGujarat Samay | Times of India | Lifehacker | Gizmodo | Samayam Tamil | Samayam Telugu | Miss Kyra | Bombay Times | Filmipop

Living and Entertainment

Timescity | iDiva | Entertainment | Zoom | Healthmeup | Luxpresso | Gadget Reviews | Titanium & Platinum Credit Card | Online Songs | MensXP | Hotels | Travel Destinations | Cricbuzz | Recipes | Gaana | Happytrips | Getsmartapp

Interest Network

itimes

Hot on the Web

Godrej Agrovet Share Price | Business News | Silver Price | NPS | Sensex Today | Gold Rate Today | Sensex | Nifty 50 | Crude Oil Price | Share Market | IPO | Aadhaar Card

Services

Book print ads | Online shopping | Matrimonial | Astrology | Jobs | Tech Community | Property | Buy car | Bikes in India | Free Classifieds | Send money to India | Used Cars | Restaurants in Delhi | Remit to India | Buy Mobiles | Listen Songs | News | TimesMobile | Real Estate Developers | Restaurant Deals in Delhi | Car Insurance | Gadgets Now | Free Business Listings | CouponDunia | Remit2India | Techradar | AliveAR | Getsmartapp App | ETMoney Finance App | FeedbackManage Notifications

In Case You Missed It

[Aadhaar Card](#)

[Home Loan EMI Calculator](#)

[Personal Loan Calculator](#)

[Investment Plans](#)

[How to link PAN to Aadhaar](#)

[Income Tax Slab](#)

[Aadhaar PAN Card linkage](#)

[Bank Fixed Deposits Rates](#)

[HRA Calculator](#)

[Insurance News](#)

[EPF Calculator](#)

[ITR Forms](#)