

# Gold buying trends and investment in saudi arabia

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Gold Buying trends and investment Gold buying trends and investments in Saudi Arabia Saudi Arabian investors show awareness on gold, but they consider it as a portfolio diversifier (Gandel 2003). As such, majority of the investors in Saudi Arabia do not regard gold as a portfolio benefit since they focus more on trading with stocks (Pillkahn 2008). Such a situation is attributed to the fact that investors may be lacking awareness on the potential benefits of gold. Gold funds are popular in Saudi Arabia among individuals interested in the investment (Lee et al. 2009). Such funds come from the relationship managers, as well as experts' recommendations. These conditions illustrate market failure since the investors are not aware of the possible opportunities (Trivedi & Behera 2012).

Real estate investment is the most preferred option among the Saudi Arabian investors in comparison to gold (Smith 2011). Such occurs since the interest rates are low, the environment has a higher liquidity, there is a population increase and the demand for housing is high (Kelly 2011). Moreover, the government does not have adequate housing projects, which indicates why investors venture on this opportunity of real estate investment.

On the other hand, women depict a viable market for the gold since they create a strong demand for the commodity. Women need gold for gifts and jewelry they represent during ceremonies (Rivlin 2009). However, sudden increase in the price of gold makes women not to buy jewelry and focus on other alternative commodities. Nevertheless, it is anticipated that as the population increases, the demand for gold will increase. Since ancient civilization in the Hejaz area, Jeddah creates a unique gold market (Karunagaran 2013). This is because Jeddah has a sea port and acts as a <https://assignbuster.com/gold-buying-trends-and-investment-in-saudi-arabia/>

main gate to al medina and Makah, which makes it a strategic market for gold on annual basis during the hosting of the pilgrims.

Saudi Arabian Investors are also oriented on economic activities, which are related to mineral fuels. Such occurs since the country is involved with the exportation of mineral fuels (Middle East Monitor: Gulf 2014). Other investors focus on foreign direct and indirect investments because they regard such investments as lucrative in terms of the returns on their investments and earnings on profits. Their major focus of foreign investments is in the United Kingdom, Japan, United States, Germany, France and Switzerland (Erb & Harvey 2013). Investors favor other alternative investments instead of gold because they consider such investments to have low risks in comparison to gold trade investment. Thus, these investors are risk averse.

The poor market for gold in Saudi Arabia acts as the key factor towards the reduced level of investment in gold (Plunkett 2010). Such occurs since investors' survey the market performance of commodities prior to investment (Brown 2013). The high cost of gold makes it lose customers and demand, which imply that investors can easily project for poor sales of the commodity, which will subject them to market losses (Suresh 2012). In addition, Saudi Arabia offers a smaller market for gold, which makes the commodity to have less value among the citizens.

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