Turn-of-the Year Affect in Gold Prices: Decomposition Analysis

Assist. Prof. Osman Gulseven
American University of Middle East
osman.gulseven@aum.edu.kw

Abstract
In this article, we examine whether the gold market returns is subject to abnormally positive or negative returns in some months of the calendar year. We derive the percentage monthly returns of gold prices denoted in both major global currencies and the currencies of the largest gold consumer markets. The statistical analysis and the decomposition techniques suggests gold prices show some seasonal behaviour during the turn of the year. Our findings for these months are robust to the chosen currency, albeit with some differences in monthly returns between highly correlated major currencies and loosely correlated gold demanding currencies. We observe a strong cyclical behaviour in gold markets during the turn-of-the-year period. January is likely to offer the highest return whereas significant negative returns are expected in July.

Key Words: Gold, Investment, Calendar Effect, Decomposition Analysis.