Introduction:

The world economy and the international market largely depends on the price and availability of gold. Gold is a chemical element, which is considered as the most valuable metal on the earth. Gold is a universal currency. Everywhere on this earth, gold can be used as an acceptable form of currency.

Gold has been exploited as a standard of value and type of currency since primeval times. Since the 17th century, it has been publicly used over the counter in London and by the 19th century it supported the major lasting exchange rate system the world has ever acknowledged (the Gold Standard). In the 20th century it was employed as the strength to a official exchange rate system known as Bretton Woods, but the reduction of the system in the early 1970s weakened the gold price to drift substantially for the first time in over 250 years. Gold historic reputation as a currency and a standard up of value has rebounded in part from a number of strange or uncommon belongings, which are not collective with challenging assets. In contrast to other merchandises, gold does not perish or damage over time, imparting it excellent features as a very long-term storage value. Gold mining nowadays is undistinguishably compared to gold mining several hundreds of years ago. The resource of gold has also been moderately set for the last century, with yearly mine production a small distribution of the entire store of gold remaining and with a limited capability for yearly manufacture to rise in response to adjustment in the gold value. These consequences it out from other merchandises where substantial supply reactions to price adjustment are possible, at least over the small term. Another important quality of gold is it's judiciously less well-known in using for industrial purposes, compared to other products including valuable metals such as silver and platinum. Furthermore, approximately only 10% of gold demand reported in 2010 which appears from such industrial uses with the equilibrium coming from jewellery and investment demand. As a result, gold prices require the strong link with the economic cycle that other products have and gold has thus often displayed low or even negative connection with these and other financial resources.

Gold is also considered to be unusual among financial assets by not delivering a financial yield, e.g. a dividend or voucher as paid by security equities and bonds and this can be considered a discouragement to hold gold; though, gold has a considerable advantage compared to other financial assets which are considered of default risk. The elements give gold an unusual position of behavioural features compared to other financial assets, which will be examined in more detail in the paper. In 2008 and early 2009 due to economic recession most metal prices affected badly. Many gold mining companies experienced hard and difficult period during the financial crisis. Some companies decreased their production rates and delayed projects while others changed to evade instruments or long-term contracts to assure commodity prices. Cash flows in gold mining projects are unstable and are considerably influenced by the rise and fall of mineral commodity prices. Assessment of mineral prices is crucial at the establishment of the valuation process as well as in calculating total costs and production rates over the entire mine life, and mining companies make decisions to accept or reject a project based on future price expectations.

Consequently, it is essential to estimate future prices with suitable models during any appraisal of mining projects. The price and production behaviour of gold differs from most other mineral commodities. In the 2008 due to economic downturn, the gold price was increased by 6% while many key mineral prices decreases and other security equities fell down by around 40%. The exclusive and diverse drivers of gold demand and supply do not associate highly with financial changes in other financial resources. This study analyses the gold market and how the gold price is controlled and by whom. In addition, the research further focuses on many factors, which affected gold price in that period.

The oil price and inflation rate are two main macroeconomic factors that manipulate the gold market. There is a positive connection between gold and crude oil prices. Crude oil and gold continue to split the trend of past prices recorded in 2008. When oil prices were reaching nearly over US $145 per barrel in the market, this trend then started to slip back. The president of OPEC said that crude oil prices at US $200 per barrel are feasible, if the US dollar continues to undervalue with respect to other currencies. On the other side, the gold price has pursued a similar trend and accomplished a maximum price of around US $1011 per ounce in 2008. The research shows that there have been two main events affected the oil prices. The first event was between 1979 and 1980. The main cause for this can be endorsed to the Iranian revolution and the fight between Iran and Iraq.

The second cause started in the middle of 2007 and has sustained until recently. The main cause for this reason were that fight in Iraq and Afghanistan made these two countries unsteady, and that sanctions were forced on Iran for progressing uranium enrichment. These two oil surprises were followed by gold price increase as well, the current situation in Middle East and Ukraine also playing its role in oil price. The supposed oil price and supposed gold price from January 1968 until the end of December 2010 increased by 25 and 19 times, correspondingly. Since the shift to floating exchange rates in the early 1970s, the external worth of the US dollar has been a importantly influence and manipulate on short-term gold price fluctuation. Many financial institutions with International Monetary Fund (IMF) have experienced this relationship.

Why people sell their gold?

Gold is one of the most valuable assets that people like to own and keep for the rainy days. Since the history of mankind it has been used in making ornaments and jewellery for people. It is common in every family to have few gold made ornaments in their safe deposits, which serves both as ornaments and savings. However, still there are situations in which people are tempted or compelled to sell their gold. The main reason must be economic. Apart from the businessmen, who buy and sell gold for business purpose there are basically two main reasons for common people to sell their gold.

Most of the times people sell their gold, when they are in need of hard cash. Gold can be sold anywhere, at any time at a reasonable price. This unique property has made gold a great choice for universal currency. Whenever, people fall in need for money, they prefer to sell gold other than any assets because it can buy them more money than any other assets in particular. Therefore, it is obvious that people sell their gold in time of economic crisis.

Another reason for which people sell their gold is to make more profit. Gold price is as variable as the currency exchange rates. In fact, it is the price of gold that regulates the price of cross-currency exchange. Therefore, gold prices vary. Most of the time it has an upward shift into the price graph. People often buy gold when the price becomes low and wait for the price hike; when the price of gold goes high they sell it in order to get high rate of retunes.

Why people invest in gold?

The high speculation of share and equity market and the high level of risk and interest associated had made people find an alternative source for investment. One of the potential field of investments is gold market; it is a high profit earning business with low risk and interest. It can be greatly beneficial to invest in gold market based on market analysis. Gold market fluctuates reasonably though not upside down. Careful investigation and analysis of market trends can help a person earn a large profit from small investment. Therefore, people are more likely to invest in gold if they want a secure and safe process of earning profit without risking their assets.

The gold market all over the world:

- London is considered to be the clearing house of Gold market
- For the prospect and prosperity, New York has been considered to the centre of future gold market
- Zurich, Switzerland is the physically important place of gold market
- Hong Kong, Istanbul, Dubai and Singapore are the four gateways of the consuming quadrapulates
- Tokyo and Mumbai are the main gold selling places for Japan and India respectively.

These markets are controlling and regulating the whole gold market of the world since they are comprising more than half of the world market. Each of the market has the capability to change or manipulate the whole market of the world substantially.

Price of Gold:

The pricing of gold is a crucial matter. Since this single commodity is powerful enough for controlling international economy, trading, exchange rate, special thought should be provoked in order to make the pricing reasonable and balanced. As a universal currency gold is the index for determining exchange rate between currencies. As such is it imperative to set the price of the gold for sell and buy by the strategic planners and marketing authority of the world. The manipulation in any of the large market mentioned above can be detrimental for the world economy. It has been found that the USA market has most influence in selecting the price of the gold since it is one of the largest market of the world. However, regulatory authority monitors for the price change so that it cannot shift so quickly or unbalanced.

The price of gold has always been a matter of thought for the banks and the governments all over the world. There is no denying the fact that gold is a yard stick to measure the fiat money management and the degree to which it is being managed sound or unwell.

When the paper money is not so well managed by the government, gold becomes the pricing factor for several exchange matters. It becomes the mercury of the barometer that measures international market conditions. The price of gold is therefore a strong candidate for being manipulated by the unscrupulous market manipulators for the sake of unsettling international market and for gaining market advantages.

The gold market is one of the potential place for manipulation and conspiracy. There is no denying the fact that the nation that produces and manufactures large portion of gold in the world, has significant power of manipulation of the world economy. Therefore, it requires special monitoring and supervision to keep the gold market stable and free from unbalance.

The pricing mechanism of gold:

To investigate the marketing strategy of gold it is important to discuss the pricing mechanism of gold for better understanding the factors that causes potential gold market manipulation.

To begin with, let's first investigate what happens if the price of gold suddenly increases by an amount of $10,000 per ounce. The impact would be massive and abrasive. It would certainly tear the world economy apart. Everything from the oil to dollar price would spike up. Those with gold reserve would be the manipulator of the economy. To bring a balance in the market it would become necessary to implement special task force to find out the factors to be adjusted and manipulated.

Though it has been believed that the fiat money based system fixes the price of gold as a part of fiduciary responsibility; however, the truth would become obvious from the following facts.

- Government are exercising authority in managing the amount of money in open market,
- Through the rate of interests the value of money is also being managed,
- Taking the interest rates for managing the money value, risk tolerances and risk preferences would be shifted towards higher proportion.
- The price of the other strategic commodities like oil is managed openly and above broad from time to time.
- The value of food and energy commodities are managed through various mechanisms like government subsidies, direct or indirect.
- The rate of GDP, inflation, employment are heavily manipulated and managed to hide the actual scenario and to impart a false picture.

Out of all these determinations, certainly the one with the most melodramatic impression is the management of the value of currency. That sets the phase for nearly every single ill that tracks, especially counting the reinforcement of taking on supplementary risk and the unavoidable malinvestments that consequence.

There are international community to set the price of the gold upon their shared interests and goals. The necessity of this control is undeniable since without such control it would become impossible to control the effect of bureaucracy from the monetary system. Gold presents threat to the institutions which wants to be dedicated to the controlling. To give up the fight to regulate the rate of gold, we have to assume approximately that has never occurred in history: the willing desertion of administrative influence to an outdoor force.