

What causes intraday price jumps and co-jumps in Gold - Market Psych, News or Illiquidity?

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This study addresses the lack of empirical evidence on the dynamics and drivers of intraday price jumps and co-jumps in gold markets. It is motivated by significant historical events such as the "\$1 trillion crash in gold" of 2013 and dramatic price falls during the COVID-19 pandemic, indicating the frequent occurrence of extreme price movements or "price jumps" in gold markets. This study investigates the impact of market psychology dimensions, including attention, sentiments, and emotions, on the predictability of positive and negative price jumps and co-jumps at high frequency by employing jump detection techniques. To comprehensively investigate the central research question, the study addresses five specific research questions, including the impact of news and social media-based investor attention, market sentiment, and emotions on the predictability of intraday price jumps and co-jumps in gold markets. Additionally, the research explores the influence of scheduled macroeconomic news surprises and liquidity shrinkage on these events. Notably, the research finds that COMEX gold futures experienced a greater number of intraday jumps than SPDR gold ETF from 2010 to 2018, with a higher occurrence of negative price jumps (than positive jumps) in both markets. Also, scheduled macroeconomic news announcements are identified as the most dominant predictor of intraday price jumps and co-jumps, causing a significant percentage of these events in both COMEX futures and ETF SPDR. Overall, the study makes a significant contribution to the understanding of intraday price jumps and co-jumps in gold markets by filling existing research gaps and providing valuable insights into the real-time characteristics and determinants of these events. Hence, by examining the "excess jump puzzle" in the context of gold markets, the study offers important implications for market participants and researchers in the field of market microstructure.