

Document details

[< Back to results](#) | 1 of 1
[Export](#)
[Download](#)
[Print](#)
[E-mail](#)
[Save to PDF](#)
[Add to List](#)
[More...](#)
[View at Publisher](#)
 International Journal of Islamic and Middle Eastern Finance and Management
 Volume 11, Issues 2-30 August 2018, Pages 334-356

Identifying the optimal level of gold as a reserve asset using Black–Litterman model: The case for Malaysia, Turkey, KSA and Pakistan (Article)

 Bayram, K.^a [✉](#), Abdullah, A.^a [✉](#), Meera, A.K.^b [✉](#) [👤](#)
^aInternational Islamic University Malaysia, Kuala Lumpur, Malaysia^bConsulting Group, Kuala Lumpur, Malaysia

Abstract

[View references \(63\)](#)

Purpose: After the collapse of the Bretton Woods fixed exchange rate system in 1971, countries moved towards floating exchange rates, and the expectation was that the requirement for foreign reserves would decrease. However, central banks currently hold more foreign exchange reserves to enhance the credibility of exchange rate policies. The demand for gold, which was the main reserve asset prior the collapse of the Bretton Woods system, has increased as a reserve asset once again following the global financial crisis (GFC) of 2008, given gold's characteristics as a safe haven asset and a store of value. This study aims to analyse official reserves of four countries, namely, Malaysia, Turkey, KSA and Pakistan. The Black–Litterman model was used to build a new strategic portfolio with optimal allocation to gold. This study shows that all countries under the analyses should increase their gold holdings to preserve the value of the portfolio during times of financial turmoil. **Design/methodology/approach:** The Black–Litterman model has been used to build a new strategic portfolio with optimal allocation to gold. The study shows that all countries in our analyses suggested increasing their gold holdings to preserve the value of the portfolio during times of financial turmoil. **Findings:** The study found that countries under the analyses, namely, Turkey, Malaysia, KSA and Pakistan, suggested increasing their official gold holding given the outstanding performance of gold during the GFC. **Research limitations/implications:** Research can be further extended by including few more countries from Organisation of Islamic Cooperation such as Qatar and Indonesia. **Originality/value:** Emerging economies such as China, India and Russia started to sharply increase their official gold holdings in the aftermath of the GFC. According to recent statistics, central banks of China and Russia have been adding to their gold reserves. Of note, only in few European countries and in the USA, is the share of gold in foreign reserves more than 50%. In the rest of the world, this figure is about 3–5%. The paper elaborates the aforementioned subject and suggests the strategic weight of gold reserve for each country under analysis. © 2018, Emerald Publishing Limited.

SciVal Topic Prominence [i](#)

Topic: [International reserves](#) | [Monetary policy](#) | [reserve accumulation](#)Prominence percentile: 69.137 [i](#)

Author keywords

[Central bank reserves](#)
[Financial crisis](#)
[Gold](#)
[Portfolio optimization](#)

Metrics [?](#)

0 Citations in Scopus

0 Field-Weighted Citation Impact



PlumX Metrics [v](#)

Usage, Captures, Mentions, Social Media and Citations beyond Scopus.

Cited by 0 documents

Inform me when this document is cited in Scopus:

[Set citation alert >](#)[Set citation feed >](#)

Related documents

The Black-Litterman model in central bank practice: Study for Turkish central bank

Ganikhodjaev, N. , Bayram, K. (2016) *Malaysian Journal of Mathematical Sciences*

A power GARCH examination of the gold market

Tully, E. , Lucey, B.M. (2007) *Research in International Business and Finance*

A step-by-step guide to the Black-Litterman model: Incorporating user-specified confidence levels

Idzorek, T. (2007) *Forecasting Expected Returns in the Financial Markets*[View all related documents based on references](#)

Find more related documents in Scopus based on:

[Authors >](#) [Keywords >](#)

ISSN: 17538394

Source Type: Journal

Original language: English



DOI: 10.1108/IJMEFM-06-2017-0142

Document Type: Article

NEW! SciVal Topic Prominence is now available in Scopus.

Publisher: Emerald Group Publishing Ltd.

Which Topic is this article related to? [View the Topic.](#)

All [Export](#)  [Print](#)  [E-mail](#) [Save to PDF](#) [Create bibliography](#)

-
- 1 Aggarwal, R., Soenen, L.
The nature and efficiency of the gold market
(1988) *The Journal of Portfolio Management*, 14 (3), pp. 18-21. Cited 34 times.
-
- 2 Aizenman, J., Lee, J.
Financial versus monetary mercantilism: Long-run view of large international reserves hoarding
(2008) *World Economy*, 31 (5), pp. 593-611. Cited 63 times.
doi: 10.1111/j.1467-9701.2008.01095.x
[View at Publisher](#)
-
- 3 Aizenman, J., Marion, N.
The high demand for international reserves in the Far East: What is going on?
(2003) *Journal of the Japanese and International Economies*, 17 (3), pp. 370-400. Cited 118 times.
<http://www.elsevier.com/inca/publications/store/6/2/2/9/0/3/index.htm>
doi: 10.1016/S0889-1583(03)00008-X
[View at Publisher](#)
-
- 4 Aizenman, J., Inoue, K.
Central banks and gold puzzles
(2013) *Journal of the Japanese and International Economies*, 28, pp. 69-90. Cited 5 times.
doi: 10.1016/j.jjie.2013.02.001
[View at Publisher](#)
-
- 5 Aizenman, J., Cheung, Y.-W., Ito, H.
International reserves before and after the global crisis: Is there no end to hoarding?
(2015) *Journal of International Money and Finance*, 52, pp. 102-126. Cited 19 times.
<http://www.elsevier.com/locate/jimonfin>
doi: 10.1016/j.jimonfin.2014.11.015
[View at Publisher](#)
-
- 6 Avramov, D., Zhou, G.
Bayesian portfolio analysis
(2010) *Annual Review of Financial Economics*, 2, pp. 25-47. Cited 36 times.
<http://www.annualreviews.org/doi/pdf/10.1146/annurev-financial-120209-133947>
doi: 10.1146/annurev-financial-120209-133947
[View at Publisher](#)
-
- 7 Beach, S.L., Orlov, A.G.
An application of the Black-Litterman model with EGARCH-M-derived views for international portfolio management
(2007) *Financial Markets and Portfolio Management*, 21 (2), pp. 147-166. Cited 15 times.
doi: 10.1007/s11408-007-0046-6
[View at Publisher](#)