



**UNIVERSITI TEKNOLOGI MARA**

**“THE TREND OF THE GOLD PRICES IN MALAYSIA”**

**MOHAMED AZMAN BIN MAT JUNOH**

**2011525539**

**BACHELOR OF BUSINESS ADMINISTRATION (HONS)  
FINANCE**

**FACULTY OF BUSINESS MANAGEMENT**

**UNIVERSITI TEKNOLOGI MARA**

**KAMPUS KOTA BHARU, KELANTAN**

**December 2013**



"In the name of Allah S.W.T, the most Gracious and Peace be His Messenger, the holy Prophet Muhammad SAW."

Glory to Allah S.W.T the most gracious, the most merciful and peace to upon His messenger, the Holy Prophet Muhammad S.A.W the adoration belongs to Allah S.W.T.

First and foremost, Alhamdulillah, at last I am able to complete this report. It has been the most profitable experience to have been talented to do this research.

In additional, I would like to convey my sincere appreciation to my advisor, Sir Rustam Bin Shaari for his guidance, critique, support and encouragement during the course of this study. It is greatly fortunate for me to work with him, his technical expertise was indispensable and their patient during the learning process is greatly appreciated.

I also would like to acknowledgement the effort of my entire friend, my families and also my classmate for all comment and suggestion to this research.

Finally, my gratefulness goes to the people who are always with me, and I really hope that my work will be interesting and can be used to help anyone in the future.

Thank You

Mohamed Azman Bin Mat Junoh

## Abstract

*Gold is a precious yellow commodity once used as money. The demand for this commodity is on the rise. The objective of this study was to know about the trend of gold prices for the past 5 years based on economic factors such as inflation, currency price movements and others. Following the melt-down of US dollars, investors are putting their money into gold because gold plays an important role as a stabilizing influence for investment portfolios. Due to the increase in demand for gold in Malaysian and other parts of the world, it is necessary to develop a model that reflects the structure and pattern of gold market and see the movement of gold price. The most appropriate approach to the understanding of gold prices is the Multiple Linear Regression (MLR) model. MLR is a study on the relationship between a single dependent variable and one or more independent variables, as this case with gold price as the single dependent variable. The fitted model of MLR will be used to predict the future gold prices. Many factors determine the price of gold and based on "a hunch of experts", several economic factors had been identified to have influence on the gold prices. Variables such as MYR/USD Foreign Exchange Rate, Inflation rate, Money Supply (M1), Kuala Lumpur Composite Index (KLCI), and Treasury Bill (T-BILL) were considered to have influence on the prices. Parameter estimations for the MLR were carried out using Statistical Packages for Social Science package (SPSS). Only three variables that will effect the gold in this study which is foreign exchange, KLCI, and M1. The final model of this study is very important for researcher to predict the future price of gold.*

*Keyword: golp price (GP), Foreign Exchange, KLCI, Inflation rate, Money Supply (M1), T-bills.*

## **TABLE OF CONTENT**

<b>CONTENTS</b>	<b>PAGE</b>
TITLE PAGE	i
LETTER OF DECLARATION	ii
LETTER OF TRANSMITTAL	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENT	v
LIST OF CHART	v
LIST OF TABLES	v
LIST OF FIGURES	v
ABSTRACT	vi
<b><u>CHAPTER 1: INTRODUCTION</u></b>	
1.0 Background of study	1 - 2
1.1 Problems statement	3 - 4
1.2 Scope of study	4
1.3 Research objective	4
1.4 Research question	5
1.5 Limitation of study	5
1.6 Significant of the study	6
1.7 Definition of term	7 - 8
1.8 Theoretical framework	9
1.9 Research hypothesis	10 – 11
<b><u>CHAPTER 2: LITERATURE REVIEW</u></b>	
2.0 Literature review	12
2.1 Price of gold	13 - 14
2.2 Exchange rate	15 - 16
2.3 Inflation rate	17 - 19
2.4 Money supply	20 - 21
2.5 Stock Market (KLCI)	22 - 25
2.6 Treasury bills	26 – 28

### **CHAPTER 3: RESEARCH METHODOLOGY**

3.0	Chapter description	29
3.1	Research method	29
3.2	Research design	30
3.3	Sampling procedure	30
3.4	Measuring instrument	30 - 31
3.5	Assumption required	31
3.6	Procedure for data analysis	31 - 32
	3.6.1 T-statistic	32 - 33
	3.6.2 F-Statistic	34 - 35
	3.6.3 Data analysis	36
	3.6.4 Statistic method of analysis	36
	3.6.4.1 Regression analysis	36 - 38
3.7	Test of correlation	39
	3.7.1 Correlation coefficient	39
	3.7.2 Coefficient of Determination ( $R^2$ )	40
	3.7.3 Durbin Watson	41
3.8	Scope and limitation of study	42

### **CHAPTER 4: FINDING AND ANALYSIS**

4.0	Introduction	43
4.1	Multiple Linear Regression Equation	44 - 45
4.2	Interpretation of each coefficient methods	45
	4.2.1 Foreign Exchange	45
	4.2.2 Money Supply	46
	4.2.3 KLCI Index	46
4.3	Pearson Correlation Analysis	47 - 49
4.4	Correlation Coefficient (R)	50
4.5	Coefficient of Determination ( $R^2$ )	51
4.6	Hypothesis Testing (T-Test)	52 - 54
4.7	F-Statistic (F-Test)	54 - 55
4.8	Durbin Watson	55 - 56
4.9	Trend analysis	56 - 57