

JBM222 6B



**TO STUDY THE MALAYSIA MACROECONOMIC DETERMINANTS
OF VOLATILITY OF WORLD GOLD PRICE**

NURUL SHUHaida BT FADZIL

2011718981

BACHELOR OF BUSINESS ADMINISTRATION

(HONS) FINANCE

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

JOHOR.

DECEMBER 2014

ACKNOWLEDGEMENT

Foremost, I wish to count my blessings and thanked Allah S.W.T for providing me with the mental and physical faculties as well as other positive attributes notably perseverance to complete this challenging research paper. Special mention goes to my research advisor En. Mohamad Azwan bin Md Isa for his guidance, supervision and support. His constructive comments and suggestions greatly assist in the successful completion of this project paper.

I also take this opportunity to extend my appreciation to all those who have assisted in one way or another in the completion of this research paper. Sincere thanks to all my friends and office colleagues for their understanding, kindness and moral support during the testing time undertook to complete this assignment. Last but not least, my deepest gratitude to my beloved parents for their unwavering support, invaluable assistance and sincere blessings.

Thank you.

ABSTRACT

This paper analysed factors that affecting the world gold price. The study used Multiple Linear Regression Model to determined significant relationship between dependent and independent variables, covering data for 8 years period which are from 2006 until 2013. As gold has been a liquid asset for centuries with the property to hedge against crude oil prices, in times with and without the Gold Standard, much has been written about the price of gold. It still is not completely clear what drives the price of gold exactly. To date, no theory exists which shows how crude oil prices, gold demand supply and other variables affect the gold price movement. The researcher used four independent variables that affect the prices of gold which are crude oil prices (COP), gross domestic product (GDP), and unemployment rate (UR). The empirical results have found there is a crude oil price is positively significant. The results of the study are valuable for both academic and investor.

Contents

CHAPTER ONE:	4
INTRODUCTION	4
1.2 BACKGROUND OF RESEARCH	4
1.3 PROBLEM STATEMENT	5
1.4 RESEARCH QUESTION	6
1.4.1 Main research question	6
1.4.2 Specific research question	6
1.5 RESEARCH OBJECTIVE	7
1.5.1 Main research objective	7
1.5.2 Specific research objective	7
1.5.2.1 To determine whether the crude oil prices in Malaysia influence the volatility of world gold price	7
1.5.2.2 To determine whether the unemployment rate in Malaysia influence the volatility of world gold price	7
1.5.2.3 To determine whether the gross domestic product in Malaysia influence the volatility of world gold price	7
1.6 SCOPE OF STUDY	7
1.7 SIGNIFICANCE OF STUDY	8
1.8 LIMITATION OF STUDY	8
1.9 DEFNITION OF TERM	8
1.9.1 Gold	8
1.9.2 Crude Oil	8
1.9.3 Gross Domestic Product	9
1.9.4 Unemployment rate	9
1.9.5 Demand and Supply	9
1.10 SUMMARY	9
CHAPTER TWO:	10
LITERATURE REVIEW	10
2.1 INTRODUCTION	10
2.2 WORLD GOLD PRICE	10
2.3 CRUDE OIL PRICES	11

2.4 UNEMPLOYMENT RATES.....	11
2.5 GROSS DOMESTIC PRODUCT	12
CHAPTER THREE:.....	13
RESEARCH METHODOLOGY	13
3.1 INTRODUCTION.....	13
3.2 DATA COLLECTION.....	13
3.2.1 Secondary Data.....	13
3.3 VARIABLES	14
3.3.1 Dependent Variable.	14
3.3.2 Independent Variables.....	15
3.4 RESEARCH DESIGN.....	15
3.4.1 Types of investigation	15
3.4.2 Researcher Interference.....	15
3.4.3 Study Setting	15
3.4.4 Unit of Analysis	16
3.4.5 Time Horizon.....	16
3.5 RESEARCH THEORETICAL FRAMEWORK.....	16
3.6 SAMPLING DESIGN	17
3.6.1 Target Population.....	17
3.6.2 Sampling Size.	17
3.7 HYPOTHESIS STATEMENT	17
3.7.1 Crude oil Price hypothesis:	17
3.7.2 Gross Domestic Product (GDP) hypothesis:	17
3.7.3 Unemployment Rate hypothesis:	18
3.8 SUMMARY	23
CHAPTER 4.....	23
DATA ANALYSIS.....	23
4.1 INTRODUCTION.....	23
4.2 UNIT ROOT TEST: TEST OF STATIONARY.....	24
4.3 NORMALITY TEST	25
4.4 AUTOCORRELATION TEST-SERIAL CORRELATION TEST	25
4.5 HETEROSCEDASTICITY TEST-VARIANCE OF ERROR TERM TEST.....	26
4.6 TEST ON FUNCTIONAL FORM.....	26
4.7 MULTICOLLINEARITY TEST	27