



**THE RELATIONSHIP BETWEEN GOLD PRICE WITH EXCHANGE  
RATE, INFLATION RATE AND INTEREST RATE**

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## TABLE OF CONTENT

	PAGE
<b>ACKNOWLEDGEMENT</b>	<b>iii</b>
<b>LIST OF FIGURES</b>	<b>viii</b>
<b>LIST OF TABLES</b>	<b>ix</b>
<b>LIST OF ABBREVIATIONS</b>	<b>x</b>
<b>ABSTRACT</b>	<b>xi</b>
<b>CHAPTER ONE: INTRODUCTION</b>	
1.1 Introduction of Study	1
1.2 Background of the Company	2
1.3 Problem Statement	3
1.4 Research Objective	3
1.5 Scope of Study	3
1.6 Limitation of Study	4
1.7 Significant of Study	5
1.7.1 To Researcher	5
1.7.2 To University	5

## **CHAPTER TWO: LITERATURE REVIEW**

2.1 Introduction	6
2.2 Dependent Variables	
2.2.1 Gold Price	6
2.3 Independent Variables	
2.3.1 Exchange Rate	7
2.3.2 Inflation Rate	8
2.3.3 Interest Rate	10

## **CHAPTER THREE: RESEARCH METHODOLOGY**

3.0 Introduction	11
3.1 Theoretical Framework	12
3.2 Hypotheses	12
3.3 Model Specification	13
3.4 Data Collection Method	14
3.5 Data Analysis Technique	16
3.5.1 Stationary Test	16
3.5.2 Descriptive Statistic	16
3.5.3 Unit Root Test	17
3.5.4 Augmented Dickey Fuller	18
3.5.5 Cointegration Test	19
3.5.6 Trace Test	19
3.5.7 Maximal Eigenvalue Test	20
3.5.8 Stability Test	20
3.5.9 Vector Error Correction Model (VECM)	21
3.5.10 Autocorrelation	22
3.5.11 Langrange Multiplier Test for Autocorrelation	23
3.5.12 Granger-Causality	23

## **ABSTRACT**

The purpose of this paper is to analyze the relationship between the gold price, exchange rate, inflation rate and interest rate by utilizing STATA software. In order to achieve this objective, the Vector Error Correction Model (VECM) is employed to determine whether exchange rate, inflation rate and interest rate may affect the gold price based on a 21 yearly data. The long run relationship shows that all independent variables which are exchange rate, inflation rate and interest rate have a significant relationship toward the gold prices. Granger Causality is applied to test the causality between the variables. In the short run relationship, the finding show that only one independent variable which is inflation rate is significant. On the other hand, there is insignificant relationship between exchange rate, interest rate and gold price. Both independent p-values are less than significant interval which means this result will not reject the null hypothesis. As a conclusion, the causal relationship between gold prices with exchange rate, inflation rate and interest rate are no directional relationship. It is recommended that future researchers should improve the reliability and validity of the result by replacing the other independent variables such as demand and supply, export and import and others.

**Keywords:** Gold price, Exchange rate, Inflation rate and interest rate