



**A STUDY ON THE FACTORS AFFECTING GOLD PRICES
IN MALAYSIA**

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ABSTRACT

Gold is well known as one of the most valuable metals in the world and a good investment that is neither short-term or long-term thus, people in different nations, wanted to possess as much gold as possible. Early in the history, mankind used gold to trade, as a token of wealth, as a safe-haven in times of war or political turmoil. Most of the people consider gold as the safe investment as the price of gold continues to increase due to its abilities as a storehouse of wealth and its shelf lives that essentially perpetual. The main objective of this paper was to examine the determinants of gold price by investigating the four keys influencing variables affecting gold price, such as inflation rates, interest rates, crude oil price and silver price. Monthly data which obtained from the period of January 2002 to December 2006 were sourced from UiTM Datastream and Index Mundi Website. Multiple linear regression model were constructed to investigate the relationship between independent variables and gold price. The empirical results have found there is positively significant relationship between crude oil price on gold prices, while interest rates is negatively significant toward price of gold in Malaysia.. A more comprehensive model could be provided in this study by capturing various factors into consideration. This framework contributed to a better understanding of which factors could significantly affecting gold price. In addition, investors were provided with better decision aid in the investment strategy whether to buy, sell or hold the gold.