



UNIVERSITI TEKNOLOGI MARA

**THE RELATIONSHIP OF GOLD WITH STOCK
MARKET & MACROECONOMIC VARIABLE:
THE CASE OF MALAYSIA STOCK EXCHANGE**

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ABSTRACT

Gold prices are crucial for hedging inflation and as a safe haven asset. Gold prices fluctuate owing to supply and demand. Looking at previous gold prices may offer you with knowledge that will assist you in making better purchase and selling decisions. Several factors have impacted the price of gold during the last several decades. Central bank purchases, inflation, geopolitics, monetary policy, equity markets, and other variables may have contributed to large price swings in gold's history. The Pearson Correlation Test was performed to investigate the relationship between the variables in this study. Following that, a Multiple Linear Regression Test was performed to determine the significance and impact of the stock market and selected macroeconomic factors on the gold price from 2016 to 2020. Overall, most of the results in the paper consist of previous studies where there is significant impact on gold price by stock market and inflation rate.

Keyword: Gold Price; Stock Market; Macroeconomic Variables; Inflation Rate; Unemployment Rate.

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CHAPTER 1: INTRODUCTION

1.1 Introduction

Investment is defined as putting money aside for future use. Stocks, bonds, mutual funds, real estate, foreign currency, and gold are just a few of the investment options available to those with spare cash. Gold has always been a well-respected investment that provides a decent financial return. Gold investment has several advantages that might help an investor achieve his or her financial goals. (Martin Surya Mulyadi & Yunita Anwar, 2012)

Gold is very important product and one of the world's most valuable commodities since its value remain stable or rises independent of economic, financial, or political difficulties. Moreover, gold has its own intrinsic worth that is unaffected by any crises. Other than that, gold is a fantastic asset with higher liquidity and is a solid investment that is neither short-term nor long-term. However, due to its importance and benefit as a store of value, gold demand has increased year after year, particularly in the jewellery and commercial sectors (Toraman, Basarir & Bayramoglu, 2011) & (Sukri Mohd Zain and Zainal Abidin, 2015). Before making any decision to invest in gold, it is critical for individuals who plan to acquire gold to grasp the nature of gold investing. As a result, investor will be able to benefit and profit from gold as an alternative asset.

Gold may be the most popular precious metal for investment among all precious metals. It has withstood the test of time and performed admirably during economic downturns such as stock market crashed, currency failures, rising inflation, and war. Gold is thought to be a useful hedge against inflation as well as a drop in the value of other assets like stock, bonds, and foreign currencies. Other than that, the advantage of gold as an inflation hedge means when the price of products rises, the price of gold rises as well, allowing gold to be liquidated to fund general spending activities. In other words, gold plays a vital function in diversifying investment portfolios. Therefore, this study aims to investigate The Relationship of Gold with Stock Market and Macroeconomic Variable: The Case of Malaysia Stock Exchange.

