

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

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ABSTRACT

Gold is a valuable metal which have a good characteristic for investment either in short term or long term since it good as a hedge tool during inflation. Moreover, it also a great asset because the holder of the gold can easily converted into paper money. However, many related research had been highlighted in recently years the gold prices keep increasing trend since 2005. Besides, the characteristic of gold as inflation hedge against uncertainty of economic condition had made gold served as an important investment tools in the market. Therefore, this study was conducted to determine the factor affecting gold prices in Malaysia. In order to achieve the objective, E-views software was used to examine the relationship between the gold prices as dependent variables and inflation rates, crude oil prices, exchange rates, and interest rates as independent variables. The monthly data employed in this study spans across a 5 years period from year 2012 until 2016. The sourced obtain from Department Statistic of Malaysia, IndexMundi Website, and UiTM Datastream. Multiple Linear Regression model were conducted to investigate the relationship between independent variables and gold prices by using Ordinary Least Square (OLS) procedure. The study finding showed there were negative relationship between inflation rates, crude oil prices, and interest rates with gold prices. On the other hand, the positive relationship could be observed between exchange rates (RM/ USD) and gold prices. A more comprehensive model could be provided in this study by consideration with various factors. This study could contribute a better understanding of which factors were significantly affecting gold prices. In addition, investor can make a better decision whether to buy, sell or hold gold in investment strategy.