UNIVERSITI TEKNOLOGI MARA

THE RELATIONSHIP OF ECONOMIC VARIABLES AND GOLD PRICE IN MALAYSIA

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ABSTRACT

The purpose of this study is to examine the relationship between economic variables such as interest rates, exchange rates, inflation rates, and the price of crude palm oil in Malaysia and the price of gold. Secondary data from the Statista, previous research and World Development Index are used in this study as proxies for macroeconomic stability, such as the real interest rate, the exchange rate, and the inflation rate, among other variables. The researchers will evaluate the data from 1990 to 2020, which spans a period of thirty years and will employ the Least Square Method to do so (E-Views). The price of gold fluctuates up and down throughout time, much like the price of any other financial instruments or commodities. It is hard to refute that the gold price is stable and that it fluctuates only minimally in response to the volatility of the economic and financial conditions. In Malaysia, the public and investors have been more aware of the issue in recent years. After some time, they began to see the benefits of participating in the gold trading market. People will need to be aware of the current gold price to take advantage of opportunities to purchase gold at a reduced cost.

Keywords: Gold price (GP), Interest Rate (IR), Inflation Rate (INF), Exchange Rate (ER) and Crude Palm Oil Price (CPO)

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CHAPTER ONE

INTRODUCTION

1.1 INRODUCTION

According to the gold standard, any currency or paper money issued by a country has a value that is directly connected to the price of gold in that country. When governments agreed to use the gold standard, they agreed to exchange a fixed amount of paper money for a predetermined amount of gold. Countries that use the gold standard fix the price of gold and buy and sell the metal at that fixed rate. The value of the currency is determined by the fixed price that has been set in advance of time. The gold standard is a fixed monetary regime in which the value of the government's currency is fixed, and it is possible to change it into gold without restriction. The term can also refer to a free-competitive monetary system in which gold or bank receipts for gold serve as the primary medium of exchange or it can refer to an international trade standard in which some or all countries fix their exchange rates in accordance with the relative gold parity values between individual currencies.

The appeal of a gold standard is that it removes control over the issuance of money from the hands of flawed human beings. With the physical quantity of gold serving as a limit to the amount of money that may be issued, a community can follow a simple rule to prevent the ills of inflation. The cost of gold is essentially dictated by a blend of elements like market interest, economic situations, and money deterioration.

The essential monetary rule of market interest is a significant powerhouse of generally ware costs. At the point when gold interest is high and supplies of the valuable metal are low, gold price will raise. In the contrary situation of high stock and low interest, costs decline. Since gold is limited, supplies will forever be restricted. By certain investigators' action, the world arrived at top gold years prior, so creation levels will just keep on declining. Gold interest from financial backers, national banks, and the clinical and innovation areas, notwithstanding, stays solid.

Next factor is economic situations. Political and financial occasions shape economic situations, which thus impact gold price. As previous Federal Reserve Chairman Ben Bernanke said during the Great Recession, gold costs mirror a country's monetary wellbeing. During that time, gold costs took off, arriving at a record high of