



UNIVERSITI TEKNOLOGI MARA

**MACROECONOMICS FACTORS THAT AFFECTING
THE GOLD PRICE FLUCTUATIONS IN MALAYSIA**

**SITI AFIRA BINTI ROSLAN
2019608274**

**Bachelor of Business Administration
(Investment Management)**

Faculty of Business and Management

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ABSTRACT

This research is about the macroeconomic factors that affecting the gold price fluctuations in Malaysia. The sample for this study is concentrate on the Gold Price Index Malaysia and the sample review period is four years data from 2016 to 2019 and the total observations is 48. The objective of this research is to find out the effect of factors that influence the fluctuations of gold price in Malaysia. Regarding this study, there are many factors that affecting to the price of gold in Malaysia, among them are interest rate, inflation rate and exchange rate. Furthermore, data collection is very important part of completing research reports. In this study, a multiple regression model was used to analyse the relationship between each factor to the dependent variables which is gold price that will be measured by using the Malaysia Gold Price Index. A solid understanding of this of this discussion will be very extremely useful especially to the managers of the company who will be the person in charge in determining the type of financing that the company should use in order to maximize or minimize its return and to the investors also to find out the fluctuations of the price of gold according to the situation involved. They others studies found that interest rate and exchange rate has a negative relationship effect on gold price while inflation rate have a positive relationship effect on gold price in Malaysia. In short, through this research will show that the impact on gold price fluctuations refers to several macroeconomic indicators involved.

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

Gold was used as a currency in Islamic history, it's known as Dinar currency during the time of Jahiliah. Dinars became gold commodities used as a medium of exchange by Muslims after the Ottoman Caliph fell, Meera (2002). Gold is currently a valuable asset for a country due to its liquidity, as well as a valuable investment tool. A country's currency can be stabilised by having a gold reserve. Gold is also used as a hedging instrument. Gold's role as a hedge means that it can help investors compensate for large losses. Wang (2013) has supported this statement by saying one of the hedging instruments is gold. The fluctuating prices of this commodity mean, it can be used a hedging tool and can be converted into currency to help investors offset enormous losses Sukri, Mohd Zain and Zainal Abidin (2015).

In fact, gold has its own standard value that is not being easily affected by any crisis. Hedging can also be regarded as a risk reduction in investment against the value of an asset. Besides, gold is an investment initiative that reduces the risk of loss at any time because we cannot expect the economic crisis to happen clearly. Gold is also an ideal reserve when financial crisis occurs, as gold is an active investment activity over other investments. For example, the European and US Zone Crises led to rising gold prices and further boosted demand for gold especially in East Asia, including from China, India, Korea and Japan and ASEAN countries. Therefore, gold is a very valuable investment nowadays due to its rising prices and easy conversion into currency at any time.

Gold is a precious metal which serves as both financial and real assets. The value of gold in the society goes more than just economic, as it is also treasured as a storage and display of mammon and culture Hanif Zakaria, Nabilah Abdul, Salwani and Wan Mansor (2015). Of late, the price of gold is not stable in which it tends to oscillate contingent on the economic condition and through this study all the things can see where gold in Malaysia can have a detrimental effect or vice versa.

This chapter consists of background of study which explains in detail the major impact with the fluctuations of the gold price in Malaysia whether through individuals or industry. Next, a problem statement on the relationship of macroeconomic factors that affecting the fluctuations of gold price in Malaysia. The specific scope of study is the gold price which is measured by using the Malaysia Gold Price Index and the data will be chosen from 2016 until 2019 with 48 observations. Furthermore, the data collection is very important section to complete this research reports. The data and information must have to be correct, accurate and legal trusted sources to get the desired findings and results. Every data obtained is through secondary data, such as Bank Negara Malaysia (BNM), Malaysia Gold Price