



UNIVERSITI TEKNOLOGI MARA

**FACTORS THAT EFFECT THE GOLD PRICE IN
MALAYSIA**

**SABRINA BINTI SANUSI
2018425822**

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ABSTRACT

The precious metal; gold played as a safe haven has influenced the movement of the financial market trend. Consequently, the impact of gold trading and the price of gold substantially influenced the financial system movement. In this context, the gold price will be review and highlighted among the determinants which affect the credibility of the gold price. The main purposes of this study to identify and to meet the desire significant relationship This paper observes the determinants on relationship of gold price and selected factors concentrating specifically in Malaysia from year 2008 to 2018 with a regression model by using Ordinary Least Square (OLS) model in quarterly basis. The determinants are including crude oil price, inflation rate, interest rate and exchange rate against gold price in Malaysia which obtained from secondary data. The data and results will be analyzed and evaluated hence, attributes the results of gold price is determined by selected factors which influenced in financial market trend and contribute in price of gold movement. Hence, according to past studies by previous researcher, it comprehended that crude oil price, inflation rate, interest rate and exchange rate (MYR against USD) showing a significant and positive relationship with the gold price.

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

Gold is a valuable metal that has intrinsic value. Moreover, since ancient times gold also acknowledged as a way of payment and value reserve. In Islamic history, Dinar currency was used in the time of Jahiliah which was gold that used as a currency. Muslims using Dinars which were gold coins as an exchange medium.

Investors been using valuable asset that is gold for the reason of its hedging properties. The World Gold Council reported five countries which are United States, South Africa, China, Canada and Australia as the main producers of gold. Other producers of gold include India, Turkey, United Arab Emirates (UAE), Indonesia, Thailand, Vietnam, Egypt, Korea, European countries and Malaysia. In *The Economic Times* published in 2019, stated that India is one of the largest consumers of gold which with an annual demand equivalent to about 25 percent of the total physical demand worldwide. Traditionally, there is a outpouring in jewellery demand during the festive and wedding seasons leading to a rally in gold prices. The gold prices by standard, quoted in United States Dollar (USD) due to its importance as the world's reserve currency. However, in recent developments gold prices have been getting volatile and in fluctuation trend. Recently, the gold prices is unstable as it tends to fluctuate on every month, which is being ascribed to the volatility of economic and financial situations. The protagonist of gold in investment has drawn more attention since this transformational economic crisis began to unfold.

Over the past years, concerns on gold have grown as people begin to acknowledge gold as an alternative investment due to its privileges occupied with it. Gold also is one of the instruments that offer well returns of investment regardless of a country's financial condition because of its unique traits. Thus, until today since gold value does not depreciate much and until today its still persist the most treasured alternate paper money compared to other commodities and other investment instruments.