



AN EMPIRICAL ANALYSIS OF GOLD PRICE IN MALAYSIA

MUHAMMAD HISYAMUDDIN BIN MASDI

2013129337

**BACHELOR OF BUSINESS ADMINISTRATION
WITH HONOURS (FINANCE)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA (TERENGGANU)**

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TABLE OF CONTENT

CONTENT	PAGE
ACKNOWLEDGEMENT	iv
ABSTRACT	x
CHAPTER ONE: INTRODUCTION	
1.0. INTRODUCTION	1
1.1. BACKGROUND OF STUDY	2
1.2. PROBLEM STATEMENT	3
1.3. RESEARCH OBJECTIVE	5
1.4. SCOPE OF STUDY	5
1.5. SIGNIFICANT OF THE STUDY	6
CHAPTER TWO: LITERATURE RIVIEW	
2.0. INTRODUCTION	7
2.1. THE RELATIONSHIP BETWEEN GOLD PRICES AND OIL PRICES	
2.1.1. INCREASE GOLD PRICE, INCREASE OIL PRICE	8
2.1.2. INCREASE GOLD PRICE, DECREASE OIL PRICE	9
2.1.3. CAUSATION BETWEEN GOLD PRICE AND OIL PRICE	10
2.2. OTHER INDEPENDENT VARIABLE	
2.2.1. GOLD PRICE AND EXCHANGE RATE	11
2.2.2. GOLD PRICE AND GROSS DOMESTIC PRODUCT(GDP)	12
2.2.3. GOLD PRICE AND INTEREST RATE	13
CHAPTER THREE: RESEARCH METHODOLOGY	
3.0. INTRODUCTION	15
3.1. MODEL	15
3.2. CONCEPTUAL FRAMEWORK	16

3.3.	VARIABLE DESCRIPTION	17
3.4.	MEASURES OF DATA ANALYSIS	18
3.5.	MEASURE OF ANALYSIS	
3.5.1.	REGRESSION ANALYSIS USING OLS	19
3.5.2.	DESCRIPTIVE STATISTIC	19
3.5.2.1.	COEFFICIENT OF DETERMINATION (R^2)	19
3.5.2.2.	T-STATISTIC	20
3.5.2.3.	F-STATISTIC	21
3.6.	CAUSALITY	21
CHAPTER FOUR: FINDING AND ANALYSIS		
4.0.	INTRODUCTION	22
4.1.	DESCRIPTIVE STATISTICS	22
4.2.	CORRELATION	24
4.3.	MODEL ESTIMATE EQUATION	25
4.3.1.	COEFFICIENT OLS	26
4.4.	INTERPRETATION OF THE RESULT	
4.4.1.	R-SQUARED	27
4.4.2.	T-STATISTIC	27
4.4.3.	F-STATISTIC	28
4.5.	STATIONARY TEST	28
4.6.	COINTEGRATION TEST	29
4.6.1.	LONG-RUN EQUATION MODEL	30
4.7.	PAIRWISE GRANGER CAUSALITY TEST	32
4.8.	RESULT ANALYSIS	33
CHAPTER FIVE: CONCLUSION AND RECOMMENDATION		
5.0.	INTRODUCTION	35
5.1.	CONCLUSION OF FINDING	35

Abstract

Evidence from the volatility gold market shows that relationship of the gold price consistent with oil prices in the period since 2000 to 2015. Nevertheless, sometimes the volatility of gold price is not in line with oil price. This led a researcher to investigate the study of the relationship between gold prices and oil prices in Malaysia and to know whether it has causality on gold prices and oil prices. The main objective of this study is to investigate the relationship between gold price and oil price in Malaysia. Besides that, independent variable is taken to determine factor influence the gold price in Malaysia which exchanges rate, gross domestic product, and interest rate and to examine the causation between gold and oil price. The data has been collected starting from September 2000 to September 2015 in 174 months. The study uses time series data to get results and test using OLS, correlation, Johansen cointegration and Pairwise Granger causality test. The result of a relationship between gold price and the oil price has a positive relationship are found. There is significant between gold price and the oil price. Moreover, a result found the factor that influences gold price in Malaysia show gross domestic product has a significant positive relationship with the gold price. However; exchange rate and interest rate show a negative relationship with gold prices. Finally, the causality between gold price and oil price show the volatility of gold does Granger cause the oil price, but changes in oil price does not Granger cause the gold price.

Keyword: Gold price, oil price, exchange rate, gross domestic product, interest rate, causality, cointegration, OLS.