UNIVERSITI TEKNOLOGI MARA

FINAL YEAR PROJECT REPORT

DETERMINANTS OF GOLD PRICE TREND USING ECONOMETRIC MODELING

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ABSTRACT

This study involves in discovering the gold price trend and the factors that influence the gold price. Moreover this study also help the investors to know the gold price whether it will fall or rise in the certain time. The study used the Simple Linear Regression to screening the interaction between the dependent variable and the independent variable. The data is a time series data as it was taken monthly from January 2012 until December 2016. The results were found there are significant interaction between the gold price and the independent variable which are silver price, inflation rate (Consumer Price Index), exchange rate, interest rate, gross domestic products (GDP) and Brent crude oil. Then, the final result of the econometric modeling were obtain and the model very precious for the investors and both academic.

Keywords: Gold price, silver price, inflation rate, exchange rate, interest rate, Brent crude oil, gross domestic products (GDP), econometric modeling

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CHAPTER 1

INTRODUCTION

1.1 Study Background

Gold is one of the most valuable product in high demand in the world and it is the only material that keep possession of its value during all the phase of crisis in the world. The market of gold globally attracted a lot of intention recently and the gold price is higher than its usual historical trend. As reported by The World Gold Council, United States, South Africa, China, Canada and Australia had been namely as the main producers of gold, (Zakaria, 2015). Gold is a kind of moneytary value and have many purpose and usage. It can be transformed into jewellery and use as a wire in industrial uses. In addition, Hergt (2013) said that gold is used to manufacture many products that we use in our daily lives, especially electronic. Gold prices are quite sensitive when it comes to macroeconomic changes in the international economy (Guillemot, 2015). Moreover, gold prices rises when there is financial crisis occur. In other way, gold prices reveal the true state of U.S. economic health itself when the gold's prices are high that's mean the signals of economy does not good for health. Mostly common reason people collect and keep gold is to prevent against inflation and money devaluation (Eric, 2014). The fear of world economy have caused the gold price to burst up as the price of gold is increasing over time. Like any other commodities or investment instrument, gold price has its up and down through time. According to Nurul Huda et. al (2014) in her study, analysis from 1992 to 2012 show that the variable that are considered to affect the gold

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