Large Scale Asset Purchases Impact on Gold Return: Evidence from the United States

AGNES LECSOIN PHILIP
2014470164

BACHELOR OF BUSINESS ADMINISTRATION (HONOURS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TENOLOGI MARA (UiTM)
KOTA KINABALU, SABAH

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ABSTRACT

The study examine the influence of series of Large Scale Asset Purchases announcement together with other fundamental (interest rate and currency exchange rate) and behavioral (volatility index) on gold return in the United States in the theoretical lenses of behavioral–Arbitrage Pricing Theory model. The gold return relationships with those explanatory variables are investigated using both Ordinary Least Square and Quantile Regression to uncover both static and dynamic relationship. As expected the Ordinary Least Square and Quantile Regression revealed different conclusion. Collectively, Ordinary Least Square regression results do not provide conclusive opinion. On the other hand, the Quantile Regression provides conclusive opinion that the Large Scale Asset Purchases is positively significant in lower quantile and negatively significant in upper quantile. This result provides new evidence on the heterogeneous role of Large Scale Asset Purchases on gold return. This is consistence with prospect theory of theoretical perspective.