THE DETERMINANT PRICE OF GOLD IN MALAYSIA FROM 1997-2017

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ABSTRACT

The gold related research had been highlighted in the recent years due to the sharp increasing trend of gold price since 2005. The important characteristic of gold hedge against uncertainty of economic condition had made gold served as important investment tools in the market. This paper analyzed factor that affecting prices of gold in Malaysia. The main objectives of this paper was to examine the determinant of gold prices by investigating the three keys influencing variables that affect the prices of gold which crude oil prices, inflation rates and exchange rates. The study used Multiple Linear Regression Model to determined significant relationship between dependent and independent variables. Multiple linear regression model were constructed to investigate the relationship between independent variables and gold price by using Ordinary Least Square (OLS) procedure. Monthly data for 20 years period which are from 1997 until 2017 were sourced from Data Stream and Index Inmundi. The findings showed there negative relationship between inflation rates with gold prices. On the other hand, the positive relationship could be observed between crude oil prices and exchange rates with gold prices. A more comprehensive model could be provided in this study by capturing various factors into consideration. This framework contributed to a better understanding of which factors could significantly affecting gold prices. In addition, the result of the study are valuable for both academic and investor.

TABLE OF CONTENT