UNIVERSITI TEKNOLOGI MARA

THE RELATIONSHIP BETWEEN EXCHANGE RATE, WORLD GOLD PRICE AND STOCK MARKET INDEX WITH CRYPTOCURRENCY PRICE

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ABSTRACT

Cryptocurrency market has high potential to grow because now, many people and investors are exposed to this new commodity market. Bitcoin is the most popular cryptocurrency since it is the first cryptocurrency released in 2009 by Satoshi Nakamoto. This research aims to study the relationship between the financial factors and cryptocurrency price. Thus, this research will test and analyse the relationship between exchange rate MYR/USD, world gold price, and stok market index (KLCI) towards Bitcoin price (as proxy for cryptocurrency price). Thus, this research will test and analyse the result by using descriptive analysis, correlation analysis, and regression analysis in order to know the significant of relationship between dependent variable and independent variables.

Keywords: Cryptocurrency, Bitcoin, exchange rate, gold, stock market index, KLCI, descriptive analysis, correlation analysis, regression analysis.

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CHAPTER 1

INTRODUCTION

1.1   Introduction

Due to the increasing in cryptocurrency market value in recent years, the cryptocurrency has become a hot topic that grabbed the interest and attention of investors and the general public. In word, cryptocurrency is a digital asset or virtual asset where the system does not rely on banks to perform the transactions but instead rely on cryptography to secure data. As a result, counterfeiting cryptocurrency become tough. According to Farell, et al. (2015), more than 500 cryptocurrencies have been developed since the public release of the first cryptocurrency, which is Bitcoin. Nowadays, based on CoinMarketCap.com, there are about 12,878 of cryptocurrencies can be trade around the world. Bitcoin (BTC) is the top cryptocurrencies which is at the first ranking, whereas the market capitalisation has reached more than 1 trillion USD.

Cryptocurrency price mainly determine by supply and demand. According to Buchholz et al. (2012), the supply of cryptocurrency determines the number of units in circulation. Thus, its scarcity on the market, make it look as currency. For example, the demand of Bitcoin is mainly based on the transaction demand as a medium of exchange, which is literally can be understand as how many people and number unit of Bitcoin is valued as exchange. The high the demand, the high the price. Therefore, there may be several factors that related to the demand that directly will relationship with cryptocurrency price.

To examine the factors, this research will use Bitcoin as proxy to cryptocurrency price because Bitcoin is the first cryptocurrency that emerged and it is the top and popular cryptocurrency from other alternative coin (altcoin). This research also follows several variables used by Angela, et al. (2020) that examining the relationship of exchange rate and gold prices as independent variables on cryptocurrency price. The uses of exchange rate and world gold price as independent variables in this research is to predict the price of cryptocurrency due to the similarities they have, such as the ability