A STUDY ON THE FACTORS THAT INFLUENCE GOLD PRICE IN MALAYSIA

MOHD KAMARULREDZAL BIN KAMARULZAMAN
2011121679

BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE

FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
KOTA BHARU

DECEMBER 2013
Bismillahirrahmanirrahim, Alhamdulillahi rabbil ‘alamin, I express my highest gratitude to Allah subhanahuwata’ala for blessing, love, opportunity, health, and mercy to complete this assignment. Shalawat is also sent to Prophet Muhammad shallallahu ‘alaihi wa sallam who had delivered the truth to human beings in general and Muslim in particular.

I am very grateful and thankful that I made it successful in completing this final year thesis. In this valuable chance, I want to express my gratitude and appreciation to all of them. First, my deepest appreciation goes to my beloved parents for the endless love, pray, and support. Then my sincere appreciation goes to Madam Noor Azila bt Mohd Zaid as my advisor who has given advice suggestion, guidance, correction and motivation and taught me about discipline. She inspired me all along the way of my projects. She often lent her big hand to me when I was facing difficulties.

In the process of finishing this assignment, a lot of friends contributed their skills, knowledge, time and effort. The list would be a very long one if I had to mention all of them. My thankfulness also goes to all friends especially my classmates who cannot be mentioned here one by one, directly or indirectly. Thank you very much my friends, I will never forget all of your kindness.
ABSTRACT

There are many factors that affect gold price in Malaysia. The objective of this study is to observe the factors that affect the movement of gold price in Malaysia for investment purposes. As to conduct this study, the data will be collected from historical return among variables by using the time series data starting from 2006 to 2013 using quarterly basis. The implication of this study is to analyze whether each of the variables may directly affect the gold price fluctuation. This research used Multiple Regression. The dependent variable will be the gold price which is measured by gold prices while the independent variables will be the inflation rate, exchange rate, stock market volatility and gross domestic product. The result of this research is significant for inflation rate, exchange rate and gross domestic product but not significant for stock market index.
# TABLE OF CONTENTS

ACKNOWLEDGEMENT iv  
TABLE OF CONTENT v  
LIST OF TABLES vii  
LIST OF FIGURES viii  
LIST OF APPENDIXES ix  
LIST OF ABBREVIATIONS ix  
ABSTRACT x

## CHAPTER 1: INTRODUCTION

1.0 Background of study 1  
1.1 Problem statement 3  
1.2 Scope of Study 4  
1.3 Research objective 5  
1.4 Research questions 5  
1.5 Limitation of study 6  
1.6 Significance of study 7  
1.7 Theoretical framework 8  
1.8 Research hypothesis 9  
1.9 Definition of terms 10

## CHAPTER 2: LITERATURE REVIEW

2.0 Price of gold 12  
2.1 Inflation rates 13  
2.2 Exchange rates 15
CHAPTER 3: RESEARCH METHODOLOGY

3.0 Research design 20

3.1 Data collection method 20

3.1.1 Secondary data 20

3.2 Duration 21

3.3 Data analysis 21

3.4 Method chosen 22

3.4.1 Pearson correlation 23

3.4.2 Multiple Linear Regression Equation 24

3.4.3 Correlation coefficient (R) 25

3.4.4 Coefficient of determination (R^2) 26

3.4.5 T-Statistic 27

3.4.6 F-Statistic 28

3.4.7 Durbin Watson test 29

CHAPTER 4: DATA ANALYSIS AND FINDINGS

4.0 Pearson correlation 30

4.1 Multiple Linear Regression Equation 33

4.2 Interpretation of each Coefficient methods 35

4.2.1 Inflation rate coefficient (β1) 35