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Abstract

This paper examines whether Covid-19 pandemic has changed the main economy factors affecting gold prices, and the relationship between KLCI and gold price in Malaysia. Gold plays an important role in an economy during normal and uncertain market situations. This research involved 62 monthly data covering the period of January 2016 to February 2021. Unit root and diagnostic tests are conducted on the data to ensure the results are valid. There are six macroeconomic variables involved, five of them are the independent variables and the remaining one is dependent variable. Multiple regression time series analysis is use to analyse the data in the perspectives of full sample, pre- Covid-19 period and during Covid-19 period. The results of this study found that few main economy factors ceased to be significant, and there is change relationship direction between exchange rate and gold price during Covid-19 period. We discovered KLCI has an inverse relationship with gold price. Future research can consider extending our analysis to neighbouring countries.

Keywords: Gold Price, Crude Oil Price, Consumer Price Index, Interest Rate, Klci, Exchange Rate, Covid-19, Malaysia

Introduction

Gold is a precious material and commodity plays an important role in an economy. Gold is also served as an important financial asset such as monetary, asset reserve and financial functions within an economy (Lubis, Alfarisi, & Adrianto, 2021). Beside financial asset, gold can be used as a safer investment asset during economy uncertainties like Covid-19 pandemic (Hoong, 2021; Yousaf, et. al., 2021). Further, gold can play a greater role during several financial crises and uncertain market situations [eg. the global financial crisis (GFC) between 2007–2008, the European sovereign debt crisis (ESDC) between 2010–2013] (Yousaf, et. al., 2021). Golubova (2021) suggests that Covid-19 pandemic has changed few of the factors affecting world gold prices. On the same notion, Lubis, Alfarisi, & Adrianto (2021) suggests that many countries used gold as part of their foreign exchange reserves, hedging and portfolio diversification. For the past 12 months, gold has played its traditional role as a hedging tool to manage uncertainties, by recording gold-back exchange traded funds (ETFs) of 877 tonnes worth USD48 billion (€40 billion) in 2020 (Gopaul, 2021). These reports have