CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 Summary

This study aims to analyze the trend of gold price, crude oil price, palm oil price, Islamic and conventional stock market Index. From the analysis, it can be concluded that gold, crude oil, palm oil, Islamic and Conventional stock market prices are having a linear trend and fluctuates throughout the period due to the recent pandemic COVID-19. This finding proves that the market for commodities and stock indexes are influenced by the economic and financial situation. The second objective is to investigate the cointegration between gold, oil and stock market prices.

Through the use of the ARDL model, which emphasises the significant correlations between the prices of gold, crude oil, and the conventional stock market, the study explores deeper into the dynamic interactions between these factors. Gold prices are significantly impacted by changes in the price of crude oil and conventional stock markets, as shown by this approach's ability to capture both short-term adjustments and long-term equilibrium relationships. Furthermore, the Granger causality test is employed in the study to determine the direction of impacts among the time series data, hence proving the interdependence of various economic indicators. The comprehensive research highlights how crucial it is to comprehend these connections in order to develop investment plans and anticipate the economy.

Lastly, the study uses the significant variables found to forecast gold prices using the Long Short-Term Memory (LSTM) model and Vector Autoregression (VAR) model. The LSTM and VAR model are suitable for forecasting multivariate time series data. It can show which variables the price of gold has a causal relationship with. As a result, this discovery offers insightful information to policymakers and investors on the ability of integrated economic models to predict market movements and help them make well-informed decisions.

5.2 Future Works

Few gaps have been identified as a result of this research, and these could be addressed in the future. Therefore, this study proposes a few suggestions and ideas that may be useful for potential researchers to further expand research on the cointegration between macroeconomic factors in Malaysia or globally, as well as for predicting the future price. Additionally, there are few suggestions for what the authority can do to improve both major and minor sectors in the future.

The focus of this study, which only takes place in Malaysia, is one of our limitations that was previously mentioned. Since other nations are involved in the transactions involving the international price of gold, we advise future researchers to examine other nations or make some comparisons with other nations while computing their study. For instance, data on the stock markets and oil prices by groups of nations may be utilized to enhance knowledge of the links that are dynamic and change over time. Second, while stock market prices are a significant economic indication in our nation, other indicators, such as inflation and currency rates, may also be considered because they may have an impact on gold prices.

Second, this study only used monthly data from 2013 onwards due to the lack of data from prior years. Therefore, more data might be considered to produce clearer conclusions on future values should subsequent researchers be motivated to further their studies in this area. Aside from that, other exogenous regressors, in this example the principal economic sectors of Malaysia, might be considered for calculation. The conclusions of this study may be biased since they only cover five important industries variables. Future researchers are advised to avoid using converted data, which in this case refers to data that has been transformed from daily to monthly, and to apply accurate data instead. This is because the outcomes will be more dependable, precise, and timely if exact values or daily data are used.

Analysts believe that gold will continue to serve as a safe-haven asset, particularly for portfolio diversification purposes, despite the fact that gold's relationship as an inflation hedge is becoming increasingly tenuous in light of the current period of high inflation. Moreover, to hedge against volatility and inflation, investors are currently investing in real estate, REITs, ETFs, and other commodities. Malaysia's retail gold purchases have been severely impacted by the Covid-19 recession and government restrictions. As a result of the current period of high inflation, gold's role as an inflation hedge is becoming increasingly precarious. Government plays an important role in the price of gold. However, although the government does strongly influence the gold market, they do not control the gold market, but the government does have some control over interest rates. The interest rates set by central banks are frequently a predictor of the future price of gold. Lower rates typically indicate that the price of gold will rise, whereas higher rates are frequently followed by falling prices. Thus, to ensure that gold remains being a safe haven asset in investment, the government must alert and respond promptly towards the interest rate and inflation. The researcher can expand their research area, studying on the relationship between interest rate, inflation, gold price and stock market price as it benefits the future and would assist government in making economic decisions.

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