

CORRELATION OF GOLD PRICE AND MAJOR ASEAN CURRENCY

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AUGUST 2012

Abstract

This study investigates the relationship of gold price and major ASEAN currency by conduct Dynamic Conditional Correlation (Engle, 2002). As the assumption that past correlation is one factor of the present correlation these model allow correlation that varies with times can be investigates. The study on the price of gold and exchange rate by Pukthuanthong and Roll (2011) found that Gold price didn't only have positive relationship with Dollar depreciation but other currency also have this relationship too (US Dollar , Pound, Euro and Yen were tested). This research leads to our study between gold price and ASEAN exchange rates which results of almost all currencies agree except Hong Kong Dollar didn't follow the claim of Pukthuanthong and Roll (2011). Our results lead to the conclusion that Gold price and exchange rate surely have the relationship but except country that peg there currency to US Dollar such as Hong Kong and Malaysia (1998-2005).

Keywords: Gold price; Exchange rates; Dynamic Conditional Correlation