Chapter 5

Conclusion

5.1 Conclusion

This study of the relationship between Gold Spot Price and Gold future Price in Thailand Future Exchange (TFEX) has the purpose to find the relationship between them and also to compare the models which best fit for these two factors to reduce risk for investors in Thailand future exchange (TFEX)

Unit root test results show that information under study is stationary for constant, constant and trend and none exogenous. Besides, lag length criteria mostly picked 0 lag length for the study. From the study of the relationship between gold spot price and gold future price by Vector Autoregressive model (VAR), there are relationships between lag data and gold spot/future price occasionally. Inasmuch, the lag length criteria chose 0 lag length for all information under study which made VAR model unfit for this study, because VAR model fits for at least a lag relationship. However the information is not even a lag relationship. Thus, Least Squares and Cointegrating Regression are used in this study. These two models fit the gold spot price and gold future price in Thailand future exchange better than VAR model.

Least Squares and Cointegrating Regression provide equivalent results. There are positive relationships between gold spot price and gold future price in Thailand future exchange (TFEX). Conceding that gold future price is increasing, gold spot price aims to increase as well. In contrary, gold spot price is increasing again gold future price is increasing too. Investors in Thailand future exchange (TFEX) can use this information

to calculate their expected returns on gold futures and also gold spot price.

5.2 Suggestion for improving the situation.

To invest in the financial market or capital market, investors should be informed and have basic information about the financial products they are trading or going to trade. In Thailand, Gold Future is new financial product which traded in Thailand. Investors should know the regulations and process of trading Gold Future so well before investing in the market because there are many differences between trading Gold in spot market and future market. This dissertation shows another tool for investors who interested in trading Gold future, they can apply the knowledge or technique from this study to reduce their risk in trading, and also can adapt it to use with other financial products as well.

5.3 Suggestion for further research

There are ways to study the relationship between two factors. In this research was Vector Autoregressive model VAR, Least Squares Estimation and Cointegrating regression of four gold future contract months. If there would be the study with the same techniques that should be more specifically and should use more trading information of gold futures. Additionally, there could be the study of relationship with other techniques and the results could be compared to this one again that would be more useful for investors in Thailand future exchange (TFEX).

While one of the purpose of this study which is to the risk of the investors in trading gold future in Thailand future exchange (TFEX), there could be many ways to reduce those risks. There could be the simulation or calculations for expecting return.

Instead of the study of the relationship of Gold Future Price with other factors, there could be the study of just only Gold Future price as well. There could be the study of volatility of Gold Future Price by other econometrics or financial models such as ARCH model, GARCH model, GARCH-in-mean model or etc. Those methods mentioned will be useful for investors in investing in Gold Future and also show the market efficiency either.