

CHAPTER 5 : CONCLUSION AND PROSPECTS

5.1 Conclusion

The correlation in three periods of 2012-2015, 2016-2018, and 2019-2021 yielded differing results. Based on the findings of the analysis and discussion, the following conclusions can be drawn:

1. There is a positive significant correlation between the price of the precious metals index and the price of the MSCI All Country World Index in combined period of 2012-2021, but the correlation is different in different periods.
2. There is no significant correlation between the price of the food index and the price of the MSCI All Country World Index in combined period of 2012-2021, but the correlation is different in different periods.
3. There is a negative significant correlation between the price of the energy index and the price of the MSCI All Country World Index in combined period of 2012-2021, but the correlation is different in different periods.
4. The correlations between commodity indices and MSCI ACWI in 2012-2015 are all significant but the correlation coefficient is negative. This signifies that in general, a rise in the index leads to a decrease in the MSCI All Country World Index, and vice versa, a decline in the index leads to an increase in the MSCI All Country World Index.
5. The correlations between commodity indices and MSCI ACWI in 2016-2018 are all significant and correlation coefficient is positive. This signifies that in general, a rise in the index leads to an increase in the MSCI All Country World Index, and vice versa, a decline in the index leads to a decrease in the MSCI All Country World Index.
6. The correlations between commodity indices and MSCI ACWI in 2019-2021 are all significant and correlation coefficient is positive. This signifies that in general, a rise in the index leads to an increase in the MSCI All Country World Index, and vice versa, a decline in the index leads to a decrease in the MSCI All Country World Index.

7. The correlation of commodity index and MSCI ACWI over the period of 2012-2021 is influenced by combination of factors. The period of 2012-2015 was a period when commodity price experienced large downward pressure, accompanied by modest positive returns of stock prices. This caused the correlation of this period to be negative. The period of 2016-2018 was relatively stable with oil price experiencing volatility, in return influencing energy index. The correlation between energy index and MSCI ACWI is fairly high because of the decreasing prices of both indices in 2018, while other commodities remained stable. Finally, in the period of 2019-2021, the correlation of commodity index and MSCI ACWI was positive and significant. The commodity supply shock and disruption of logistics caused by the pandemic pushed commodity upwards, while strong recovery and rapid vaccine distributions gave a strong positive signal towards the economy, increasing stock prices and MSCI ACWI.

5.2 Research Limitations

Limitations in this study includes the purposive sampling method used in this method that can hinder broader research findings, and small numbers of financial variables. Also, the study's limitations include a focus on the influence of commodities indexes as the Covid-19 pandemic disrupts the global economy. This can cause a time-period bias that includes the incorrect generalization of time-specific results that are only applicable to certain seasons or times.

5.3 Future Research Prospects

Further research for oil-exporting countries is required to uncover any differences in results. To acquire a better understanding of the sectoral effect, future research should evaluate the influence of commodity price volatility on stock market indexes in developing and developed nations. Given that large-cap stocks tend to influence the MSCI ACWI movement, future research could use a sectoral index or another index as the dependent variable. Additionally, additional independent factors such as bond yields, interest rates, exchange rates, and economic development must be considered in future studies to assess the effects on the global capital

market. Furthermore, it is proposed for future study to extend the observation period in light of the ongoing Covid-19 pandemic in order to acquire more detailed details regarding the volatility commodity prices, as well as vaccine distribution as another area of concern.



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