



THE RELATIONSHIP BETWEEN EXCHANGE RATE, STOCK
PRICES AND MONEY DEMAND IN MALAYSIA

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Abstract

This paper investigates the relationship between exchange rate, and stock prices and money demand in Malaysia and its stability during the period 1996:1 to 2011:2. By employing the JJ Co-integration method, having found that there are four cointegrating vectors relationship in money demand, the stock prices (KLCI), GDP, Interest rate (Treasury bill,3-month) ,inflation (CPI),and exchange rate (MYR/USD). The application CUSUM and CUSUMQ test stability result indicates there are stable of the demand for money during the period. The result indicated that the stock prices has a significant role in determination of the stationary long run on the demand for money.

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