



**A STUDY OF THE RELATIONSHIP BETWEEN SHARE
PRICE AND EXCHANGE RATE**

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ABSTRACT

The currency fluctuates every day and it seems to be very close-related with share price. This paper examines whether stock prices and exchange rates are related to each other or not. It also aimed to know the relationship between share price, exchange rate and also past share price. The variables were selected based on relevant economic theories that allow such interactions among variables. The study has been done using multivariate panel data available in STATA software. The data was taken from Data Stream within 2004 – 2011 which is 8 years length of time. The sample was from 4 ASEAN countries which Malaysia, Singapore, Thailand and Indonesia. The data was run using POLS analysis and other related test. In this research, it found that both variables are significant. In addition, researcher found that the exchange rate have a negative relationship with share price. Meanwhile, the past share price have a positive relationship with current share price. It also found that the past share price is the most elastic variable compared to the exchange rate. It is recommended that future researchers should improve the reliability and validity of the results by replacing the other independent variables such as inflation rate, Gross Domestic Product and also Foreign Direct Investment.

Keywords: Share Price, Exchange Rate, Currency Fluctuation, Share Price Movement, Pooled Ordinary Least Squared (POLS) Regression.