THE RELATIONSHIP BETWEEN STOCK PRICES AND EXCHANGE RATES:

EVIDENCE IN MALAYSIA

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ABSTRACT

This study will investigated the interaction between stock prices and exchange rates in Malaysia. By using monthly data from year 1992 to 2016, this study attempts to examine the relationship between stock prices and exchange rates in long run effect. This study also investigates the short-run relationship between stock prices and exchange rates during Asian Financial Crisis for year 1996 to 2000 and Global Financial Crisis for year 2006 to 2010. Some economic variable has been added in this study as control variables. The result indicates that there has significant relationship between stock prices and exchange rates in long run effect but not in short run effect during Asian Financial Crisis and Global Financial Crisis.

Keywords: Stock Prices, Exchange rates