DETERMINANTS OF EXCHANGE RATE VOLATILITY: EVIDENCE FROM FOUR ASEAN COUNTRY

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ABSTRACT

According to Chong Lee and Tan Hui Boon (2007), they found that the stock market is the common factor influence volatility of exchange rates from year 1980 to 2003 for four ASEAN countries. In addition, another factor such as interest rates, inflation, current account deficit, terms of trade and political stability also influence the volatility of exchange rates (Jason Van Bergen, Investopedia). The main issue here is whether stock market still significant to volatility of exchange rates and what other factor that will affect the changes of exchange rates from year 2006 until 2016 for four selected ASEAN country. Besides, the main objective is to identify which factor that influences the exchange rate volatility for four ASEAN countries. Hence, dependent variable will be the exchange rates of ASEAN countries per US Dollar. Independent variable will be Interest Rate, Gross Domestic Product (GDP), Inflation Rate and Stock Market.

Population selected among ASEAN countries which are Malaysia, Philippines, Singapore and Thailand. All data will be collected from Bank Negara Malaysia website, Trading Economics, Bursa Malaysia and World Bank. The Variables are exchange rates, inflation rates, interest rates, GDP and stock market for each country. Time period will be taken annually from year 2006 until 2016. Last but not least for research proposal is the statistical or econometric method. The model will be descriptive analysis, stationary test, normality test, correlation analysis and regression analysis. As a result, GDP, stock market and interest rate were the factor that influences the exchange rate volatility in four ASEAN countries.

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