



THE FACTORS INFLUENCING THE MOVEMENT
OF EXCHANGE RATE

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ABSTRACT

This study is being investigated on the factors influencing the movement of exchange rate in Malaysia. There are several factors that affecting the movement of exchange rate in Malaysia. It may be affected by internal or external factors. The analysis of this study has mainly focused on the empirical test of money supply, interest rate, gross domestic product, stock price and inflation rate towards exchange rate. The method that has been used in this study is Ordinary Least Square (OLS) and used annually data that has been taken from 1980 until 2016 (37 observations). Using annually data and Ordinary Least Square regression, the results show a negative relationship between interest rate, money supply and inflation rate. In contrast, the results for stock price and gross domestic product show strong significant and have a positive relationship with exchange rate. When the interest rate, money supply and inflation rate increase, the exchange rate will decrease while when the gross domestic product and stock price increase, it shows that increasing in exchange rate. Based on the finding, many factors can be taken to be influencing the movement of exchange rate in Malaysia.

Keywords: Exchange rate, stock price, inflation rate, gross domestic product, money supply, interest rate.