The Interactions of Stock Prices and Exchange Rates in the ASEAN-5 Countries: New Evidence Using a Bootstrap Panel Granger Causality Approach

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ABSTRACT

Using a data-set from the ASEAN-5 countries over the January 2000–August 2013 period, this paper revisits the Granger causal nexus between the equity and foreign exchange markets by employing the bootstrap panel Granger causality approach developed by Kònya, which allows for both cross-sectional dependency and heterogeneity across countries. The results indicate a unidirectional causality from stock prices to exchange rates in Malaysia, the Philippines and Thailand and from exchange rates to stock prices in Indonesia. These findings have important implications for policy-makers and institutional investors who should rigidly monitor the dynamic linkages between stock price and exchange rate movements across the ASEAN-5 financial markets when making policy decisions and investing in these countries.

Keywords: Bootstrap panel Granger causality; equity markets; foreign exchange markets; ASEAN-5 countries

REFERENCES


