

# The Impacts of Currency Market Liberalization and Options Trading on South Korea ' s Stock Market

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## ABSTRACT

In the last few years, the global emerging financial markets have attracted many investors ' and researchers ' attentions, because of that these emerging markets ' fast development and many potential profit opportunities. In this thesis, we use several time series models to analyze the impacts of currency market liberalization and options trading on South Korea ' s stock market. This thesis can be classified into two main parts. We show these two parts briefly as follows. The title of part I is " Foreign Direct Investment, Exchange Rate Systems, and Stock Returns in South Korea. " This aims of part I is to analyze the relationships among the exchange rate, foreign direct investment, stock returns, and inflation via VAR model. In December 1997 (during the peak of the Asian financial crisis period), the daily fluctuation limits for the interbank exchange rate were abolished and thus South Korea ' s exchange rate system shifted to a totally free-floating mechanism. The title of part II is " The impacts of the index options trading on stock price in South Korea. " This aim of part II analyzes the price discovery on KOSPI200 index from its underlying asset - call and put options and also investigates the relationships among these two markets. "

Keywords : Currency market liberalization, Foreign direct investment, Stock returns, Inflation, Call volume, Put volume, Price Discovery

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