

The Effects of Exchange-Rate Volatility on Exports- An ARDL Cointegration Approach

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ABSTRACT

The exchange rate risk influences on the export trade. It always is a debate in the research subject. No matter in the theory or the empirical studies do have the consistent conclusion. In this thesis we uses traditional the exportation equation and joins the real exchange rate volatility to do for the exchange rate risk proxy variable. It confirms the relationship of US to the industrialized country bilateral exportation and the exchange rate risk. In estimation of the exchange rate volatility: We uses the GARCH model estimate exchange rate volatility. Because of euro system conformity, in order to transform French, German and Italy's real exchange rate to the various countries' currency exchanges to US dollar, then we will the proportion which the euro system stipulation euro exchange various countries currency. It will transform real exchange rate counted by US dollar price. In addition, in the past the literature discovery exchange rate volatility mostly was the stationary variable, but exported, overseas obtained as well as the exchange rate actually for the non-stationary variable. Therefore, the exportation equation variable will be able to have the order inconsistent problem. This thesis uses ARDL (AutoRegressive Distributed Lag) cointegration analytic method. The method can process different order variable which can be unable to make cointegration analysis predicament. The empirical result discovered that in term of long time, England's exchange rate volatility has to US's bilateral exportation to the significant influence, Japan's exchange rate volatility is having the negative significant influence to US's bilateral exportation, but Canada with euro system country exchange rate volatility to US's bilateral exportation then not obviously influence in six research countries. in term of the short-term effect, only English and Japan's exchange rate volatility has the significant effect to US's bilateral exportation, Canadian and the euro system country exchange rate volatility to US's bilateral exportation then not significant influence. Key Word: Exchange rate volatility, bilateral exportation, GARCH model, ARDL cointegration analytic method

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