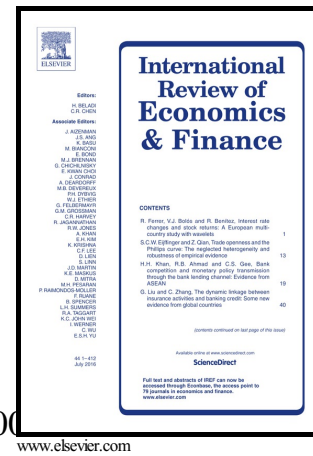


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Real exchange rate returns and real stock price returns

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Abstract

This study examines the relationships between real exchange rate returns and real stock price returns in Malaysia, the Philippines, Singapore, Korea, Japan, the United Kingdom (UK) and Germany. The constant conditional correlation (CCC) or dynamic conditional correlation (DCC)-multivariate generalized autoregressive conditional heteroskedasticity (MGARCH) model shows that real exchange rate return and real stock price return are found to be negative and significant for Malaysia, Singapore, Korea and the UK whereas to be insignificant relationship for the Philippines, Japan and Germany. Generally, the exchange rate markets are important in influencing the stock markets.

Keywords: Real exchange rate return, real stock price return, constant conditional correlation (CCC) or dynamic conditional correlation (DCC)-multivariate generalized autoregressive conditional heteroskedasticity (MGARCH) model, Granger causality

JEL Classification: F31, G11, G15

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