

## **On the dynamic relationship between exchange rates and industry stock prices: Some empirical evidence from Malaysia**

### **Abstract**

This study examines the dynamic relationships between exchange rate and stock prices at the industry level in Malaysia during June 1996 - August 1998. This study finds a strong relationship between the two series during the financial crisis (July 1997 - August 1998) and differing effects of exchange-rate changes on the performance of stock prices across different industries. In addition, exchange-rate changes have negative effects on some industries (e.g., construction) but positive effects on other industries (e.g., property). Thus, government needs to concentrate on stabilizing the exchange market first while financial managers need to carefully analyze the effects of changes in exchange rates on specific industries to better manage foreign-exchange exposures.