

## **The impact of real exchange rate on real stock price**

### **ABSTRACT**

Purpose – The study examines the impact of real exchange rates and asymmetric real exchange rates on real stock prices in Malaysia, the Philippines, Singapore, Korea, Japan, the United Kingdom (UK), Germany, Hong Kong and Indonesia. Design/methodology/approach – This study uses the asymmetric autoregressive distributed lag (ARDL) approach and non-linear autoregressive distributed lag (NARDL) approach. Findings – The asymmetric ARDL approach shows more economic variables are found to be statistically significant than the ARDL approach. The asymmetric real exchange rate is mostly found to have a significant impact on the real stock price. Moreover, real output and real interest rates are found to have a significant impact on the real stock price. The Asian financial crisis (1997–1998) and the global financial crisis (2008–2009) are found to have a significant impact on the real stock price in some economies. Research limitations/implications – Economic variables are important in the determination of stock prices. Originality/value – It is important to examine the impact of asymmetric real exchange rate on the real stock price as the depreciation of real exchange rate could have different impacts than the appreciation of real exchange rate on the real stock price. The previous studies in the literature mostly found the significant impact of nominal exchange rate on the nominal stock price.