

The impact of real effective exchange rate, gold prices and oil prices on stock market

ABSTRACT

This study estimates the asymmetric impact of the real effective exchange rate, gold prices, and oil prices on the stock market of selected Four Asian Tigers, namely Hong Kong and Taiwan, using monthly data from January 2005 to August 2023. The analysis employs autoregressive distributed lag and non-linear autoregressive distributed lag models. Our study on the stock markets of Hong Kong and Taiwan reveals distinct, asymmetric effects of the real effective exchange rate, gold prices, and oil prices. In Hong Kong, a positive REER change positively impacts the market in the long run, while gold and oil prices demonstrate complex, asymmetric effects. Taiwan displays different patterns, with substantial impacts from REER changes. Short-term dynamics reveal gradual adjustments in Hong Kong and diverse influences in Taiwan, highlighting the significance of control variables like the China stock market and Money Supply. This study provides valuable insights for investors and researchers.