

The asymmetric impact of real effective exchange rate, real oil price and real gold price on real stock prices in selected east Asian economies

ABSTRACT

This study examines the impact of the real effective exchange rate, the real oil price and the real gold price on the real stock prices in selected economies, namely Hong Kong, Taiwan and Japan, using a nonlinear autoregressive distributed lag (NARDL) model. This study uses quarterly data from 2003 quarter 1 to 2023 quarter 4. The NARDL results indicate that the positive and negative shocks to the real effective exchange rate, the real oil price and the real gold price have different effects on the real stock prices in the long-run and short-run. Additionally, other factors such as real money supply, real gross domestic product and the Shanghai Stock Exchange significantly influence stock prices in the short-run. Moreover, this study found that major events, including the global financial crisis of 2007-2009 and the coronavirus disease of 2020-2023, can impact stock prices in the short-run. The analysis employing the cumulative dynamic multiplier reveals distinctive trends in the responses of the real effective exchange rate, real oil price and real gold price on real stock prices, providing valuable insights for risk management strategies, particularly in hedging against market fluctuations. This study contributes to a deeper understanding of macroeconomic influences on stock prices and offers practical implications for investors and policymakers navigating the complexities of financial markets in evolving economic landscapes.