

**THE RELATIONSHIP BETWEEN STOCK PRICE AND  
CURRENCY EXCHANGE RATE IN MALAYSIA:  
THE CASE BEFORE PEGGING AND AFTER DEPEGGING  
OF RINGGIT MALAYSIA.**

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**The Relationship between Stock Price and Currency Exchange Rate  
in Malaysia:  
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## **Abstract**

This study examines the relationship between stock price and currency exchange rate in Malaysia for the periods before pegging and after depegging of Ringgit Malaysia. Various econometrics tests are performed to find out the coefficients of correlation, beta coefficients, stationary of stock price and currency exchange rate, cointegration and Granger causality. It is found that stock price and strength of Ringgit are strongly and positively correlated, unilateral causality from stock price to currency exchange rate before pegging of Ringgit. However, the relationship between the two variables has become less significant as the correlation and degree of cointegration has become weaker while the variables become independent in term of causal relationship after depegging of Ringgit. The possible reasons for these changes in relationship between the two variables are explored.

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## **List of Symbols and Abbreviations**

FTSE : Financial Times and London Stock Exchange

KLCI : Kuala Lumpur Composite Index

RM : Ringgit Malaysia

US : United States

USD : United States Dollar