

## **Relation between Stock Prices and Exchange Rates: Evidence from South Asian Countries**

Mohammad Nayeem Abdullah\*, Kamruddin Parvez\*, Rahat Bari Tooheen\*  
and Jyotirmoy Saha\*\*

*This paper examines the relationship between stock prices and exchange rates. Both the long-run and the short-run association between these variables are explored. The study uses monthly data on four South Asian countries Pakistan, India, Bangladesh and Sri-Lanka, for the period January 2008 to December 2012. The paper applied Co-integration, Vector Error Correction Modelling Technique and Standard Granger Causality tests to examine the association between stock prices and exchange rates. No long-run and short-run association between stock prices and exchange rates for Pakistan and India was found. No short-run association was found between Bangladesh and Sri Lanka however a long-run bi-directional association between stock prices and exchange rates was detected between Bangladesh and Sri Lanka.*