

IMPACT OF FOREIGN EXCHANGE PRICES ON THE STOCK MARKETS PRICES (AN ANALYSIS OF INDIAN MARKETS)

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ABSTRACT

In this study, the researchers have analyzed the relationship between foreign exchange markets and stock markets. In order to achieve the set objectives of the study, the daily observations of both the markets are recorded and each day's observations are averaged and that average value stands as the representative of the day. The reference period of four years has been taken from 01-01-2009 to 31-12-2012 and Granger Causality test is employed to determine whether foreign exchange market influences the stock market or it is the other way around. The findings of the study affirm that there exists no causality relationship between the two markets. These findings corroborate with the findings put forth by Mohammad and Rashid (2003), Badnar and Gentry, Geepti Gulati and MOnika Kakhani, et. al., Hence, strengthening the findings of the study.

KEYWORDS: *Foreign Exchange Market, Stock Market, Granger Causality Test*