

Short-Run Determinants of the IDR/USD Exchange Rate: A Simultaneous-Equation Model

Yu Hsing 

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Abstract

This paper examines short-run determinants of the Indonesian rupiah/USD exchange rate based on a simultaneous-equation model. Based on a reduced form equation and the EGARCH method, the paper finds that the IDR/USD exchange rate is positively associated with the real 10-year U.S. government bond yield, real GDP in Indonesia, the stock price in the U.S. and the expected exchange rate and negatively influenced by the real deposit rate in Indonesia, real GDP in the U.S., and the stock price in Indonesia. The Asian financial crisis has shifted the mean exchange rate by 4,900.857.

Keywords: [exchange rates](#); [interest rates](#); [real GDP](#); [stock prices](#); [EGARCH](#)

JEL Classification: [F31](#); [F41](#)

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