Applied Financial Economics ›
Volume 15, 2005 - Issue 11

Original Articles

Exchange rate risk and Philippine stock returns: before and after the Asian financial crisis

Rodolfo Q Aquino

Pages 765-771 | Published online: 19 Aug 2006
Cite this article https://doi.org/10.1080/09603100500107784

Abstract

This pap … rate risk
during th … Asian
financial … nce
presente … y to foreign
exchang … the crisis,
however … eir reaction
to ex … vestors
began t … ded
exposur … plies
market i … nadequate
hedging

Acknowledgements

The author is grateful to Joel C. Yu for his valuable comments and to Raymund F. R. Abara for the use of his stock returns data.

Notes

[1] Orthogonality of factors is not really necessary for most forms of the APT. Furthermore, enforcing orthogonality may be innocuous by itself since the R^2 between the two factors is 0.0503 which has a p-value under a t-test of 0.0138.

[2] Jorion also used a six-factor model based on Chen et al. The factors were changes in exchange rate, industrial production, expected and unexpected inflation risk premium, term structure, and market excess return. The other factors are not used in this study based on the results of Aquino (2002–2003) that these other factors do not appear to be separately priced in the stock market.

[3] Both the Phisix and the all shares index are market capitalization weighted based on all outstanding shares.

[4] Using the Augmented Dickey–Fuller test, the unit root hypothesis for both series is rejected at 0.01 level of significance.