

ABSTRACT

The present research explores the linkage of exchange rate and interest rate to stock prices. Data for ten years duration, starting from January 2009 to December 2018 is used. Theories in general signify that the negative linkage of interest with stock prices is beneficial for investors while the positive association of exchange rate is appreciated for the linkage with stock prices. Results indicated that exchange rate and interest rate are negatively related to the stock prices in the long-run but the same variables have changed linkage in the short run as interest rate is positively linked while exchange rate is negatively linked to the stock prices.

Key Words: Exchange Rate, Interest Rate, Stock Price, VECM.