

ABSTRACT

Impact of Exchange Rate Volatility and Stock Market on Trade Performance of Pakistan

In this research, we sought to determine the effect relating to main macro-economic variables on the trade balance in Pakistan. The first relates to exchange rate while the other being stock market. Exchange and stock markets both are very important for any country. After learning of the previous researches, we managed to discover that diverse opinions were concluded by exchange rate volatility and the impact of the stock market in the trade balance. Co-integration analysis was used to determine the long-run relationship between the variables under study. Furthermore, Granger causality was used to find short run relationship between the variables of interest. After a proper analysis we found out that Karachi Stock Exchange is actually impacting trade balance both for short and long run. In addition, we also established that the trade balance is actually affecting the exchange rate only in the short run.