Factors Influencing the Crash in the Share Market in Dhaka Stock Exchange

Farhan Faruqui[1], Md. Habibur Rahman[2]

1. Senior Lecturer, Department of Business Administration, East West University, Dhaka, Bangladesh. E-mail: farhan5100@yahoo.com, Mobile: 0088-01715050502

2. Senior Lecturer, Faculty of Business, ASA University Bangladesh.

Abstract

Financial markets are absolutely vital for the proper functioning of capitalistic economy, since they serve to channel funds from savers to borrowers. They play an important role by channeling the funds to those who can make the proper and productive uses of the same. The financial market permits both business and government to raise the needed funds by selling securities. Simultaneously, the surplus units of the economy are able to invest and earn and return. Financial markets include primary markets where new securities are sold and secondary markets where existing securities are traded. In this report total 150 respondents were interviewed. Among them, there were male and female, businessmen, students, job holders, jobless, and the persons who were above 20 years of age. Total 11 hypotheses were tested among them two hypotheses were rejected. These are: Investors are conscious for calculating assets to invest and Most of the investors invested the money in the share market at the right time. Rests of the hypotheses were accepted. These are: Investors invested money in share market by getting secret information, Investors are interested to purchase low price's share all the time, Most of the investors invested money after taking loan from bank in share market, Much black money has been invested in share market, Most of the people instigate to new investors to enter the share market, Most of the investors entered the share market to get the highest profit instead of other investing options. Investors collected money from various sources. The share market collapsed due to the presence of syndicates. The government could not take initiative to stable the market. Above all, the people have become very pessimistic to invest in Dhaka Stock Exchange.

Key words: Financial markets, securities, investors

Introduction

The Capital market is one of the driving forces of an economy. Capital market is the institution that provides a channel for the borrowing and lending of long term funds for more than one year. It is designed to finance long term investment by business government and households. Capital market consists of two segments securities segment and non-securities segment. The securities segment is concern with the process by which firm distribute securities to the public though the primary market and thousand securities are traded in the secondary market. Non-securities segments are those where banks and other financial institutions provide loans. The capital market plays an important role in quickening the pace of economic development. The developing economies are looking forward to their capital markets as the engine for future growth as its presence ensures mobilization of funds form surplus units to the ones suffering from deficits. The apex organ of Bangladesh capital market is the Securities and Exchange Commission (SEC). It was formed in 1993, under the Securities and Exchange Commission Act 1993, as a capital market regulator with a view to ensuring proper issuance of securities, protection of the interest of investors in securities, development of the capital and securities market in Bangladesh. There are two stock markets in Bangladesh operating currently: Dhaka stock exchange (DSE) and Chittagong stock Exchange (CSE). The country's capital market is equity centric. Of the total 490 Securities traded on the Dhaka Stock Exchange, 232 are equities, 35 mutual funds and 8 are debentures and 212 are Treasury bond. On June 30, 2011, the no. of shares were 20,096 million in DSE and total market capitalization was Tk. 2,818,501 for all listed securities and 2,274,120 for companies share million. The no. of shares 187 million in CSE and the total market capitalization was Tk. 206,713 million for companies share. Investment Corporation of Bangladesh (ICB), Bangladesh Shilpa Bank (BSB), Bangladesh ShilpaRinShangstha (BSRS), 29 merchant Bank also involved with the capital market of Bangladesh. ICB works as an invest bank that underwrites shares. It also issues mutual funds. The main objective of BSB is to finance new industrial plants, to modernize, expand, and replace the existing   plants. BSB provides long –term loans both of paying loans taken from other sources. Besides it provides short-term bridge financing to industrial organizations. BSRS also provides loans and other facilities to industrials organizations.

Objectives of the Study

The main Objective of the study is to identify the factors which significantly affecting the share market. However, the study covers the following supporting objectives:

♦ To identify some variables for which share market was collapsed and test some hypotheses.
♦ To identify the factors, which significantly affecting the share market.
♦ To give some recommendations to stable the share market.

Methodology
150 samples have been considered. Convenient sampling has been concentrated. Variables have been selected according to my choice, which fits with the study. As part of the statistics, regression, frequency distribution, and factor analysis have been applied. Questionnaire is five point Scale in nature where 1 means strongly disagree, 2 indicates disagree, 3 indicates neutral, 4 indicates agree, and 5 denotes strongly agree. Data has been collected from general investors. Collection of data was from February 20, 2013 to March 03, 2013. Eleven Null hypotheses were developed and tested. These are:

H1: Investors are conscious for calculating assets to invest.
H2: Investors invested money in share market by getting secret information.
H3: Investors are interested to purchase low price's share all the time.
H4: Most of the investors invested money after taking loan from bank in share market.
H5: Much black money has been invested in share market.
H6: Most of the people instigate to new investors to enter the share market.
H7: Most of the investors entered the share market to get highest profit instead of other investing options.
H8: Most of the investors invested the money in the share market at the right time.
H9: Investors collected money from various sources to invest.
H10: For syndicators, share market was collapsed.
H11: Govt. could take initiative to stable the share market.

Literature Review
CAPITAL MARKET VOLATILITY
Volatility is a measure of the degree of price movements of a stock. It shows how active a stock price typically is over a certain period of time. In general, the volatility of stock return is determined by the fluctuations in stock index. Fluctuation in the stock index also depends on the demand and supply of securities traded in the stock exchange. The market estimate of volatility can be used as the barometer of the vulnerability of the stock market. Stock return volatility represents the variability of day to day stock price changes over a period of time, which is taken as a measure of risk by the relevant agents. High volatility, unaccompanied by any change in the real situation, may lead to a general erosion of investors' confidence in the market and redirect the flow of capital away from the stock market. The excessive level of volatility also reduces the usefulness of stock price as a reflector of the real worth of the firm.

The volume of study on the test of efficient market hypothesis in emerging markets is less significant compared to the volume of studies on developed markets (Mobarak and Kevin 2000). Samuels (1981) defined the emerging market as "prices of stock cannot be assumed to fully reflect all the related information". It can be presumed that investors are able to interpret the information that is released over time. It is the corporation which has greater potentiality to influence its own stock market price developing appropriate polices suited for the stakeholders of the market and thus it can move in a manner justified by the available information. Fama (1970) mentioned that the markets of developed countries are weak–form efficient. This implies that successive returns are independent and follow the random walk model. However, Poshakwale (1996), Harvey (1994) and Khaba (1998) find non-randomness behavior in stock price and reject the weak form efficiency both for developing and emerging markets. In Bangladesh, stock markets are moving forward with limited investments and inadequate supply of capital market instruments (recent release in Financial Express, Nov, 2007). The market capitalization to GDP is only 6.5%, whereas in other neighboring countries these ratios are: India (56%), Pakistan (30%), and Sri-Lanka (18%). The reasons of low capitalization rate may be due to low confidence of investors on financial disclosure of companies listed in the stock markets, slow development of underlying market infrastructure, and lack of strong supervisory system, and vulnerability in the capital market support system etc.

DHAKA STOCK EXCHANGE
The necessity of establishing a stock exchange in the then East Pakistan was first decided by the government as early as 1952. It was learnt that the Calcutta Stock Exchange had prohibited the transactions in Pakistani shares and securities. The provincial industrial advisory council soon, thereafter, set up an organizing committee for the formation of a stock exchange in East Pakistan. In 1953, the committee suggested that Narayanganj Chamber of Commerce & Industry should approach its members for purchase of membership cards at Rs. 2000 each for the proposed stock exchange. An organizing committee was appointed consisting of leading commercial and industrial personalities of the province in order to organize the Stock Exchange.

Although incorporated in 1954, the formal trading was started in 1956 at Narayanganj after obtaining the certificates of Commencement of business. However, in 1958, it was shifted to the Narayangonj Chamber Building in Motijheel C/A, Dhaka. In 1964, the name of East Pakistan Stock Exchange Limited was changed to "Dhaka Stock Exchange ltd". Chittagong Stock Exchange (CSE).

Financial Market Scenario in Bangladesh

The Capital Market of Bangladesh is one of the smallest in Asia but the third largest in the South Asia. Many brokerage houses are now operating in our country to help investors. One prerequisite of having a healthy investment climate in an economy is the availability of financing facility for the existing and potential borrowers. The two major sources of finance in any country are the banks and the capital market. Historically, Bangladesh's private sector depends on banks for finance. Equity financing from capital markets through the issue of shares is rare whereas debt financing through issuing corporate bonds is almost nonexistent. Bank financing was around 94 % of total finance while equity financing accounted for the remaining 6% in 2007. This is expected in Bangladesh in so far as banks' loan typically precedes equity and bond financing as the important source of financing when a country's economy evolves from agrarian and becomes more industrial and services oriented. Barth et al. (2006) shows that high income countries own 91 % of the world debt securities, followed by middle income countries (7%) and low income countries (around 2%). These limitations of the banking sector of Bangladesh increase the importance of having a sound and organized capital market for fulfilling the needs of financing business activities. Well-functioning capital markets including equity and corporate debt markets are one of the most important factors needed to attract investors, both local and foreign. Greater emphasis on generating competitive and strong capital markets would ensure a sustainable flow of sufficient funds and efficient mechanisms for financing the private sector.

Stock Market Crash 2010-2011

According to Centre for Policy Dialogue (CPD, 2011), the total number of BO Account holders on 20 December, 2010 reached to 3.21 million though the number was 1.25 million in December 2009. Most of these new investors didn't have enough knowledge about the stock market but invested almost all of their savings in the market. 238 brokerage houses opened 590 branches at 32 districts. As a result, investment in the share market became a popular business among the educated middle class of Bangladesh. 19 December, 2010 was a historical day of the financial year 2010-11 in Bangladesh stock market. On this day, DSE witnessed its biggest one day fall in 55 years history until the date with losing 551.76 points or 6.71 %. The losing index was even higher than 284.78 points or 3.32 % of 12 December, 2010. Prices started to fall in an hour after the trading started and about 200 points were wiped off. In the middle of the session, it recovered a little bit and ended up the session at 7654 points. Chittagong Stock Market also met a similar fate. It is estimated that over three million people - many of them small-scale individual investors - have lost money because of the plunging share prices. An abrupt crash of the market sparked violent protests from the Bangladeshi investors. They were finding ways and means to exit the market in order to minimize the losses. CPD report (2011) found that, internet-based trading operation, opening branches of brokerage houses across the country, easy access to market information, arranging a countrywide 'share fair' are the factors for increasing investors. But supplies of new securities through IPOs were not enough to chase the huge capital of too many investors in the market. Banks & other financial institutions of Bangladesh had a lot of excess liquidity due to less business opportunities in the recession period of 2009-10. To minimize the cost of bearing excess liquidity and as a great opportunity, these financial institutions & its officials as well as other people took loan and invested in the share market. This made a huge flood of liquidity in the share market. It was seen that the daily transaction in the share market was on an average from Taka 20,000 to 30,000 million in 2010 and the figure was double compared to 2009 (Raisa, 2011). To boost the economy, Bangladesh Bank has taken an adaptive monetary policy during the high inflation periods to support investment. As Taka had been undervalued, it has made excess growth in money supply. In the last couple of years, remittance caused excess liquidity and the main motive behind it was Bangladesh Bank`s exchange rate policy.

Moreover, Security & Exchange Commissions was not able to monitor the market conditions properly. Due to poor monitoring & market shadowing, share prices of Z Category Companies and small companies increased dramatically. Moreover, some initiatives taken by SEC were not effective and it changed directives frequently such as; it changed directives of margin loan ratio 19 times.

The most common reasons of the crash are incomplete account, placement share, book building method, rumors and so on. According to M. Shamsul Haque 'Combination of wrong information to the investors, illegal participation of banks and institutions in the stock markets, weak accounting functions are at the core of the crisis that saw billions of Taka being wiped out".

Findings

Demographic information

Profession	Quantity	Total	Age	Gender	Quantity	Total	Income
Businessmen	50		All (150) are 20 +	Male	120		All (150) have Tk. 10,000 + per month
Students	30	150		Female	30	150	
Jobless	20						
Different Jobs	50						

For hypotheses testing

If calculated value (significant value/ p value) is greater than .05 = Ho, accept.

If calculated value (significant value/P value) is less than .05 = Ho, reject.

1. Investors are conscious for calculating assets to invest

Mean	Mode	Sign.	Null Hypothesis Accept/Reject	Conclusion
2.3733	2.00	0.000	Reject	Significant

Explanation: The mean value is 2.3733, which relies on disagree stage of 5 point Scale, i.e. investors are not conscious for calculating assets to invest. There were no sufficient evidences to accept null hypothesis. So, null hypothesis has been rejected ultimately alternative hypothesis has been accepted. Here, the mode is 2.

2. Investors invested money in share market by getting secret information

Mean	Mode	Sign.	Null Hypothesis Accept/Reject	Conclusion
3.5133	4.00	0.301	Accept	Insignificant

Explanation: The mean value is 3.5133, which relies on agree stage of 5 point Scale, i.e. investors invested money in share market by getting secret information. There were no sufficient evidences to reject null hypothesis. So, null hypothesis has been accepted ultimately alternative hypothesis has been rejected. Here, the mode is 4.

3. Investors are interested to purchase low price's share all the time.

Mean	Mode	Sign.	Null Hypothesis Accept/Reject	Conclusion
3.9267	4.00	0.473	Accept	Insignificant

Explanation: The mean value is 3.9267, which relies on agree stage of 5 point Scale, i.e. investors are interested to purchase low price's share all the time. There were no sufficient evidences to reject null hypothesis. So, null hypothesis has been accepted ultimately alternative hypothesis has been rejected. Here, the mode is 4.

4. Most of the investors invested money after taking loan from bank in share market

Mean	Mode	Sign.	Null Hypothesis Accept/Reject	Conclusion
2.9333	3.00	0.378	Accept	Insignificant

Explanation: The mean value is 2.9333, which relies on neutral stage of 5 point Likert Scale, i.e. most of the investors invested money after taking loan from bank in share market is neutral. There were no sufficient evidences to reject null hypothesis. So, null hypothesis has been accepted ultimately alternative hypothesis has been rejected. Here, the mode is 3.

5. Much black money has been invested in share market

Mean	Mode	Sign.	Null Hypothesis Accept/Reject	Conclusion
3.9067	4.00	0.512	Accept	Insignificant

Explanation: The mean value is 3.9067, which relies on agree stage of 5 point Scale, i.e. much black money has been invested in share market. There were no sufficient evidences to reject null hypothesis. So, null hypothesis has been accepted ultimately alternative hypothesis has been rejected. Here, the mode is 4.

6. Most of the people instigate to new investors to enter the share market

Mean	Mode	Sign.	Null Hypothesis Accept/Reject	Conclusion
3.1800	3.00	0.426	Accept	Insignificant

Explanation: The mean value is 3.1800, which relies on neutral stage of 5 point Scale, i.e. most of the people instigate to new investors to enter the share market is neutral. There were no sufficient evidences to reject null hypothesis. So, null hypothesis has been accepted ultimately alternative hypothesis has been rejected. Here, the mode is 3.

7. Most of the investors entered the share market to get highest profit instead of other investing options.

Mean	Mode	Sign.	Null Hypothesis Accept/Reject	Conclusion
3.5267	4.00	0.462	Accept	Insignificant

Explanation: The mean value is 3.5267, which relies on agree stage of 5 point Scale, i.e. most of the investors entered the share market to get highest profit instead of other investing options. There were no sufficient evidences to reject null hypothesis. So, null hypothesis has been accepted ultimately alternative hypothesis has been rejected. Here, the mode is 4.

8. Most of the investors invested the money in the share market at the right time

Mean	Mode	Sign.	Null Hypothesis Accept/Reject	Conclusion
2.3400	2.00	0.000	Reject	Significant

Explanation: The mean value is 2.3400, which relies on disagree stage of 5 point Scale, i.e. most of the investors did not invest the money in the share market at the right time. There were no sufficient evidences to accept null hypothesis. So, null hypothesis has been rejected ultimately alternative hypothesis has been accepted. Here, the mode is 2.

9. Investors collected money from various sources to invest.

Mean	Mode	Sign.	Null Hypothesis Accept/Reject	Conclusion
3.3667	3.00	0.482	Accept	Insignificant

Explanation: The mean value is 3.3667, which relies on neutral stage of 5 point Scale, i.e. investors collected money from various sources to invest is neutral. There were no sufficient evidences to reject null hypothesis. So, null hypothesis has been accepted ultimately alternative hypothesis has been rejected. Here, the mode is 3.

10. For syndicators, share market was collapsed

Mean	Mode	Sign.	Null Hypothesis Accept/Reject	Conclusion
4.5333	5.00	0.690	Accept	Insignificant

Explanation: The mean value is 4.5333, which relies on strongly agree stage of 5 point Scale, i.e. for syndicators, share market was collapsed. There were no sufficient evidences to reject null hypothesis. So, null hypothesis has been accepted ultimately alternative hypothesis has been rejected. Here, the mode is 5.

11. Govt. could take initiative to stable the share market.

Mean	Mode	Sign.	Null Hypothesis Accept/Reject	Conclusion
4.5142	5.00	0.687	Accept	Insignificant

Explanation: The mean value is 4.5142, which relies on strongly agree stage of 5 point Scale, i.e. govt. could take initiative to stable the share market. There were no sufficient evidences to reject null hypothesis. So, null hypothesis has been accepted ultimately alternative hypothesis has been rejected. Here, the mode is 5.

Factor analysis

Factor analysis is a general name denoting a class of procedures primarily used for data reduction and summarization. Bartlett's test of Sphericity. Bartlett's test of sphericity is a test statistic used to examine the hypothesis that the variables are uncorrelated in the population. The eigenvalue represents the total variance explained by each factor. Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is an index used to examine the appropriateness of factor analysis. High values (between 0.5 and 1.0) indicate factor analysis is appropriate. Values below 0.5 imply that factor analysis may not be appropriate.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.482
Bartlett's Test of Sphericity	Approx. Chi-Square	484.220
	Df	55
	Sig.	.000

Explanation: according to significance value Null hypothesis is rejected i.e. .00000<.05. So, variables are correlated. Sampling adequacy is good since the value (KMO) is .482.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.429	22.086	22.086	2.429	22.086	22.086
2	1.762	16.020	38.106	1.762	16.020	38.106
3	1.666	15.147	53.253	1.666	15.147	53.253
4	1.277	11.605	64.858	1.277	11.605	64.858
5	1.047	9.518	74.376	1.047	9.518	74.376

Extraction Method: Principal Component Analysis.

Explanation: Total five factors have been taken into consideration. According to Eigen Value if the value is more than one (1) that will be considered as a factor. So, here total factor is five. The first factor can alone explain 22.0862% of the total variability. The second factor can alone explain 16.020% of the total variability and the first two factors can combined explain 38.106% of the total variability. The third factor can alone explain 15.147% of the total variability. And the first three factors jointly explain 53.253% of the total variability. The fourth factor can alone explain 11.605% of the total variability and the first four factors can combined explain 64.858% of the total variability. The fifth factor can alone explain 9.518% of the total variability. And all five factors jointly explain 74.376% of the total variability.

Rotated Component Matrix (a)

	Factors				
	1	2	3	4	5
Investors are conscious for calculating assets to invest		-.897			
Investors invested money in share market by getting secret information.					.843
Investors are interested to purchase low price's share all the time.		.806			
Most of the investors invested money after taking loan from bank in share market.					.576
Much black money has been invested in share market.			.819		
Most of the people instigate to new investors to enter the share market.				-.777	
Most of the investors entered the share market to get highest profit instead of other investing options.			-.830		
Most of the investors invested the money in the share market at the right time.				.607	
Investors collected money from various sources.				.587	
For syndicators, share market was collapsed.	.889				
Govt. could take initiative to stable the share market.	.936				

Explanation: First factor comprises variables no. 10 and 11. Second factor comprises variable no. 1 and 3. Third factor comprises variable no. 5 and 7. Fourth factor comprises variable no. 6, 8, and 9. The last fifth factor comprises variable no. 2 and 4.

Communalities of the statements

Sl.		Extraction
1	Investors are conscious for calculating assets to invest	.846
2	Investors invested money in share market by getting secret information.	.719
3	Investors are interested to purchase low price's share all the time.	.808
4	Most of the investors invested money after taking loan from bank in share market.	.565
5	Much black money has been invested in share market.	.807
6	Most of the people instigate to new investors to enter the share market.	.648
7	Most of the investors entered the share market to get highest profit instead of other investing options.	.690
8	Most of the investors invested the money in the share market at the right time.	.760
9	Investors collected money from various sources.	.633
10	For syndicators, share market was collapsed.	.820
11	Govt. could take initiative to stable the share market.	.885

Extraction Method: Principal Component Analysis.

Regression

Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.806(a)	.650	.622	.85996

Explanation: R indicates the correlation between dependent variable and independent variables which is more than 80%. R square indicates, dependent variable is explained by independent variables which is 65%. Here, the dependent variable is; variables have huge impact on share market.

Coefficients (a)

Sl. No.	Statements	Sig.
	(Constant) The above variables have huge impact on share market	.000
1	Investors are conscious for calculating assets to invest	.000
2	Investors invested money in share market by getting secret information.	.301
3	Investors are interested to purchase low price's share all the time.	.473
4	Most of the investors invested money after taking loan from bank in share market.	.378
5	Much black money has been invested in share market.	.512
6	Most of the people instigate to new investors to enter the share market.	.426
7	Most of the investors entered the share market to get highest profit instead of other investing options.	.462
8	Most of the investors invested the money in the share market at the right time.	.000
9	Investors collected money from various sources.	.482
10	For syndicators, share market was collapsed.	.690
11	Govt. could take initiative to stable the share market.	.687

a Dependent Variable: the above variables have huge impact on share market

Explanation: From the above table, we can easily assume which statement will be accepted or rejected.

Recommendations

There are some Recommendations to overcome the recent condition of our capital market as follows.

To improve the market activities DSE is to take some measures as under:

- To introduce automated monitoring system that may control price manipulation, malpractices and inside trading.
- To introduce full computerized system for settlement of transactions.
- To force the listed companies to publish their annual reports with actual and proper information that can ensure the interest of investors.
- Person being the director of listed company shou7od not be allowed to be a member of DSE.
- To force the listed companies to declare and pay regular dividends through conducting annual general meeting.
- To take remedial action against the issues of fake certificates.
- Banks, insurance companies and other financial institutions should be encouraged deal in share business directly.
- The business of the broker should be transparent.
- There should be a system to penalize defaults to fulfill contacts regulating share dealings chartered accounts firms should be allowed to certify the accounts.
- The management of DSE should be vested with professionals and should not in any way be linked with the ownership of stock exchange and other firms.

Conclusion

Stock market is essential for the development of any country. Stock market in Bangladesh has gone a long way in last few years. The institutional investment has increased manifold. More informed investors are being involved with the market. The government is urging more firms to come to the stock markets. The recent crash of the stock market shows us that our market is yet to reach a desired level. The widespread allegations of manipulations are there. The role of the regulators is being in question. The political interference that has been pretty much in evidence is a hindrance. In the face of all these, there is no alternative to capacity building of all the stakeholders' involved. With the help of efficient and strong governance, introduction and implementation of proper policy and fighting all the corruptions and irregularities strictly, Bangladesh stock market can bounce

back from the present crisis and make important contribution to the economy and welfare of the country. Black money entered a lot in the share market. Government could take initiative to stable the share market. Above all, most of the investors did not invest into the share market at right time. Syndicates were responsible to collapse Dhaka Stock Exchange to a greater extent.

References

Robert H.Rasche and Harold T.Shapiro, 1968, The F.R.B.-M.I.T. Economic model: its special features, American Economic review, LVIII, 2, 136-137.

Burton G. Malkeil, 1963, Equity yields, growth, and the structure of share prices, American Economic review, LIII, 5, 1004-1031

Martin Feldstein, 1980, Inflation and the stock market, The American Economic Review, Vol. 70, No. 5, 839-847.

Franco Modigliani and Richard Cohn, 1979, Inflation, Rational valuation, and the market, Finan. Analysis J., 35, 3-23.

John Mauldin, 2003, The Connection between Oil and Stock Prices, FLT Dec. Edition.

Dr. Debapriya Bhattacharya, 2006, State of the Bangladesh Economy in FY 2006 And Outlook for FY 2007, Independent Review of Bangladesh's Development (IRBD), Second Reading, 14-15

Kenneth E. Homa & Dwight M. Jaffee, 1971, The supply of money and common stock prices, Journal of finance, 26, 1045-1066

G.David Garson, 2006, Statistical Analyses Explained, Available from http://www.statisticssolutions.com/correl.htm, [Accessed July 20, 2006].

R.Smythand M.Nandha, 2003, Bivariate causality between exchange rates and stock prices in South Asia, Taylor and Francis Journals, 10, 699-704

Smith, C., 1992, Stock Market and the Exchange Rate: A Multi-country Approach, Journal of Macroeconomics, 14, 607-629.

Solnik B., 1987, Using Financial Pricesto Test Exchange Rate Models: A Note, Journal of Finance, 42, 141-149.

Aggarwal R., 1981, Exchange Rates and Stock Prices: A Study of U.S. Capital Market under Floating Exchange Rates, Akron Business and Economic Review, 7-12

Soenen, L.A. and E.S. Hennigar, 1988, An Analysis of Exchange Rates and Stock Prices: The U.S. Experience between 1980 and 1986, Akron Business and Economic Review, 7-16.

Franck. P. And Young, A., 1972, Stock price Reaction of Multinational Firms to Exchange Realignments, Financial Management, 1, 66-73.

Bartov, E. and G. M. Bodnar, 1994, Firm Valuation, Earnings Expectations, and the Exchange-Rate Exposure Effect, Journal of Finance, 49, 1755.

Naeem Muhammad and Abdul Rasheed, 2001, Stock Prices and Exchange Rates: Are they Related? Evidence from South Asian Countries, Applied Economics Research Center, Karachi-Pakistan.

This academic article was published by The International Institute for Science, Technology and Education (IISTE). The IISTE is a pioneer in the Open Access Publishing service based in the U.S. and Europe. The aim of the institute is Accelerating Global Knowledge Sharing.

More information about the publisher can be found in the IISTE's homepage:
http://www.iiste.org

CALL FOR PAPERS

The IISTE is currently hosting more than 30 peer-reviewed academic journals and collaborating with academic institutions around the world. There's no deadline for submission. **Prospective authors of IISTE journals can find the submission instruction on the following page:** http://www.iiste.org/Journals/

The IISTE editorial team promises to the review and publish all the qualified submissions in a **fast** manner. All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Printed version of the journals is also available upon request of readers and authors.

IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digtial Library , NewJour, Google Scholar