

Economic Forces and the Thai Stock Market, 1993-2007

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NIDA Economic Review, Vol. 4, No. 2, pp. 1-12, December 2009

Abstract:

This study examines the relationship between stock market index and macroeconomic variables in Thailand. The results from Johansen cointegration test shows that the variables are cointegrated. Thus there exists a long-run relationship between the stock market index and a set of four macroeconomic variables. Real GDP, money supply, and nominal effective exchange rate significantly impose a positive impact on the stock market index while the price level insignificantly imposes a negative impact. The financial crisis in 1997 has no influence on stock prices. The causality test results from an error correction model show bidirectional causal relations between stock market return and the growth rate in the long run and the short run.

Number of Pages in PDF File: 12

Keywords: Stock market returns, macro variables, unit root, cointegration, causality

JEL Classifications: G19, C22

Suggested Citation:

Jiranyakul, K., (2009), Economic forces and the Thai stock market, 1993-2007. *NIDA Economic Review*, 4, 1-12.

Available at SSRN: <http://ssrn.com/abstract=1803050>