

## **The Impact of Exchange Rate Movements on Stock Price Volatility: Evidence from Sri Lanka**

Fernando W.M.A.<sup>1</sup> and Abeywardhana D.K.Y.<sup>2</sup>

<sup>1,2</sup>*Department of Accountancy University of Kelaniya*

<sup>1</sup>*mathewfernando98@gmail.com, <sup>2</sup>dilyapa@kln.ac.lk*

### **Abstract**

Exchange rates, earnings reports and dividend announcements and its impact on stock prices is a phenomenon studied vastly by many researchers. The focus of this study is to identify the impacts of exchange rates, earnings reports, and dividend announcements on stock movements.

The study uses three independent variables which are exchange rate movements, earnings reports, and dividend announcements whereas the dependent variable will be the stock price. The time horizon chosen is the longitudinal time horizon as the researcher expects to study and collect data over a period of 10 years (From 2011 to 2020) of the exchange rates and stock prices. With 287 companies listed in the Colombo Stock Exchange (CSE), the companies deriving 1/5th of its revenue through foreign exchange (USD) will be selected. The pool of companies will then be randomly sampled to obtain 10 companies that fit the criteria. The data will then be analysed through multiple linear regression in order to understand the impact of the three independent variable on the dependent variable.

The findings of the study will allow the understanding of the impact of exchange rates, earnings reports, and dividend announcements on stock movements. There is mixed evidence on the impact of exchange rates, earnings reports, and dividend announcements on stock prices.

**Key words:** *Exchange rate, Earnings reports, Dividend announcements, Multiple linear regression.*