Relationship Between Exchange Rate and Stock Market Performance in Sri Lanka Before the Covid-19 Period

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ABSTRACT

Introduction: This research study examines the Relationship Between Exchange Rate and Stock Market Performance in Sri Lanka Before Covid-19 Period.

Design/Methodology/Approach: The sample of the study is ten years of monthly data of All Share Price Index (ASPI) and Exchange Rates. The sample period is from April 2009 to March 2019. Dependent variable is ASPI, and the independent variable is the Exchange Rate (USD). Unit root test, Johansen cointegration test and Granger causality test are used to analyze the data.

Findings: According to the results, no long-run relationship between the Exchange Rate and ASPI is found. The Granger Causality Test shows a marginally significant relationship between the ASPI and Exchange Rate.

Conclusion: The final result emphasizes that the relationship between Exchange Rate and ASPI is weak.

Keywords: *Exchange Rate, Stock Price, Cointegration, Sri Lanka, CSE*