LINEAR AND NONLINEAR COINTEGRATION RELATIONSHIP BETWEEN (FOREIGN) EXCHANGE RATES AND STOCK PRICES: CASE OF BORSA ISTANBUL

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Résumé

The aim of this paper is to investigate the existence of both linear and non-linear cointegration relations between Euro and U.S. Dollar exchange rates and stock price index by using the closing price of the national Borsa Istanbul 100 index as well as the closing prices of the national industrial index, financial index and services index. The U.S. dollar and Euro exchange rates selling prices in TL is consider as exchange rates. For this purpose, Linear co-integration test is analyzed by bound test, developed by Pesaran, Shin and Smith (2001) and nonlinear cointegration is analyzed by Breitung (2001) rank test. Findings show that there is a co-integration relationship between stock prices and exchange rates in the long run term and short run term and mentioned relationship is positive in long run and negative in short run which means traditional approach describing the relationship between stock prices and exchange rates is exist in Turkey.

Mots-Clés: Stock returns, Exchange rate, ARDL cointegration, Breitung

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