

Exchange-rate exposure: evidence from the electronic firms in Taiwan

Abstract

The purpose of this study is to investigate the exchange-rate exposure of the electronic firms in Taiwan. Particularly, we consider the potential correlations between the market returns and the changes in exchange rates, which are two important variables when we examine the exchange-rate exposure, and try to examine the exchange-rate exposure via nonlinear model. In contrast to previous results which used U.S. data; however, the movements of the value of the electronic firms in Taiwan, as reflected in the stock returns, seem highly sensitive to changes in the exchange rates. Examining the effects of possible determinants on the exchange-rate exposure measured as NT dollars against US dollar, the ratio of long-term debt has significant effects, but the sign is not consistent with the hypothesis. Besides, further examining the effects of possible determinants on the exchange-rate exposure measured as NT dollars against Japan Yen, we found there are only showing weak evidence for the influence of the possible determinants.