5. Conclusions

In this study, we examine the relation between the stock returns and fluctuations in exchange-rate for a sample of Taiwanese electronic firms. Using monthly data, we found about 4% of 74 firms in our sample are significantly exposed to exchange-rate changes at 5% level via basic regression, a smaller percentage than what found by Jorion (1990) using U.S. data. Investigating a possibly lagged effect first documented by Bartov and Bondar (1994), we found little evidence that the exchange rate affect stock returns with a lag via regression with lagged term. Then, we further examine exchange-rate exposure via nonlinear model. Through the results examined via nonlinear model, we found about 72 % of 74 firms at 5% level are exposed to exchange rate changes , measured as NT dollar against US dollar and almost every firms are with negative signs which is inconsistent with our expectations. Besides, 70% firms are exposed to exchange rate changes, measured as NT dollar against Japan Yen and every firm is with negative signs.

A cross-sectional analysis to link firm characteristics to exchange-rate exposure is also conducted. Unlike other studies, to proceed with the cross-sectional analysis, we use the estimated exchange-rate exposure via nonlinear model and consider another two variables - institutional investment ratio and a dummy variable which distinguishes the constituent stocks of Taiwan 50 Index from our sample with regarded to the properties of the stock market in Taiwan. Examining the effects of possible determinants on the exchange-rate exposure - $\beta_{i,USD}$, 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 - $\beta_{i,JPY}$, we found there are only showing weak evidence for the influence of the possible determinants.

In this study, we roughly link firm characteristics to exchange-rate exposure on the exporting and exporting aspects. However, our empirical evidence is still weak. In the future, we may try to study by reexamining the influences of other characteristics of firms on exchange-rate exposure.