



# **Effect Of Exchange Rate, CPI and International Crude Oil Prices on KSE 100-Index: Evidence from Karachi Stock Exchange**

**A thesis  
Presented to  
The Faculty of  
Management Sciences  
Bahria University Karachi Campus**

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**In Partial Fulfillment  
Of the Requirements for the  
Degree Master in Business Administration**

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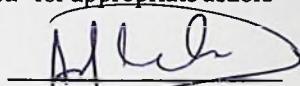
**By**

**Muhammad Arslan**

**RECOMMENDATION FOR THE ORAL EXAMINATION**

This Project/thesis hereto attached, entitled, "Effect Of Exchange Rate, CPI and International Crude Oil Prices on KSE 100-Index: Evidence from Karachi Stock Exchange" Prepared and submitted by **Muhammad Arslan**, in partial fulfillment of the requirements for the degree MASTER IN BUSINESS ADMINISTRATION, is hereby recommended for appropriate action.

Date: 31-07-13



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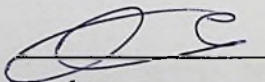
**PROJECT/THESIS COMMITTEE**

In partial fulfillment of the requirement for the MASTER IN BUSINESS ADMINISTRATION, this thesis entitles, "Effect Of Exchange Rate, CPI and International Crude Oil Prices on KSE 100-Index: Evidence from Karachi Stock Exchange "is hereby recommended for

Oral Examination.

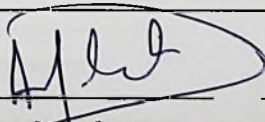
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## **Abstract**

Interactions are investigated between exchange rates and stock prices in the emerging financial market of Pakistan. The motivation is to establish the causal linkages between leading prices in the foreign exchange market and the stock market; the linkages have implications for the ongoing attempts to develop stock markets in emerging economies simultaneously with a policy shift towards independently floating exchange rates. Some recent econometric techniques are applied to a bivariate vector autoregressive model using annual observations on the stock price index and the real effective exchange rate over 2007–2012. The results show unidirectional causality from exchange rates to stock prices in Pakistan. This finding has policy implications; it suggests that respective governments should be cautious in their implementation of exchange rate policies, given that such policies have ramifications on their stock markets.

CONTENTS

Abstract.....	iii
ACKNOWLEDGMENT.....	iv
CHAPTER I Introduction.....	1
1.0 Background.....	2
1.1 Contextual Framework.....	5
1.2 Problem Statement.....	7
1.3 Research Question.....	8
1.3.1 Primary Question.....	8
1.3.2 Secondary Question.....	8
1.4 Objective.....	8
1.5 Purpose of the study.....	9
1.6 Significance of the Study.....	9
1.7 Justification.....	10
1.8 Scope.....	10
1.9 Delimitation.....	11
1.10 Limitations of Study.....	11
1.11 Hypothesis.....	11
Chapter 2 Literature Review.....	14
2.1 Exchange Rate.....	14
2.2 Consumer Price Index (CPI).....	15
2.3 Crude Oil Price.....	18
Chapter 3 Methodology.....	25
3.1 Introduction.....	25
3.2 Quantitative Research Approach.....	25

**Effect Of Exchange Rate, CPI and International Crude Oil Prices on KSE 100-Index**

<b>3.3 Co-relational Research</b> .....	25
<b>3.4 Statistical Technique</b> .....	25
<b>3.5 Multiple Regression Designs</b> .....	26
<b>3.6 Hypotheses</b> .....	26
<b>3.7 Model</b> .....	27
<b>3.8 Variable Descriptions</b> .....	27
<b>3.9 Data Selection and Data Source</b> .....	27
<b>3.10 Sampling Technique</b> .....	29
<b>3.11 Sample Size</b> .....	30
<b>3.12 Statistical Technique</b> .....	30
<b>Chapter 5 Conclusion</b> .....	34