

Rapeephan Imsomboon 2011: Factors Affecting The Forward Exchange Rate and Causality Test of Forward Exchange Rate and Future Spot Rate. Master of Economics, Major Field: Economics, Department of Economics. Thesis Advisor: Associate Professor Chiraphan Kuladilok, M.Econ. 120 pages.

This study concerns 2 main objectives are to study the factors affecting the forward exchange rate and to study the causality between forward exchange rate and future spot rate by study the exchange rate of 2 main currency, US dollar and Japanese yen based on monthly data during January 2002 and November 2006.

In order to achieve the objective of study the factors affecting the forward exchange rate employs the technique of multiple regression analysis apply with monetary and portfolio balance model. For US dollar the result shows that the differentials in interest rates and the exchange rate in the preceding period significantly determine 3 and 6 months forward exchange rate and both factors have positive relation with forward exchange rate. And indicates that the exchange rate in the preceding period has high Influence on forward exchange rate. For Japanese yen the result shows that the differentials in interest rates significantly determine 3 and 6 months forward exchange rate and has negative relation with forward exchange rate. For factors differentials in inflation expectation and the exchange rate in the preceding period are also significantly determine 3 and 6 months forward exchange rate but both factors have positive relation with forward exchange rate. And indicates that the exchange rate in the preceding period has high Influence on forward exchange rate.

To analyses the causality between forward exchange rate and future spot rate employs the technique of Granger causality test. The result shows that both 3 months and 6 months forward exchange rate didn't cause future spot rate but future spot rate had effect to forward exchange rate.

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Thesis Advisor's signature