

# **Panel Analysis and the Monetary Exchange Rate Model: Evidence from Six Asian Countries**

## **ABSTRACT**

This study examines the power of flexible price monetary model in explaining the movement of the exchange rate by using panel quarterly data of six selected Asian countries, including Indonesia, Philippines, Singapore, South Korea, Taiwan, and Thailand from first quarter 1999 to second quarter 2008. The analysis begins by testing whether all variables are stationary or not. Several panel unit root tests are applied and confirmed that all variables are integrated series of order 1. The study further employs the cointegration analysis to test whether the long-run relationship among all nonstationary variables exists. The cointegration test results provide the evidence of long-run relationship with correct signs supporting the underlying model. Nevertheless, the additional variable, price differential, is insignificant with the opposite sign.