

Independent Study Title	THE RELATIONSHIP BETWEEN REAL EFFECTIVE FINANCIAL EXCHANGE RATE (REFER) AND CAPITAL FLOWS: IN THE CASE OF THAILAND
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ABSTRACT

A real exchange rate, being an indicator of monetary policy transmission, is used measure to country's international competitiveness. Due to the rapid growth in international financial transactions, financial market transmission of exchange rate movement are in interests. Real effective financial exchange rate (REFER) index is introduced as an indicator of price competitiveness of country's assets. This research proposes the REFER index in the case of Thailand and concentrates exchange rate movement through the valuation channel. Thailand's REFER index movements are heterogeneous from REER which is trade-weight real exchange rate index. Moreover, this paper investigates the relationship between real exchange rate and international capital flows. The main finding shows the different impact size of any kind of capital flows on REER and REFER. However, both of real exchange rate indexes, REER and REFER, benefit policy makers as an intermediate target for monetary policy operations.

Keywords: Real effective financial exchange rate, Capital flows, Valuation channel