

**RELATIONSHIP BETWEEN FOREIGN EXCHANGE RATE AND  
FOREIGN INVESTMENT IN COLOMBO STOCK EXCHANGE**

By



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## **Abstract**

This research study carried on to find out whether there is a relationship between foreign exchange rate and foreign investment in Colombo Stock Exchange. Also it examines the exchange rate behaviour in Sri Lanka and foreign investors' behaviour in Colombo Stock Exchange.

Researcher analyze monthly data for the US dollar and Euro exchange rate, Central Depository Systems (CDS) foreign investors account details, Foreign Securities of the Colombo Stock Exchange for the period from January 2015 to December 2019. Key objective of the study is to find out the relationship between foreign exchange rate and foreign investment in Colombo Stock Exchange.

To identify exchange rate behaviour in Sri Lanka and identify Colombo Stock Market foreign investors' behaviour are other specific objectives. Researcher used sensitivity analysis to find out these objectives. Monthly percentage change of US Dollar rate and Monthly percentage change of foreign Securities of held in the CDS, Monthly percentage change of Euro rate and Monthly percentage change of foreign Securities of held in the CDS, Monthly percentage change of GB Pound rate and Monthly percentage change of foreign Securities of held in the CDS, Monthly percentage change of Japan Yen rate and Monthly percentage change of foreign Securities of held in the CDS, were analysed by using sensitivity analysis. Then identified there is a strong positive relationship among those variables within sample period.

***Key words: Exchange rate, Colombo Stock Exchange, Foreign investors, Sensitivity analysis, Percentage changes.***

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