

## International link of Stock Markets: New Evidence of U.S. Impacts on Vietnam

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Vietnam has drawn attention of the world to its fast growing economy in recent years. Its stock market, established in July 2000, is the main target of domestic and international investment. Vietnam's policy in embracing globalization has also subjected its economy to the impact of other countries, especially the U.S. This research investigated how stock prices and volatility in Vietnam are affected by such external factors as the exchange rate and the performance of US stock markets. Using a Capital Asset Pricing Model (CAPM), this research showed that stock price indices in the two countries indeed have a long-term and stable relationship with a clear causality going from the U.S. to Vietnam. Surprisingly, after augmenting the traditional theory with the exchange-rate volatility and applying a newly developed time-series econometric technique, Vietnamese stock market has been proved to be also affected by the foreign exchange market.