CHAPTER 5

5. Conclusion, Limitation and Recommendation

As stated earlier, this study was attended to analyse the exchange rate fluctuations between Thai baht and US dollar from the period of 2010 to 2017 with the help of selected macroeconomic indicators such as terms of trade, interest rates, manufacturing production index and international reserves. The first chapter formulated the research objectives and with the help of the objectives, the research questions were developed.

The second chapter explained the study of free-trade scenarios and history between both countries about their agreements and related matters followed by the study of terms of trade, interest rates, manufacturing production index and international reserves.

The terms of trade data gathered from the website (census.gov) and explained the US trade of goods with Thailand from the period of 2010 to 2017 with the figure import, export and net balance (chapter2). Furthermore, interest rates and manufacturing production index figures were gathered website (tradingeconomics.com). Lastly, international reserves figures were gathered from the World Bank website. This chapter also explained different models that can cause the exchange rates fluctuations accompanied with past research done by previous researchers with their pros and cons but in this study, the Vroom's expectancy theory of valence model was accepted to justify the findings.

The third chapter explained the methodology as this study is entirely based on the longitudinal study so the data collection was from the secondary sources and past articles related to the subject matter. Furthermore, data collection was analysed and explained in order to prove the findings in chapter 4.

The chapter fourth concluded that terms of trade had negative valence on Thai baht and positive valence on USD, interest rates had negative valence on Thai baht and positive valence on USD, manufacturing production index had negative valence on Thai baht and positive valence on USD and lastly the international reserves overall created negative valence on Thai baht but during the period of 2013 to 2015 created positive valence on Thai baht and negative on USD.

5.1. Findings

The findings below explain the result of this study in order to analyse the valence of Thai baht and US dollar based on numeric analysis and valence model analysis.

5.1.1. Export-import impact on Thai baht and US dollar

Thailand export to the USA had increased every year and USA import with every year had increased by respective percent as presented in (chapter 4). The net balance of trade between Thailand and USA had increased as well from the findings since Thailand export had increased with the USA, as a result, the Thai baht should have been "stronger" but it went on becoming "weaker". On the contrary, the USA had done import more than the export technically with too much import country currency price decreases but the US dollar "surged up"

The valence model of vroom's theory after analysing numeric analysis of export and import practices between Thailand and USA. It explains that the numeric figure disapproves the balance of payment theory in which Thai baht should have been appreciated but got depreciated and on the other side US dollar should have been depreciated but got appreciated. This explains according to the valence model of Vroom's that during these period Thai baht had "averseness" and USD had "attractiveness" (chapter 4) from the trade investor and exporter point of view.

5.1.2. Interest rates impact on Thai baht and US dollar

The theory of interest rates suggests that if any country interest rates are more or higher than other country interest rates comparison. The higher rate interest country would likely to attract investment from overseas and from the domestic and regarding that case it will increase the demand of that higher interest country and this will ultimately appreciate the currency and vice versa. Conversely, the interest rates of Thailand interbank overnight lending rate outweigh the theory as because from the period of 2010 to 2017 Thai baht depreciated even though the interest rates were higher than US fed funds rate and on the other side the US fed funds rate were lower but US dollar appreciated over the period. Hence, the valence model of Vroom's explained Thai baht was negative as the outcomes turned out to be negative "Averseness" for those who had invested during that period in Thai baht and even for exporter of Thailand as because in order to export the funds required for them levied higher interest rates to repay the debt. Contrary, US funds fed rate was lower and currency appreciated (chapter 2) over that period so it was a win-win situation for importer as they had to pay less for buying goods from Thailand and even at the same the deposits in a bank account for US investor would have provided higher returns. As a result, the valence of the US dollar in that particular period was positive "Attractiveness" as the performances or the outcomes suggest attractiveness.

5.1.3. Manufacturing production index impact on Thai baht and US dollar

According to the Vroom's valence model after analysing numeric analysis of Manufacturing production index and industrial production index (chapter4) Thailand manufacturing production had faced discouragement because of depreciated Thai baht value, expensive business operation, and higher interest rates so these factors are more likely to responsible for reduced manufacturing production index as Thailand didn't have enough cash flow to produce or increase manufacturing goods and whatever they were producing were expensive.

USA had slightly increased manufacturing production index as because of appreciated dollar value and lower interest rates even though the USA imported more than Thailand, US dollar overall didn't depreciate. This again proves that Thai baht outcomes and performance during the period of 2010 to 2017 had averseness (negative valence) and the US dollar had attractiveness (positive valence).

5.1.4. International reserves impact on Thai baht and US dollar

The US international reserves got declined likewise Thailand as well and when international reserves declined it explained that Thailand sold dollars to buy more Thai baht and USA bought Thai baht in exchange of dollar which means demand of Thai baht got increased and demand of USD got decreased. That's why Thailand had declined their international reserves in order to appreciate the Thai baht value corresponding USD. The US international reserves also declined during the period of 2013 to 2015 but the exchange rate with Thai baht didn't reflect the correspondingly as it should be appreciated due to the realization of US international reserves. Lately, Thailand again got increased in international reserves and then also Thai baht value also depreciated while USD depreciated first then appreciated.

5.2. Limitation

There are certain limitations associated with this research study as the first limitation would be the study of macroeconomic indicators as there are many indicators which affect exchange rate between both countries and in this study only four indicators have been studied. The second limitation was the time frame for this research paper as it was very limited. The data available regarding interest rates and exchange rates are not very concise and with limited access, if it would have been available concisely and with abundant sources would have been more solid and concrete research work. In the nutshell, the study had various limitations but still this paper is still very useful for the future references.

5.3. Recommendation

The first and foremost recommendation of this research paper is educating the potential investors about the exchange rate relationship between two currencies and then try understanding about the mechanics. This study will be useful for the students and graduates who are planning to take the charter exams in the future and will also give an understanding about Thai baht and US dollar movements range in the future. This study further will be useful in order to analyse the forecast the terms of trade, interest rates, manufacturing production index and international reserves in the forthcoming years of both countries.