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## **Abstract**

In this paper, we measured the relationship between the stock market and the currency market in Taiwan through a simultaneous equation system. We found that the stock price in Taiwan is negatively related to the exchange rate of the NT dollar per US dollar. The NT dollar appreciates when the Taiwanese stock market is hot. On the other hand, the Taiwan stock market recesses when the NT dollar depreciates. Since the Johansen test indicates that the stock index and the US dollar exchange rates are co-integrated, we concluded that there exists a connection between the Taiwanese stock market and the US dollar currency market over the long run.

**Keywords:** Stock Market, Currency Market, Simultaneous Equation System.