

JEL Classification: F31, F37

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THE ISSUE OF FORWARD RATE DETERMINATION: INTEREST RATE AND INFLATION OPPORTUNITIES AFFECT THE EXCHANGE RATE (RMB / IDR)

Introduction. This study aimed to examine the effect of the interest rate, inflation in the RMB exchange rate to Rupiah. Inflation and interest rates are variable that is often used in the determination of the forward exchange rate. We have chosen inflation because it is related to PPP (purchasing power parity) theory and has chosen interest rate because it is related to the theory of IFE (International Fisher Effect).

Purpose. This research purposes to determine the level of significance of influence and opportunities of interest rate and inflation on the exchange rate. To know opportunities with influential variables are expected to provide insight on businesses in the determination of the forward exchange rate.

Method. The analysis in this study has used logistic regression analysis with time series data.

Data that has been taken is the exchange rate, interest rate, inflation in 2007-2017. Research is already taking a sample of 132 data.

Results. Research has shown that inflation and interest rates are equally affecting the exchange rate. By odds ratio known inflation opportunity to influence the exchange rate is greater than the interest rate. Opportunities inflation affects the exchange rate due to the large Indonesian trade relations and China is strong, the argument based on the theory of PPP.

Conclusions. From this research we know do that inflation and interest rates affect the exchange rate so that changes in inflation and interest rates can be used as a tool in determining the exchange rate forward.

Keywords: exchange rate, inflation, PPP, IFE, the interest rate, the forward exchange rate.

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