

Appendix: Tests for unit roots and for constant correlation

I. Unit root tests

	Log of real exchange rate			Real depreciation rate			Real interest differential		
	C	CT	N	C	CT	N	C	CT	N
ADF statistics									
ID	-1.77	-2.70	0.30	*-5.37	*-5.35	*-5.37	*-5.22	*-5.23	*-5.17
KO	-1.42	***-3.24	0.37	*-4.38	*-4.37	*-4.37	*-9.67	*-9.65	*-9.62
MY	-1.29	-2.04	0.26	*-14.21	*-14.19	*-14.24	*-12.17	*-12.14	*-12.20
PH	-1.22	-2.16	0.29	*-13.88	*-13.90	*-13.91	*-14.47	*-14.46	*-14.35
SG	-1.58	-2.87	-0.14	*-8.79	*-7.45	*-8.80	*-7.66	*-7.70	*-7.63
TH	-1.47	-2.64	0.21	*-6.06	*-6.09	*-6.06	*-9.67	*-9.66	*-10.86
DF-GLS statistics									
ID	-1.53	-2.47		-0.81	-1.93		-0.72	-2.00	
KO	-1.45	-1.88		*-4.31	*-4.22		-1.40	*-8.98	
MY	-1.21	-1.70		*-14.25	*-14.08		*-11.36	*-11.50	
PH	-1.27	-1.47		*-5.20	*-6.71		-1.24	*-5.10	
SG	-1.49	-1.64		*-13.00	*-13.13		*-10.79	*-10.71	
TH	-1.50	-1.80		*-5.15	*-5.66		*-4.56	*-10.43	

Notes: C - with constant; CT - with constant, trend; N - no exogenous term;
 The optimal lag length was based on the AIC and a maximum lag length of 14 lags;
 The critical values at 1% (*), 5% (**), and 10% (***) respectively are as follows:
 ADF: with constant, -3.46, -2.88, -2.57; with constant, trend, -4.0, -3.43, -3.14; none, -2.58, -1.94, -1.62
 DF-GLS: with constant, -2.58, -1.94, -1.62; with constant, trend, -3.46, -2.93, -2.64.

II. Test of constant correlation: real depreciation rate and real interest differential (p-values)

Lags	WPI used as price variable						CPI used as price variable					
	ID	KO	MY	PH	SG	TH	ID	KO	MY	PH	SG	TH
1	0.00	0.21	0.00	0.37	0.30	0.69	0.00	0.91	1.00	0.78	0.80	0.41
2	0.00	0.29	0.00	0.07	0.01	0.71	0.01	0.93	0.54	0.75	0.73	0.60
3	0.00	0.27	0.00	0.00	0.02	0.68	0.02	0.69	0.46	0.87	0.57	0.69
4	0.00	0.34	0.00	0.00	0.02	0.80	0.02	0.67	0.43	0.88	0.70	0.82
5	0.00	0.35	0.00	0.00	0.02	0.00	0.00	0.59	0.09	0.65	0.74	0.89
6	0.00	0.46	0.00	0.01	0.03	0.00	0.00	0.70	0.14	0.76	0.83	0.72
7	0.00	0.07	0.00	0.01	0.00	0.00	0.00	0.52	0.19	0.08	0.89	0.78
8	0.00	0.11	0.00	0.01	0.00	0.00	0.01	0.51	0.23	0.10	0.93	0.85
9	0.00	0.06	0.00	0.01	0.00	0.00	0.01	0.21	0.20	0.14	0.96	0.90
10	0.00	0.06	0.00	0.00	0.00	0.00	0.01	0.26	0.25	0.10	0.98	0.94
11	0.00	0.07	0.00	0.00	0.00	0.00	0.02	0.05	0.29	0.08	0.98	0.96
12	0.00	0.09	0.00	0.00	0.01	0.00	0.03	0.06	0.14	0.11	0.99	0.97

Notes: $H_0: R_t = R$ is the null hypothesis; $H_1: vech(R_t) = vech(R) + \gamma_1 vech(R_{t-1}) + \dots + \gamma_p vech(R_{t-p})$ is the alternative hypothesis. Details of the testing procedure can be found in Engle and Sheppard (2001).

Legend:

ID: Indonesia MY: Malaysia SG: Singapore
 KO: Korea PH: Philippines TH: Thailand