

## The Effects of Exchange Rate Shock on the Value of Selected Industries in the Tehran Stock Exchange with TVP-FAVAR Approach

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### Abstract

Considering the fact that the effects of currency shocks on the capital market can affect the behavioral patterns of different sectors of the economy; Therefore, proper understanding of the mechanism of exchange rate impact on different sectors of the economy, necessarily requires knowledge of the effects of this variable on important financial markets and how institutional factors change in these markets; For this purpose, this study aims to investigate the effects of exchange rate shock on the value of companies operating in different industries of the Tehran Stock Exchange by applying the pattern of variable parameters over time and using seasonal data during the period (2011-2018). The results of this study indicate that the value of companies operating in different industries of the Tehran Stock Exchange is affected by the exchange rate shock in proportion to the type of production and services provided in each of these companies; In addition, the response in each of the studied industries is different over time, which highlights the need to use the parameter-variable approach. Among the selected industries, the value of companies operating in the food and beverage industry has reacted positively to the currency shock in the entire period under review and in the automotive industry; Also, the value of companies operating in other industries has been affected by this currency shock over time; In the cement, lime and gypsum industry, exchange rate shock in (2011-2013) and (2018) has had positive effects on the value of companies operating in this industry and in (2014-2017) the value of companies Active in this industry has reacted negatively to exchange rate shocks. Now, given that the instability of the foreign exchange market poses serious problems for long-term planning for investors and producers, it is suggested that policymakers and decision-makers in adopting economic policies in such a way as to create Avoid fluctuations in capital and foreign exchange markets.

**Keyword:** TVP approach, Exchange rate shock, Company value, Tehran Stock Exchange.

**JEL Classification:** G32, E52, L25, C52, C53.

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