

# Tracing exchange rate volatility in Cambodia, Laos, Myanmar and Vietnam (CLMV)

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The general aim of this paper is to examine the effectiveness of the Exchange Market Pressure (EMP) index in sufficiently tracing the presence of economic crises. The index was unveiled by Girton and Roper (1977) to assist policy makers in responding conclusively when severe compressions in currencies emerge. This study provides a better acumen for how small open economies maintain and stabilize their exchange rates and keep other macroeconomic variables under control through policy responses by means of an investigation of the CLMV countries (i.e., Cambodia, Lao People's Democratic Republic (LPDR), Myanmar and Vietnam). By computing the EMP index using the methods in Eichengreen et al. (1996), Sachs et al. (1996), and Kaminsky et al. (1998), we monitor and predict the future pace of the CLMV foreign exchange markets. Our findings reveal several EMP signals and its potential impact over the sample period. The EMP index plots also allow us to witness the quick recovery of CLMV from crises through policy responses. Findings indicate the effectiveness of the EMP index as an early warning system in detecting the market pressure on the Cambodian Riel, Laos Kip, Myanmar Kiat and Vietnam Dong especially during crises, through the different exchange rate regimes.

**keywords:** Exchange Market Pressure, CLMV.

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