Indian Rupees, Japan Yen, Sterling Pound, US Dollar and EUR(

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Economic assimilation in between world economies has been advancing rapidly, growing intra-regional trade, increasing investment and financial integration. Recent di on regional and bilateral free-trade agreements and on emerging financial coc arrangements make this process likely to deepen over time resulting the business cycl economies in the world more interrelated. The behavior of Exchange Rate (ER) mo among economies does reflect how deepen the assimilation is. Thus, this study att investigate the extent to which international ERs move together. The ER co-move measured between Indian Rupees, Japan Yen, Sterling Pound, US Dollar and EURO b Sri Lankan Rupees as the base currency. Econometric models of Autoregressive Con Heteroskedasticity (ARCH), Generalized ARGH (GARCH), Johansen Cointegratic Vector Autoregression (VAR) and VAR Variance Decompositions are employed. Montl over the period from 2007 to 2010 (48 months) were used for the investigation. The en results indicate that ER co-movement is significant since most of the considered ERs more than 46% of their forecast error variance is explained by the other ERs unde while Japan Yen depicts only 37%. There is a high degree of co-movement between ER Sterling Pound and with that of Japan Yen, US Dollar, Indian Rupees and EURO, st declining order of ER co-movement respectively. Japan Yen showed a negative respon all the chocks given to other ERs while the response of Sterling Pound is persistent shocks of Indian Rupées.