

## **Real interest rate parity in the ASEAN-5 countries : a nonlinear perspective.**

### **ABSTRACT**

This article aims at testing real interest parity (RIP) by using nonlinear unit root tests. The results from Kapetanios et al. (2003) demonstrated that the adjustment of ASEAN-5 real interest rates towards real interest rates in Japan and the US follows a nonlinear (stationary) process. Overall, the evidence is in favour of RIP.

**Keyword:** Real interest rate parity; Nonlinear unit root tests; ASEAN.