**COVID-19 Pandemic and Exchange Rate: A Lesson Learned from Indonesia**

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**Abstract**

This paper aims to capture the relationship between COVID-19 pandemic and exchange rate. We used high frequency data by employing daily data covering January 21, 2020 – June 29, 2022. Unlike most other studies that ignore the incubation period of COVID-19 in the number of daily transmission cases, we use the growth of COVID-19 as 14-day moving average of confirmed cases as main independent variables. Findings suggest that an increasing number of COVID-19 cases and related deaths has a long-term relationship with depreciation of rupiah exchange rate. The increase in the spread of COVID-19 which is broadcasted by the media drives market sentiment to be negative, through the efficient market hypothesis, the available information causes the rupiah to be depreciated. Amid the debate over the impact of the pandemic on the exchange rate, by using Indonesia as a lesson learned for emerging market economies, our research is a recent study that discusses this topic with completed data generating processes – when the pandemic has entered last wave phase. The disease outbreak channel is exists in the case of exchange rate behavior. The government needs to suppress massive news related to data on the spread of COVID-19 in various media, while still focusing on efforts to accelerate booster vaccination to tame the pandemic. A low interest rates imposed by the monetary authorities as an effort to encourage economic recovery can also put pressure on the exchange rate, so that other instruments such as foreign exchange intervention need to be optimized.

Keyword: *Indonesia,* *COVID-19 Pandemic, Rupiah Exchange Rate, and Efficient Market Hypothesis*.   
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