This paper investigates and analyzes the long-run equilibrium relationship between the Thai stock Exchange Index (SETI) and selected macroeconomic variables using monthly time series data that cover a 20-year period from January 1990 to December 2009. The following macroeconomic vari ables are included in our analysis: money supply (MS), the consumer price index (CPI), interest rate (IR) and the industrial production index (IP) (as a proxy for GDP). Our findings prove that the SET In dex and the selected macroeconomic variables are cointegrated at I (1) and have a significant equi librium relationship over the long run. Money supply demonstrates a strong positive relationship with the SET Index over the long run, whereas the industrial production index and consumer price index show negative long-run relationships with the SET Index. Furthermore, in non-equilibrium situations, the error correction mechanism suggests that the consumer price index, industrial pro duction index and money supply each contribute in some way to restore equilibrium. In addition, using Toda and Yamamoto's augmented Granger causality test, we identify a bi-causal relationship between industrial production and money supply and unilateral causal relationships between CPI and IR, IP and CPI, MS and CPI, and IP and SETI, indicating that all of these variables are sensitive to Thai stock market movements. The policy implications of these findings are also discussed.

KEY WORDS: JEL Classification: macroeconomic variables; cointegration; Thai Stock Exchange index (SETI); T-Y augmented Granger-causality