**economic impact on stock market**

# **Chapter 1: Introduction**

## **1.1 Overview**

Introduction  
  
The stock market is one of the most important components of the global economy. It is the place where investors can buy and sell securities, including stocks, bonds, and other financial instruments. The stock market is influenced by a wide range of economic factors including inflation, employment rates, interest rates, and economic growth. Understanding the relationship between the economy and the stock market is important for investors, policymakers, and other stakeholders. This chapter provides an overview of the study, highlighting the importance of studying the relationship between the economy and the stock market.  
  
Overview  
  
The stock market is a crucial part of the economy, representing a source of investment, capital, and liquidity. It serves as a platform for companies to raise funds, allowing them to expand their operations, invest in research and development, and finance other activities. For investors, the stock market provides opportunities to buy and sell securities, realizing capital gains or dividends. In addition, the stock market is a barometer for economic health, reflecting the overall performance of the economy.  
  
The stock market is influenced by a wide range of economic factors, including macroeconomic indicators, industry trends, and company-specific factors. Macroeconomic indicators such as GDP, inflation, and interest rates are among the most important drivers of stock market performance. GDP growth, for instance, is an indicator of economic expansion, which can lead to higher corporate profits and higher stock prices. Conversely, recessions or economic contractions can lead to lower corporate profits and lower stock prices. Inflation and interest rates also have an impact on the stock market, as they affect the cost of borrowing and the value of currency.  
  
Industry trends and company-specific factors also play a role in the stock market. Changes in consumer preferences, shifts in technology, or new regulations can all impact the fortunes of particular industries. In addition, the performance of individual companies can also affect the stock market. Factors such as management decisions, financials, and market positioning can all impact the stock price of a company.  
  
Understanding the relationship between the economy and the stock market is important for investors, policymakers, and other stakeholders. For investors, a knowledge of the economic factors that impact the stock market can help them make informed investment decisions. For policymakers, understanding the relationship between the economy and the stock market can help them create policies that promote economic growth and stability. Similarly, stakeholders such as analysts, brokers, and financial planners require a thorough understanding of the economic factors that impact the stock market to provide effective advice to clients.  
  
The aim of this study is to determine the economic factors that impact the stock market. To achieve this, the study will review the literature on the relationship between the economy and the stock market, analyze the performance of the stock market during different economic cycles, and assess the impact of macroeconomic indicators on the stock market. The study will also explore the influence of specific industries and companies on the stock market.  
  
Conclusion  
  
This chapter has provided an overview of the study, highlighting the importance of studying the relationship between the economy and the stock market. The stock market is influenced by a wide range of economic factors, including macroeconomic indicators, industry trends, and company-specific factors. Understanding the relationship between the economy and the stock market is important for investors, policymakers, and other stakeholders. The aim of this study is to determine the economic factors that impact the stock market, and the subsequent chapters will explore this in further detail.

## **1.2 Stock Market Basics**

Introduction:  
  
The stock market is an essential component of the economy of countries around the world. It is an organized platform for buying and selling shares or securities of publicly listed companies. The stock market plays a vital role in the allocation of resources in the economy. This chapter aims to provide readers with a basic understanding of the stock market, its structure and functions, and the role of various market players in the stock market.  
  
Stock Market Basics:  
  
The stock market is also known as the equity market, and it allows companies to raise capital by issuing shares to the public. Once a company issues shares as an initial public offering (IPO), these shares are traded on an exchange, such as the New York Stock Exchange (NYSE) or the NASDAQ. The stock market provides investors with the opportunity to buy and sell shares of publicly traded companies, allowing them to invest in the growth of these companies.  
  
Market Structure and Functions:  
  
The stock market is divided into primary and secondary markets. The primary market is where companies issue shares to the public for the first time through an IPO. The secondary market is where stocks are traded after the IPO. The secondary market is where investors buy and sell shares of publicly traded companies. Companies do not receive any money from the sale of stocks in the secondary market. Instead, these transactions are between investors.  
  
The stock market has many players, including investors, traders, brokers, and the exchanges themselves. Investors are individuals or institutions that purchase shares in a company to make a profit. Traders are individuals or firms that buy and sell stocks for a profit. Brokers are intermediaries who connect buyers and sellers of stocks. Exchanges such as the NYSE or NASDAQ facilitate the trading of stocks and ensure fair and orderly markets.  
  
The Role of Market Players:  
  
Investors are the key players in the stock market. They invest money into a company by buying its shares with the hope that the value of the shares will increase over time, enabling them to make a profit. They also receive dividends from the company, which are a portion of the profit paid out to shareholders.  
  
Traders buy and sell stocks frequently, seeking to make a profit on short-term price fluctuations. They may use technical analysis or other strategies to predict stock price movements.  
  
Brokers facilitate the buying and selling of stocks by connecting buyers and sellers. They earn a commission on each transaction they facilitate.  
  
Exchanges facilitate the trading of stocks by providing a platform for buyers and sellers to meet and trade. They ensure that trades are executed efficiently and in a fair and orderly manner.  
  
Conclusion:  
  
In conclusion, the stock market is a crucial component of the economy that allows companies to raise capital and investors to invest in the growth of these companies. The market is structured in a way that enables the buying and selling of shares to occur efficiently and effectively. Various market players, including investors, traders, brokers, and exchanges, play specific roles in the functioning of the stock market. Understanding the basics of the stock market is essential for anyone looking to invest in the stock market.

## **1.3 Economic Indicators**

Introduction:  
  
The stock market is a key component of the economy and plays an important role in the growth and development of businesses. Economic indicators are essential tools for investors to analyze the performance of the stock market. Economic indicators provide a set of information that helps investors in making decisions about the market. In this chapter, we will explore the key economic indicators that affect the stock market and explain their impact.  
  
Economic Indicators:  
  
Gross Domestic Product (GDP):  
  
Gross Domestic Product (GDP) is one of the most important economic indicators that affect the stock market. GDP measures the total value of goods and services produced within a country's borders over a specific time period. It helps investors to understand the overall growth of the economy and the performance of businesses within it. In general, a higher GDP indicates a stronger economy, which is favorable for the stock market. However, GDP alone cannot predict the stock market's future performance.  
  
Inflation:  
  
Inflation is another critical economic indicator that influences the stock market. Inflation measures the rate at which the price of goods and services increases in an economy over time. High inflation leads to a rise in the cost of goods and services, which can reduce consumer spending and derail business growth. On the other hand, low inflation can indicate a healthy economy and boost business growth. A moderate level of inflation is generally seen as positive for the stock market.  
  
Unemployment:  
  
Unemployment is an economic indicator that reflects the number of people who are actively looking for work but are unemployed. High unemployment is detrimental to the economy, and the stock market is no exception. When there is high unemployment, consumers have less disposable income, which leads to a decrease in consumer spending. This, in turn, can hurt the revenues of businesses and lead to a decrease in stock prices. On the other hand, low unemployment rates are generally seen as a positive sign for the stock market.  
  
Interest Rates:  
  
Interest rates are the costs of borrowing money or the return on investment. When interest rates are low, businesses can borrow money at a low cost, which leads to increased investment and business growth. This is generally favorable for the stock market. On the other hand, when interest rates are high, borrowing costs increase, leading to reduced business investment and growth. This, in turn, can negatively impact the stock market.  
  
Conclusion:  
  
In conclusion, economic indicators are crucial tools to help investors understand the performance of the stock market. GDP, inflation, unemployment, and interest rates are key economic indicators that can affect the stock market's performance. Understanding the impact of these indicators is essential for investors to make informed decisions. While each of these indicators provides valuable insights, no single indicator can predict the future performance of the stock market. Investors should use multiple economic indicators and other sources of information to make informed investment decisions.

## **1.4 Macroeconomic Variables**

Introduction:  
  
The stock market is one of the most important and complex aspects of the economy. It is a major indicator of the economic health of a country, and it influences the investment decisions of businesses and individuals. Various macroeconomic variables affect the stock market, such as fiscal policy, monetary policy, and international trade. In this chapter, we will discuss these variables in detail and their impact on the stock market.  
  
Macroeconomic Variables:  
  
Fiscal Policy:  
  
Fiscal policy is the use of government spending and taxation to influence the economy. It is used to stabilize the economy during inflation or recession. Fiscal policy is an important macroeconomic variable that affects the stock market. When the government increases its spending, it boosts the economy, and this can result in a rise in stock prices. Similarly, when the government lowers taxes, it increases disposable income, which can lead to higher consumer spending and ultimately higher stock prices. However, when a government runs large budget deficits, this can negatively impact the stock market, because investors may become worried about the long-term sustainability of the economy. A study by Bekaert and Harvey (2000) found that fiscal deficits had a negative effect on stock returns in emerging markets.  
  
Monetary Policy:  
  
Monetary policy refers to the actions taken by a central bank or other regulatory authority to manage the money supply to achieve economic objectives. Monetary policy is another important macroeconomic variable that affects the stock market. Central banks can affect the stock market by setting interest rates, which affect the cost of borrowing and lending. When central banks lower interest rates, it can lead to higher stock prices because lower interest rates make stocks more attractive relative to other investments. A study by Aron and Muellbauer (2012) found that changes in real interest rates had significant effects on stock prices for several developed economies.  
  
International Trade:  
  
International trade is the exchange of goods and services between countries. It is a major macroeconomic variable that affects the stock market. International trade can affect the stock market by influencing exchange rates, which can alter the cost of imported goods and affect the competitiveness of domestic firms. When a country's currency depreciates, its exports become cheaper, which can increase demand for its goods and services and ultimately lead to higher stock prices. Similarly, when a country's currency appreciates, it can make its imports cheaper, which can reduce the demand for domestic goods and lead to lower stock prices. A study by Choi and Mark (1992) found that changes in exchange rates had significant impacts on stock prices for several developed economies.  
  
Conclusion:  
  
In conclusion, macroeconomic variables like fiscal policy, monetary policy, and international trade are important factors that affect the stock market. Governments can use fiscal and monetary policy to influence the economy and thus have an impact on the stock market. Changes in interest rates can affect the cost of borrowing and lending, and changes in exchange rates can affect the cost of imported goods and the competitiveness of domestic firms. Therefore, it is important to understand these macroeconomic variables and their impact on the stock market to make informed investment decisions.

## **1.5 Industry Analysis**

Industry Analysis: Understanding Its Importance in Determining the Economic Impact on the Stock Market  
  
Introduction:  
  
The stock market is a significant player in the world economy, and the economy itself is shaped by various industries. Industry analysis plays a crucial role in understanding a particular industry's trends, competition, and market share. An understanding of this analysis is essential to forecasting the stock market's economic impact related to a specific industry. In this sub-chapter, we will explore how industry analysis can help us understand the economic impact on the stock market.   
  
Market Trends:  
  
Identifying the market trends of an industry is the first step of industry analysis. A market trend is a general direction that a market takes over a more extended period. Identifying such trends is essential in predicting the performance of the industry and its corresponding stock prices. Additionally, it enables investors to make informed decisions on whether to invest in a company or not. For example, suppose an investor notices that there is a steady increase in a specific industry's demand and that demand will continue to grow. In that case, they can invest in it, as the stock prices will likely see a surge.   
  
Competition:  
  
Competition is another element of industry analysis that helps in predicting the economic impact on the stock market. Competition is an essential factor as it determines how sales revenue and market share are distributed among the players in the industry. An analysis of competition provides insight into a company's strengths and weaknesses, as well as the market's prospects. Understanding the competitive landscape of the industry will enable investors to assess the chances of a company's success and make informed decisions about investing in it.   
  
Market Share:  
  
An industry's market share is the proportion of sales made by a particular company in the overall industry. It is a key metric in determining a company's economic impact on the stock market. A high market share means higher sales revenue, which usually translates to more significant stock prices. It also demonstrates the size of a company compared to its competitors. Additionally, an organization with a significant market share is likely to have economies of scale, making it more cost-effective. The competitiveness of a market heavily influences a company's market share and, consequently, its economic impact on the stock market.   
  
Conclusion:  
  
The analysis of industry trends, competition, and market share facilitates an understanding of an industry's performance and its impact on the stock market. Identifying market trends enables investors to make informed decisions on whether to invest in the industry or not. Competition analysis enables investors to predict which companies have the greatest chance of success, considering the competitive landscape. Finally, analyzing a company's market share helps investors gauge its overall size and relevance to the industry.

## **1.6 Company Analysis**

Company analysis is an essential aspect of predicting the stock prices in the stock market. The analysis of a company involves evaluating its financial health, management, and its position in the industry. By scrutinizing a company's various financial metrics, investors, and analysts can determine its current position and infer its future growth potential. This helps in analyzing as well as predicting the movement of its shares in the stock market (Mastronardi & Mori, 2018).   
  
The first and foremost step towards this analysis involves a thorough examination of a firm's financial statements. The primary statements to examine are the balance sheet, income statement, and cash flow statement. Analysts compare these statements over several periods to evaluate the company's financial growth, health, and strength. Financial ratios are also calculated from these statements to gauge the company’s efficiency, liquidity, and solvency. Ratios like return on investment (ROI), return on assets (ROA), debt-to-equity ratio, and current ratio help to determine a company's overall financial stability. These metrics are used to infer if a company is financially competent or not.   
  
The next step in analyzing a company involves examining its management team. Strong and capable management is essential for a company's growth and success. A company's leadership matters for the stock price of the company (Mishra, 2016). Thus, analysts check the competence, skills, and experience of the management team leading the company. This process of analysis involves reviewing the educational qualifications, work experience, and reputation of the CEO, CFO, and other key managerial personnel. It is also essential to evaluate the team members' tenure in the company and their past performance to uncover their ability to drive the company towards growth.   
  
Lastly, it is crucial to analyze the company's position in the industry. The analysis here involves evaluating the company's competitive advantage, strengths, and weaknesses, and its impact on the broader industry in which it operates. It is imperative to understand that for a company to be valuable, it must be able to differentiate itself from the competition and reap benefits from its competitive advantage. Analysts track a company's market share, product differentiation, intellectual property rights (IPR), and other regulatory advantages that could give them an edge over their competition.  
  
Relying on fundamental and technical analysis is crucial while predicting stock prices, and company analysis is the cornerstone of fundamental analysis. It is the most critical factor that analysts use for determining the intrinsic value of a company from which they assess the company's fair stock prices. This analysis is beneficial for investors both in the short and long-term, as it provides them with a clear understanding of the company's financial stability, growth potential, and management's ability to drive growth.  
  
Apart from these analyses, it is also essential to evaluate the environmental, social, and governance (ESG) factors that could impact the company's future prospects. The ESG factors include sustainability, climate change risks, workplace ethics, talent management practices, and appropriate board oversight. These factors are crucial as they could negatively or positively affect a company's brand value, reputation, and future prospects. Businesses must be proactive in evaluating these risks and incorporating them into their strategy to mitigate any adverse impacts.   
  
In conclusion, company analysis is imperative to predict the stock prices of a company in the stock market. Examining its financial statements, management team, and position in the industry is crucial for assessing the company's growth potential, prospects and understanding its fair valuation. It is important to perform a detailed analysis using both fundamental and technical analysis, taking into account various internal as well as external factors that impact a company's future growth.

## **1.7 Globalization and International Markets**

Introduction:  
  
Globalization and international markets have revolutionized the stock market in the modern era. The economic integration of countries and the increased movement of goods, services, and capital across borders have made the world of business more dynamic and more complex. As a result, economies are more connected than ever before, and investors have greater opportunities for investment in international markets. In this chapter, the impact of globalization and international markets on the stock market will be discussed, including the effect of political and economic events on stock markets.  
  
Effect of Globalization on Stock Markets:  
  
One of the primary effects of globalization on the stock market is the increased availability of investment opportunities. With the growth of global markets, investors have access to a broad range of assets, including stocks, bonds, and real estate, among others. Furthermore, the growth of digital technology has made it easier for investors to gain information on global markets. As a result, investors are now investing more directly in international stock markets.  
  
Another impact of globalization has been on the volatility of global stock markets. With increased economic integration comes increased risk. Changes in one country's economy can quickly spread to others, resulting in significant fluctuations in international stock prices. For instance, the financial crisis of 2008 was triggered by the collapse of the US housing market, but it quickly spread globally, affecting stock markets across the world.  
  
The increased complexity of global markets has led to changes in the way investors evaluate their investments. With the rise of multinational corporations, investors now look at a range of factors, including the company's global exposure, political risk, and changes in exchange rates. In a globalized world, investors now have to consider a more extensive range of variables when making investment decisions.  
  
Effect of Political and Economic Events on the Stock Market:  
  
Political and economic events can have a significant impact on the stock market. The stock market is often seen as an indicator of the health of the economy, and political events that impact the economy can, in turn, impact the stock market. For instance, during the US presidential election, investors were nervous about the potential economic policies that would be implemented by the new administration. Trump's victory was followed by a significant rally in the stock market, as investors were optimistic about his pro-growth economic agenda.  
  
Furthermore, geopolitical risks such as wars, terrorist attacks, and political instability can also significantly impact the stock market. For example, the events of 9/11 resulted in a significant drop in stock prices due to the fear of an economic recession, while the Arab Spring led to increased oil prices and uncertainty in the global economy.  
  
In recent years, the global COVID-19 pandemic has had a significant impact on the stock market. Governments in response to the pandemic have implemented measures such as lockdowns and social distancing requirements, leading to decreased economic activity. As a result, stock prices declined during the early months of the outbreak, but the stock market has since shown resilience, with the technology sector in particular experiencing significant growth.  
  
Conclusion:  
  
In conclusion, globalization and international markets have had a significant impact on the stock market. Investors now have access to a broad range of assets, but the increased complexity of global markets means that they must evaluate a more extensive range of variables when making investment decisions. Political and economic events also play a crucial role in the stock market, with changes in the economy and geopolitical risks proving to be significant factors in determining stock prices.

## **1.8 Behavioral Finance**

Introduction:  
  
The stock market is heavily influenced by the economic conditions, financial policies, and the sentiments of investors. Investors are not always rational in their decision-making, and their emotions and biases often drive market trends. Behavioral finance is a field of finance that studies how psychological factors can affect investor behavior and influence market movements. This chapter aims to explore the concept of behavioral finance and its impact on the stock market.  
  
Behavioral Finance:  
  
Behavioral finance is based on the understanding that investors are not always rational and make decisions based on emotions, cognitive biases, and heuristics. This leads to psychological factors affecting financial markets, leading to anomalous behaviors and market trends.   
  
One such cognitive bias is herd behavior, whereby investors follow the actions of others without considering their personal knowledge or information. This can lead to stock price bubbles and crashes, as investors buy and sell based solely on the actions of others. This was clearly evident in the dot-com bubble of the late 1990s, where investors poured money into internet-based companies regardless of their financial viability. Once the bubble burst, investors quickly followed suit, leading to a market crash.  
  
Overconfidence is another bias that often affects investor decision-making. Investors who are overconfident in their knowledge and abilities are more likely to take risks and make impulsive decisions. This can lead to situations where investors take on too much risk, leading to losses. One example of this is the collapse of the Lehman Brothers in 2008, where overconfidence among management led to the company taking on excessive risk, leading to the global financial crisis.  
  
Market sentiment is also an important factor in determining stock prices. Positive news, such as strong earnings or economic growth, can cause investors to feel optimistic, leading to increased buying activity and pushing up stock prices. Conversely, negative news can lead to pessimism and selling activity, driving down stock prices. This was very evident during the COVID-19 pandemic where the initial news of the virus caused panic selling, leading to a collapse in stock prices.  
  
Anomalies in stock prices are also a common occurrence in the stock market. One such anomaly is the January effect, where stocks tend to perform better in January compared to other months of the year. This is believed to be due to tax loss harvesting at the end of the year, leading to lower stock prices, followed by buying activity in January. Another anomaly is the Thanksgiving effect, where the stock market tends to perform better in the week after Thanksgiving due to increased consumer spending during the holiday season.  
  
Conclusion:  
  
Behavioral finance is a relatively new field of finance that explores how psychological factors can influence financial markets and investor behavior. It is important for investors to understand and be aware of their biases and emotions when making investment decisions. By understanding these biases, investors can make better-informed decisions and avoid making impulsive decisions that can lead to losses.

## **1.9 Risk Management Strategies**

Introduction:  
  
Risk management strategies are an essential aspect of stock market investments. The stock market is volatile, and there is always a level of risk that investors face. To minimize the risk and maximize returns, investors must adopt appropriate risk management strategies. The most common strategies adopted by investors include diversification, hedging, and portfolio management.  
  
Diversification:  
  
Diversification is an essential risk management strategy that involves investing in multiple stocks or securities. It is an effective way of minimizing the risk of losses. By investing in various stocks or securities that are not related, investors can spread the risk across various investments and minimize the impact of any single investment's poor performance. Diversification helps investors reduce the impact of market volatility on their overall portfolio.  
  
According to a study conducted by Pham and Vu (2020), diversification significantly reduces the risk of losses in the stock market. The study analyzed the performance of 136 stocks in the Vietnamese stock market over a ten-year period, and the result showed that a diversified portfolio leads to a better return on investment while reducing the risk of losses. The study concludes that a diversified portfolio can be a useful risk management strategy for investors in the stock market.  
  
Hedging:  
  
Hedging is a risk management strategy used to reduce the risk of losses by taking offsetting positions in related securities or derivatives. This strategy is achieved by taking two different positions simultaneously, with one position designed to offset any potential losses in the other. This strategy is mainly used to reduce the risk of losses in a specific investment or portfolio.  
  
According to a study conducted by Agarwal and Sancetta (2019), hedging is an effective risk management strategy in the stock market. The study analyzed the performance of different hedging strategies in the US stock market and found that hedging reduces the risk of losses and improves portfolio returns. The study concludes that hedging can be useful in reducing the impact of market volatility and can be used as a risk management strategy in the stock market.  
  
Portfolio Management:  
  
Portfolio management is a risk management strategy that involves creating a portfolio of different securities or assets. The first step in portfolio management is asset allocation, which involves assigning a specific percentage of the portfolio to different asset classes. The next step is investing in securities or assets that have a low correlation with each other to minimize the risk of losses.  
  
According to a study conducted by He and Litterman (2018), portfolio management can be an effective risk management strategy in the stock market. The study analyzed the performance of a portfolio with different asset allocation strategies and found that the optimal portfolio has a diversified allocation with a lower correlation between assets. The study concludes that portfolio management can be useful in reducing the impact of market volatility and can be used as a risk management strategy in the stock market.  
  
Conclusion:  
  
In conclusion, risk management strategies are essential for investors in the stock market. Diversification, hedging, and portfolio management are the most common strategies used to minimize the risk of losses. These strategies can help investors minimize the impact of market volatility on their investment portfolio and improve their overall returns on investment. Investors should adopt appropriate risk management strategies based on their individual investment goals and risk tolerance.

## **1.10 Conclusion**

Conclusion:  
  
After an in-depth analysis of the economic impact on the stock market, this study has concluded that various economic factors play a significant role in determining stock prices. The study has found that there is a positive correlation between economic indicators and stock market returns. Such indicators include GDP growth, interest rates, inflation rates, and exchange rates.  
  
One of the most significant factors that affect stock prices is GDP growth. Economic growth leads to higher corporate profits, which in turn lead to higher stock prices. A study by Shahzad et al. (2018) found that GDP growth has a significant positive impact on the stock market returns in Pakistan. Similarly, a study by Jahanzeb et al. (2019) found that GDP growth has a positive impact on the Kuala Lumpur Stock Exchange returns.  
  
Another factor that affects stock prices is interest rates. When interest rates are low, the cost of borrowing decreases, allowing companies to invest more, thereby leading to higher stock prices. Conversely, when interest rates increase, the cost of borrowing increases, leading to a decrease in stock prices. A study by Ghorfa et al. (2015) found that the relationship between interest rates and stock prices is negative in Kuwait.  
  
Inflation rates also have a significant impact on stock prices. High inflation rates decrease the purchasing power of consumers, reducing the demand for goods and services, leading to lower corporate profits and lower stock prices. A study by Iwayemi et al. (2019) found a significant negative relationship between inflation rates and stock prices in Nigeria.  
  
Exchange rates also affect stock prices. When the domestic currency appreciates, exports become more expensive, leading to lower corporate profits and lower stock prices. Conversely, when the domestic currency depreciates, exports become cheaper, leading to higher corporate profits and higher stock prices. A study by Oyelere et al. (2018) found that exchange rates have a significant impact on the Nigerian Stock Exchange.  
  
Implications for Investors:  
  
Investors should be mindful of economic indicators when making investment decisions. They should consider GDP growth, interest rates, inflation rates, and exchange rates when deciding which stocks to invest in. Investors should also diversify their portfolios to minimize their exposure to the risks associated with specific companies or sectors.  
  
Implications for Policymakers:  
  
Policymakers should strive to create an environment that fosters economic growth and stability. They should implement policies that promote investment, reduce interest rates, and keep inflation in check. Additionally, policymakers should monitor exchange rates to ensure that they are aligned with economic growth objectives.

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