“The impact of macroeconomic variables on stock prices in Pakistan; An industry Level analysis”.

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ABSTRACT

Purpose: This study attempts to examine the relationship between the stock prices and macroeconomic variables that are the inflation rate, interest rate, exchange rate and gross domestic product in Pakistan. The four industries on which the analysis has been done are the oil and gas industry of Pakistan, Chemical industry of Pakistan, Cement industry of Pakistan and the Insurance industry of Pakistan on the basis of the data available.

Design/Methodology/Approach: The research is done from year 2010 to 2017 on the basis of the monthly data. Stock price is taken as the dependent variable and the macroeconomic variables as independent variables. Regression analysis has been used to determine the relation in between the dependent and the independent variables.

Findings: The results of the study demonstrated that the impact of some macroeconomic variables differs between industry sectors, three variable have a homogenous impact in all the industries whereas the one variable has both significant and insignificant result in all of the industries.

Limitations: TheStudy has been done on the time span of 07 years, the researchers can increase the time span, and furthermore the macroeconomic variables used are four in number that can also be increased from four to a lot more.

Recommendations: The macroeconomic variables impact differs from industry to industry, if one variable has a significant effect on the stock price of the specific industry theother might not have that effect.

Keywords: Inflation rate, Interest rate, Gross domestic product, Exchange rate, Stock price, Stock market.

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