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The Effects of Macroeconomic Variables on Stock Prices: Evidence from BRIC



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Abstract

The aim of the research is to find out the relation of macroeconomic variables and stock prices of BRIC countries And to find out the causality among these macroeconomic variables and stock p rices in BRIC countries. Two variables inflation and exchange rate has been taken into account to check their effect on stock prices whereas four stock market indices like, BOVESPA 50 Index, RTS 50 Index, BSE 30 Index and SSE 50 Index are used as dependent variables of Brazil, Russia, India and China respectively. The monthly time series data is used from the period 1998 to 2018. Different test and techniques are used for findings in present research. Unit root (ADF) a pretest is used to check the stationary of time series data and regression model is employed to explore the effect of inflation and exchange rate on stock market indices of BRIC. The Granger Causality test is used to check whether causality exist among inflation, Exchange rate and stock prices in in BRIC. The empirical results of research indicates that inflation has inverse relationship with stock prices in BRIC except India, whereas, exchange rate has direct relationship with stock prices in BRIC except Brazil. Moreover, no causality exists between inflation and stock market prices in Brazil, Russia and India but unidirectional relationship exist between inflation and SSE 50 Index. On the other hand, exchange rate has unidirectional relation with BOVESPA 50 Index and RTS 50 Index and has bidirectional relation with BSE 30 Index and SSE 50 Index.

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