MACROECONOMIC INFLUENCES

ON THE STOCK PRICES

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EXECUTIVE SUMMARY

The objective of this study is to analyze the economic factors that are influencing the Pakistani stock prices, i.e., does the economy actually have a significant influence on the performance of the stock prices? If so, can investors benefit from significant relationships between the economy and the stock market? Thus the problem area of the study is the influence of the macroeconomic factors in terms of interest rates, exchange rates, inflation rates and market return on the stock prices?

The study therefore uses multiple regression analysis as a method to find that if significant relationship between these macroeconomic factors and stock prices exists or not. The data for the study is collected from different sources on monthly basis so as to get better results.

The use of monthly data allowed better results and understanding of the influence of the macroeconomic factors on the stock prices. It was observed that all the macroeconomic factors influence stock prices negatively and positively. Thus a clear relationship exists between them. The investors can only infer from these relationships of influence on the stock prices, the expected movement of the prices to benefit from these relationships.

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