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RT: Macroeconomic Variables and Stock Market Returns in Nigeria

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AB: A stock return is a measure of stock market performance and as such it is an indicator of the performance of traded equities in a stock exchange. Stock returns is measured by All Share Index (ASI) which is a value weighted index of all securities listed on the exchange. Over the years, the Nigerian Stock exchange has been characterized by loss of investors' confidence, low patronage, low liquidity and dwindling fortune. These have affected the development of the stock market, resulting in low stock returns. Macroeconomic indicators are the major factors affecting stock returns and poor performance of these indicators leads to low stock returns. In the case of Nigeria, extant literatures have not sufficiently addressed the effect of macroeconomic variables on stock returns. This study investigated the effect of macroeconomic variables (gross domestic product, money supply, exchange rate, inflation rate and crude oil price) on stock returns in Nigeria.

This study adopted an *ex-post facto* research design. Quarterly time series data covering a period of 13 years (2010(Q1) to 2022(Q4)) were used. Data for the study were obtained from Nigerian Bureau of Statistics, Central Bank of Nigeria and Nigerian Exchange (NGX) using purposive sampling techniques which are validated and published quarterly by the bodies. Autoregressive Distributed Lag model approach to cointegration was used to check for short and long run relationship between the dependent and the independent variables. Analysis was done using descriptive and inferential (multiple regression) statistics at 5% level of significance.

The findings of the study revealed that gross domestic product had significant effect on stock returns in Nigeria ($\beta = 0.62$, $t = 4.61$, $p < 0.05$). Findings also showed that money supply had

significant effect on stock returns ($\beta = 0.70$, $t = 3.59$, $p < 0.05$). Furthermore, exchange rate had significant effect on stock returns ($\beta = 0.48$, $t = 3.38$, $p < 0.05$). Study also showed that inflation rate had significant effect on stock returns ($\beta = 0.06$, $t = 2.93$, $p < 0.05$). Finally, crude oil price had significant effect on stock returns ($\beta = 0.61$, $t = 5.78$, $p < 0.05$).

The study concluded that the selected macroeconomic variables improved stock returns in Nigeria within the period of study. The study therefore recommended that Federal Government and regulatory agencies should improve macroeconomic variables in order to ensure better performing stock returns in Nigeria.

Keywords: All share index, Crude oil price, Macroeconomic variables, Stock returns, Traded equity

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