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Effect of Selected Macroeconomic Variables on Stock Market Prices in Nigeria

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Abstract

This study examined the effect of selected macroeconomic variables on stock market prices in Nigeria, focusing on exchange rate, GDP growth rate, inflation rate, interest rate and money supply. An ex-post facto research design was adopted using annual time-series data for 1985–2024 obtained from the Central Bank of Nigeria, the National Bureau of Statistics and the Nigerian Exchange Group. The Augmented Dickey-Fuller test established mixed orders of integration, while the Autoregressive Distributed Lag (ARDL) bounds-testing approach examined short- and long-run relationships. The findings indicate that the variables are cointegrated. In the short run, money supply has a positive weakly significant effect, while interest rate, GDP growth and exchange rate are statistically insignificant; inflation has a weak positive effect. In the long run, money supply has a significant positive effect on stock market prices, whereas exchange rate, GDP growth, inflation and interest rate are statistically insignificant. The study concludes that money supply is the dominant macroeconomic variable influencing stock market prices in Nigeria. Policy measures should therefore promote adequate market liquidity while maintaining macroeconomic stability and stronger linkages between the real and financial sectors.

Keywords:
Stock market prices, Exchange rate, GDP growth, Inflation, Interest rate, Money supply.

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Background of the Study

The stock market is a vital component of every modern economy because it facilitates capital formation, investment, and economic growth. It provides a platform through which governments and corporations raise long-term funds while offering investors opportunities to earn returns on their investments (Bhargava & Konku, 2023). In Nigeria, the Nigerian Exchange Group (NGX) serves as an important indicator of economic performance and reflects investors' expectations regarding future economic activities (Ajala et al., 2021). Stock prices are influenced by both firm-specific and macroeconomic factors. Among the major macroeconomic variables affecting stock market performance are exchange rate, GDP growth rate, inflation rate, interest rate, and money supply. Exchange rate fluctuations influence firms' profitability, particularly in import-dependent economies such as Nigeria, while GDP growth signals overall economic performance and corporate profitability. Inflation affects purchasing power and investment returns, whereas interest rates determine the cost of borrowing and investment decisions. Similarly, changes in money supply influence market liquidity and investors' participation in the equity market (Zhang, 2023; Islam et al., 2023). Over the years, Nigeria has experienced persistent macroeconomic instability characterized by exchange rate volatility, rising inflation, fluctuating interest rates, and changes in monetary policy. These developments have significantly influenced investor confidence and stock market performance. Although previous studies have examined the relationship between macroeconomic variables and stock market performance, their findings remain inconsistent due to differences in methodology, sample periods, and variable selection. Consequently, there is a need for further empirical investigation using recent Nigerian data.

Statement of the Problem

The relationship between macroeconomic variables and stock market prices remains inconclusive in both theoretical and empirical literature. While some studies report positive relationships, others reveal negative or insignificant effects. Exchange rate volatility, inflation, interest rate movements, GDP growth, and money supply continue to create uncertainty in the Nigerian financial market, making it difficult for investors and policymakers to accurately predict stock market behaviour.

Furthermore, many previous studies focused on developed economies or employed different macroeconomic indicators and econometric techniques. Recent macroeconomic developments in Nigeria, including exchange rate reforms, inflationary pressures, and changes in monetary policy, justify a re-examination of the relationship between selected macroeconomic variables and stock market prices using updated data.

Objectives of the Study

The main objective of this study is to examine the effect of selected macroeconomic variables on stock market prices in Nigeria.

Specifically, the study seeks to:

i. examine the effect of exchange rate on stock market prices;
ii. determine the effect of GDP growth rate on stock market prices;
iii. assess the effect of inflation rate on stock market prices;
iv. investigate the effect of interest rate on stock market prices; and
v. ascertain the effect of money supply on stock market prices in Nigeria.

Research Hypotheses

The Study Tests the Following Null Hypotheses:

H01: Exchange rate has no significant effect on stock market prices in Nigeria.
H02: GDP growth rate has no significant effect on stock market prices in Nigeria.
H03: Inflation rate has no significant effect on stock market prices in Nigeria.
H04: Interest rate has no significant effect on stock market prices in Nigeria.
H05: Money supply has no significant effect on stock market prices in Nigeria.

Empirical Review

Exchange Rate and Stock Market Prices

The study of Javangwe and Takawira (2022) looked at exchange rate movement and stock market performance: This study specifically aimed at investigating the causal relationship between the Turkish stock market returns, namely XU100, and foreign exchange rates, namely USD/TRY and EUR/TRY, in Turkey using the wavelet coherence approach. In this study, we focus on the period from April 2000 to March 2019. Our findings reveal the following: (i) While we identify substantial volatility in the exchange rate during the 2000 November (banking crisis), 2001 February (economic crisis), and 2018 July (exchange rate crisis) periods, significant volatility was observed in the Turkish stock market during the 2000 banking crisis, 2001 economic crisis, and 2008 global crisis periods; (ii) There is a negative correlation between the Turkish stock market and foreign exchange rates at different frequencies over the selected sample period; (iii) A unidirectional causality runs from the Turkish stock market to foreign exchange rates between 2000 and 2004 at a scale of 4 months and between 2008 and 2012 at a scale of 32 months; (iv) Although inconsistent results are observed for the models of USD/TRY-XU100 and EUR/TRY-XU100, our empirical results show that the correlations between USD/TRY and XU100 are stronger than between EUR/TRY and XU100.

Gross Domestic Product Growth Rate and Stock Market Prices

The study of Bhandari (2025) evaluated the relationship between stock market performance and GDP growth in Nepal, employing the Autoregressive Distributed Lag (ARDL) bounds testing approach and Granger causality analysis using annual time-series data from 1994 to 2024. The results confirm a long-run association between stock market indicators and GDP growth, with market capitalisation and the number of listed companies exerting significant positive effects on economic growth. Interest rates positively influence stock market performance, while inflation, measured by the Consumer Price Index, negatively affects both GDP and market growth in the short run. Granger causality tests reveal bidirectional relationships between GDP and market

capitalisation, as well as between market capitalisation and interest rates, inflation, and the number of listed companies. The error correction term confirms a long-run equilibrium, indicating that stock market fluctuations have a sustained effect on economic stability. The findings underscore the importance of macroeconomic stability, regulatory reforms, and investor confidence in enhancing the stock market's role as a driver of economic growth.

Inflation Rate and Stock Market Prices

Alawadhi (2023) studied inflation and stock market growth. The study used the time series approach and collected data comprising 33,536 successful or withdrawn IPOs from 22 nations with various legal and cultural systems. This study applies a probit model utilizing version 15 of Stata statistical software. The study tudy finds that inflation is substantially and positively correlated with the likelihood of IPO withdrawal. Results of this study show that the IPO withdrawal decision increases up to 90% when the inflation rate climbs by 10%. Multiple robustness tests provide consistent findings. This study however used a different set of exogenous variables and excluded GDP growth rate and exchange rate from its model.

Interest Rate and Stock Market Prices

The study of Amanda et al, (2023) evaluated the effect of inflation, exchange exchange, interest rate on stock price in the transportation sub-sector. The study focused on the effect of inflation, exchange rates, interest rates on stock prices in the transportation sub-sector in 2018 to 2020. The study adopted the time series approach. The data used is secondary data obtained from the website id.investing.com and data published by Bank Indonesia. The sample in this study were 11 transportation companies listed on the IDX for the 2018-2020 period. The sampling technique used purposive sampling. The data analysis method in this study is the panel data regression analysis method. The results of the study prove that partially, the inflation variable (X1) has a positive and significant effect on stock prices (Y), exchange rates (X2) has no significant negative effect on stock prices (Y), interest rates (X3), no significant positive effect on stock prices. Furthermore, the simultaneous test results prove that Ftable of 4.46 is much smaller than Fcount, namely 11.73007. However, this study focused on transportation sector the economy, leaving out other sectors.

Money Supply and Stock Market Prices

The study of Trecy et al (2024) evaluated inflation, exchange rate, and interest rate on stock market performance in South Africa. The study focused on addressing gap the gap in time frame by examining extensive South African data spanning from the first quarter of 2010 to the fourth quarter of 2022. The study constructs a sample space of 48 quarters, utilizing the JSE All Share Price Index as a substitute for measuring stock market performance. Furthermore, it incorporates additional macroeconomic data from reputable sources like the Federal Reserve Bank of St. Louis and the South African Reserve Bank. The study employ the auto-regressive distributed lag (ARDL) model to examine the relationship between the stock prices of the Johannesburg Stock Exchange (JSE) and various variables, including inflation, interest rates, and exchange rates. The unit root test results indicate

that the exchange rate integrates at order zero (I(0)), while the share price index, inflation, and interest rate integrate at order one (I(1)). The model explains roughly 96.5% of the variability in the dependent variable. Findings show that short-term interest rates have a significant and negative effect on the Johannesburg stock market's performance.

Theoretical Framework

Arbitrage Pricing Theory: Developed by Stephen Ross (1976), APT states that stock prices are influenced by several macroeconomic factors rather than a single factor. This makes it the best theoretical foundation for the study because it accommodates all independent variables: Exchange rate, GDP growth rate, Inflation rate, Interest rate and Money supply.

Methodology

The study employs an ex-post facto research design using annual time-series data covering the period 1985–2024. Data are obtained from the Central Bank of Nigeria (CBN), the National Bureau of Statistics (NBS), and the Nigerian Exchange Group (NGX). Stock market prices serve as the dependent variable, while exchange rate, GDP growth rate, inflation rate, interest rate, and money supply constitute the explanatory variables. The study applies the Autoregressive Distributed Lag (ARDL) model because it accommodates variables integrated at different orders and estimates both short-run and long-run relationships.

The model is specified as:

Where:
STMP = Stock Market Prices
EXCR = Exchange Rate
GDPGR = GDP Growth Rate
INFR = Inflation Rate
INTR = Interest Rate
MS = Money Supply
ε = Error Term

$$STMP_t = \beta_0 + \beta_1 EXCR_t + \beta_2 GDPR_t + \beta_3 INFR_t + \beta_4 INTR_t + \beta_5 MSPL_t + \mu_t$$

Data Presentation

This section of this study covers data presentation which is presented in appendix A. The study focuses on analysing the effects of macroeconomic variables on stock market prices in Nigeria. The study used time series secondary data over the period of thirty-seven years covering 1985 to 2024. The exogenous variables of this study are exchange rate, GDP growth rate, inflation rate, interest rate and money supply, while the endogenous variable is stock market price

Data Analysis

Table 1: Summary of Descriptive Statistics

	LOGSTMP	LOGEXCR	LOGGDPGR	LOGINFLR	LOGINTR	LOGMOS
Mean	7.477953	4.446434	1.511900	2.742493	2.604660	7.704582
Median	7.752039	4.857096	1.506075	2.555676	2.602690	7.877743
Maximum	10.29977	6.806365	2.291524	4.288265	3.258097	11.35475
Minimum	3.728821	1.510722	1.180499	1.684545	1.808289	3.169954
Std. Dev.	1.937320	1.357394	0.212356	0.703225	0.273005	2.511802
Skewness	-0.382201	-0.437382	1.092868	0.733241	-0.414139	-0.328220
Kurtosis	2.158040	2.294524	5.788256	2.554026	4.238317	1.798180
Jarque-Bera	2.101463	2.052224	20.39670	3.817873	3.606644	3.047336
Probability	0.349682	0.358398	0.000037	0.148238	0.164751	0.217911
Observations	39	39	39	39	39	39

Source: E-views Computation, 2026

The descriptive statistics show that the variables exhibit fairly stable distributions, with mean and median values being relatively close, indicating approximate symmetry. Money supply (LOGMOS) and stock market price (LOGSTMP) recorded the highest mean values, while GDP growth rate (LOGGDPGR) and exchange rate (LOGEXCR) had comparatively lower averages. The wide ranges and higher standard deviations of LOGMOS and LOGSTMP indicate greater volatility, whereas interest rate (LOGINTR) and inflation rate (LOGINFLR) were relatively more stable. The skewness results reveal Jarque–Bera test that most variables are slightly negatively skewed, except inflation and GDP growth rate, which are positively skewed. Kurtosis values suggest that most variables are approximately normally distributed. The further confirms that all variables, except GDP growth rate, follow a normal distribution, as their probability values exceed the 5% significance level**.**

Table 2: Correlation Analysis

	LOGSTMP	LOGEXCR	LOGGDPGR	LOGINFLR	LOGINTR	LOGMOS
LOGSTMP	1.000000					
LOGEXCR	0.788862	1.000000	0.451222	0.254322	0.147858	0.528410
LOGGDPGR	0.150467		1.000000	0.045436	0.061090	0.439076
LOGINFLR	0.156603			1.000000	0.400259	0.186601
LOGINTR	0.441820				1.000000	0.213725
LOGMOS	0.619717					1.000000

Source: E-views Computation, 2026

The correlation matrix shows the degree and direction of the relationships among broad money supply (LOGMOS), interest rate (LOGINTR), inflation rate (LOGINFLR), GDP

growth (LOGGDPGR), exchange rate (LOGEXCR), and stock market prices (LOGSTMP). The results indicate that stock market prices and money supply have the strongest positive relationship (0.789), suggesting that increased liquidity is associated with higher stock market prices. Exchange rate also has a moderate positive relationship with stock market prices (0.620) and money supply (0.528), indicating that monetary expansion is linked to exchange rate depreciation. Money supply is moderately associated with GDP growth (0.442 and 0.439), implying that expansionary monetary policy may support economic growth. Interest rate and inflation rate exhibit generally weak correlations with the other variables, suggesting limited direct relationships during the study period. Inflation shows its strongest association with interest rate (0.400), reflecting the use of monetary policy to control inflation. Furthermore, GDP growth is moderately correlated with exchange rate (0.451), indicating that exchange rate movements have a noticeable influence on Nigeria's economic growth.

Table 3: Stationarity Test

Variables	Test	T-statistic at Intercept	Critical value at 5%	Probability	Results
LOGSTMP	ADF	-3.334993	-2.948404	0.0207	I(1)
LOGEXCR	ADF	-5.818476	-2.943427	0.0000	I(1)
LOGGDPGR	ADF	-4.046318	-2.943427	0.0033	I(0)
LOGINFLR	ADF	-3.035981	-2.941145	0.0405	I(0)
LOGINTR	ADF	-5.314036	-2.945842	0.0001	I(1)
LOGMOS	ADF	-3.890973	-2.951125	0.0053	I(0)

Source: E-views Computation, 2026

The Augmented Dickey-Fuller (ADF) unit root test indicates that the variables are integrated at mixed orders, with some stationary at level I(0) and others at first difference I(1). Specifically, LOGMOS, LOGINFLR, and LOGGDPGR are stationary at level, while LOGSTMP, LOGINTR, and LOGEXCR become stationary after first differencing. Since none of the variables is integrated beyond I(1), the data satisfy the requirements for the ARDL model. This confirms that the ARDL approach is appropriate for examining both the short-run and long-run relationships between macroeconomic variables and stock market prices without producing spurious results.

Table 4: ARDL Bound Test

Test Statistic	**Value**	**Signif.**	**I(0)**	**I(1)**
F-statistic	3.516935	10%	2.08	3
K	5	5%	2.39	3.38
		1%	3.06	3.15

Source: E-views Computation, 2026

The ARDL bounds test result presented above assesses the presence of a long-run relationship (cointegration) among the variables in the model. The test compares the computed F-statistic with the critical lower bound (I(0)) and upper bound (I(1)) values at various significance levels. If the F-statistic exceeds the upper bound value, a long-run relationship exists; if it is below the lower bound, there is no long-run relationship; and if it falls between the bounds, the result is inconclusive. The computed F-statistic is 3.516935, with K = 5 (indicating five explanatory variables). Comparing the F-statistic to the critical values, at the 5% significance level, the lower and upper bounds are 2.39 and 3.38, respectively. Since 3.5169 > 3.38, the F-statistic is greater than the upper bound value. This clearly indicates that the null hypothesis of no long-run relationship can be rejected at the 5% level. In summary, the macroeconomic variables under study, money supply, interest rate, inflation rate, GDP growth, exchange rate and stock market prices are jointly determined and interdependent over the long term.

Table 5: Summary of Short-run Result

Conditional Error Correction Regression				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.326516	0.213234	1.531259	0.1365
LOGSTMP(-1)*	-0.137537	0.065340	-2.104933	0.0441
D(LOGSTMP(-1))	0.448825	0.181741	2.469591	0.0197
LOGEXCR**	0.024331	0.047397	0.513333	0.6116
LOGGDPGR**	-0.070800	0.094295	-0.750840	0.4588
LOGINFLR**	0.051797	0.030576	1.694038	0.1010
LOGINTR**	-0.011211	0.072674	-0.154268	0.8785
LOGMOS**	0.086124	0.050344	1.710696	0.0978

Source: E-views Computation, 2026

The Error Correction Model (ECM) result derived from the ARDL estimation explains the short-run dynamics and adjustment process of stock market prices (LOGSTMP) in response to variations in money supply (LOGMOS), interest rate (LOGINTR), inflation rate (LOGINFLR), GDP growth rate (LOGGDPGR), and exchange rate (LOGEXCR) in Nigeria. The model's dependent variable is the first difference of stock market prices, D(LOGSTMP), which captures short-run changes in the market. The inclusion of the lagged value of stock market prices, LOGSTMP(-1), shows the speed of adjustment to long-run equilibrium whenever there is a shock in the system. The coefficient of the lagged stock market variable LOGSTMP(-1) is negative and statistically significant at the 5% level, with a value of -0.1375. This negative sign is theoretically consistent with the expectation that any disequilibrium from the long-run equilibrium level is corrected over time. The magnitude of this coefficient indicates that about 13.8% of short-run disequilibrium is corrected each period, meaning the stock market gradually returns to its long-run equilibrium following any shock. This result confirms the existence of a stable long-run relationship between stock market performance and the selected macroeconomic indicators.

The coefficient of money supply (LOGMOS) is positive (0.0861) and weakly significant at the 10% level, suggesting that increases in money supply stimulate stock market growth in the short run. This outcome aligns with economic theory which posits that higher money supply boosts liquidity, encourages investment, and increases demand for financial assets, thereby raising stock prices. In the Nigerian context, this implies that expansionary monetary policy tends to enhance market performance by making more funds available for investment. However, excessive monetary expansion may lead to inflationary pressures if not properly managed.

The coefficient of the interest rate (LOGINTR) is negative (-0.0112) but statistically insignificant, implying that changes in interest rates exert little or no short-run influence on stock market prices in Nigeria. This could mean that the Nigerian stock market does not respond strongly to interest rate fluctuations due to the limited integration between the money and capital markets. Similarly, the coefficient of inflation rate (LOGINFLR) is positive (0.0518) and weakly significant at 10%, indicating that moderate inflation may positively influence stock prices in the short term. This could occur because investors may view equities as a hedge against inflation. However, if inflation rises excessively, it could erode real investment returns and harm market performance, meaning the positive effect applies mainly to mild or anticipated inflation.

The coefficients of GDP growth rate (LOGGDPGR) and exchange rate (LOGEXCR) are negative (-0.0708) and positive (0.0243) respectively, but both are statistically insignificant. This shows that short-term movements in real economic growth and exchange rate do not have a significant impact on the stock market. The weak relationship between GDP growth and stock market performance may reflect the structural disconnect between Nigeria's real economy and financial markets, where economic growth does not always translate into improved corporate profitability or market capitalization. Likewise, the insignificant effect of exchange rate suggests that foreign exchange volatility does not immediately affect stock prices, possibly because of limited foreign investor participation or the market's adaptation to exchange rate fluctuations.

The lagged change in stock market prices, D(LOGSTMP(-1)), is positive and statistically significant with a coefficient of 0.4488. This indicates a strong short-run persistence or momentum effect in stock market behavior, meaning that previous increases in stock prices tend to positively influence current market performance. In practical terms, this could reflect investor expectations and herd behavior, where past market trends guide current investment decisions.

Table 6: Summary of Long-Run Form

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOGEXCR	0.176903	0.331088	0.534308	0.5972
LOGGDPGR	-0.514775	0.815385	-0.631328	0.5328
LOGINFLR	0.376602	0.340625	1.105620	0.2780
LOGINTR	-0.081514	0.541759	-0.150462	0.8814
LOGMOS	0.626186	0.196032	3.194306	0.0034

Source: E-views Computation, 2026

The ARDL long run shows the long-run effects of broad money supply (LOGMOS), interest rate (LOGINTR), inflation rate (LOGINFLR), gross domestic product growth (LOGGDPGR), and exchange rate (LOGEXCR) and on stock market prices (LOGSTMP) in Nigeria. In the long-run estimation, the coefficient of broad money supply (LOGMOS) is 0.6262 and statistically significant (p = 0.0034). This indicates that a 1% increase in money supply leads to a 0.63% increase in stock market prices in the long run. This strong positive relationship suggests that expansionary monetary policy enhances liquidity and investor confidence, thereby boosting equity demand and prices. This result aligns with the liquidity effect hypothesis, which posits that monetary growth positively impacts asset prices by increasing the availability of investable funds. In the long-run, interest rate, inflation, GDP growth, and exchange rate have statistically insignificant coefficients. The negative coefficient of interest rate (–0.0815) implies that higher borrowing costs could suppress stock investment and reduce market performance, though this relationship is weak in the Nigerian context. The positive coefficient of inflation (0.3766) indicates that moderate inflation may raise nominal stock prices, possibly because firms pass on higher costs to consumers, increasing revenues in nominal terms. However, excessive inflation could erode real returns, which may explain why the relationship lacks statistical strength.

The negative sign on GDP growth (–0.5148) suggests that during periods of real economic expansion, investors might prefer channelling funds into the productive sector rather than financial markets, reflecting Nigeria's relatively shallow financial integration. Similarly, the positive but insignificant coefficient of exchange rate (0.1769) suggests that naira depreciation may modestly raise stock prices through valuation effects on foreign-denominated earnings of listed firms. The combined short-run and long-run results suggest that broad money supply is the dominant determinant of stock market prices in Nigeria, while other macroeconomic indicators exert weaker influences. The significant and negative error correction term confirms long-run stability, and the positive short-run lag effect reflects market inertia and momentum-driven trading behavior.

The results also suggest that monetary policy plays a crucial role in influencing stock market performance. Expansionary policies that increase money supply tend to boost stock prices by enhancing liquidity and investor participation. However, policymakers must balance this against inflationary pressures, as excessive liquidity can distort asset prices and undermine macroeconomic stability. The weak effects of GDP growth and interest rate suggest that Nigeria's financial market is still developing and less sensitive to real-sector fundamentals, underscoring the need for deeper financial integration and stronger transmission mechanisms between the real and financial sectors

Table 7: Heteroskedasticity Tests Result

Heteoskesdasticity Result			
F-statistic	1.309861	Prob. F(7,29)	0.2810
Obs*R-squared	8.888202	Prob. Chi-Square(7)	0.2608
Scaled explained SS	6.708911	Prob. Chi-Square(7)	0.4598

Source: E-views Computation, 2026

The Breusch–Pagan–Godfrey heteroskedasticity test is used to determine whether the variance of the residuals (errors) in a regression model is constant or varies across observations. From the result, the F-statistic is 1.309861 with a corresponding probability value (p-value) of 0.2810. Similarly, the Obs R-squared statistic is 8.888202 with a p-value of 0.2608, while the Scaled explained SS statistic is 6.708911 with a p-value of 0.4598. In all three cases, the p-values are greater than the conventional significance levels of 0.01, 0.05, and 0.10. This implies that the study fails to reject the null hypothesis of homoskedasticity (that the residuals have constant variance). In other words, there is no evidence of heteroskedasticity in the model. The residuals are evenly distributed across the fitted values, meaning the model's variance is stable and the standard errors of the coefficients are reliable.

Table 7: Breusch-Godfrey Serial Correlation LM Test:

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	0.048989	Prob. F(2,27)	0.9523
Obs*R-squared	0.133780	Prob. Chi-Square(2)	0.9353

Source: E-views Computation, 2026

The Breusch–Godfrey Serial Correlation LM test result presented above is also used to check whether serial correlation (autocorrelation) exists in the residuals of a regression model. Serial correlation occurs when the error terms in one period are correlated with error terms in another period, violating one of the key assumptions of the classical linear regression model (CLRM). From the result, the F-statistic is 0.048989 with an associated p-

value of 0.9523, while the Obs R-squared statistic is 0.133780 with a p-value of 0.9353. Both p-values are far greater than the conventional significance levels of 0.01, 0.05, or 0.10.

Since the p-values (0.9523 and 0.9353) are much higher than 0.05, there is no statistical evidence of serial correlation in the residuals of the model. This implies that the error terms are independent over time and do not exhibit systematic patterns.

Findings

This study examined the effect of selected macroeconomic variables exchange rate, GDP growth rate, inflation rate, interest rate, and money supply on stock market prices in Nigeria. It reviewed relevant concepts the relationship between macroeconomic indicators and stock market prices. The study adopted an ex post facto research design and used secondary data obtained from the Central Bank of Nigeria Statistical Bulletin covering the period 1985–2024. The Autoregressive Distributed Lag (ARDL) model was employed for analysis because the variables were integrated at mixed orders.

The findings revealed that money supply has a significant positive effect on stock market prices, indicating that increased liquidity promotes investment and capital market growth. In contrast, exchange rate and GDP growth rate showed no significant relationship with stock market prices, suggesting a weak connection between Nigeria's real economy and the capital market. Inflation exhibited a mild positive effect, implying that moderate inflation may encourage investors to hold equities as a hedge against rising prices, although excessive inflation could reduce real investment returns. Interest rate had a weak negative influence on stock prices, indicating that high borrowing costs may discourage investment in the equity market.

Conclusion

This study examined the effect of selected macroeconomic variables exchange rate, GDP growth rate, inflation rate, interest rate and money supply on stock market prices in Nigeria over the period 1985–2024. The ARDL results establish a long-run relationship among the variables. The evidence shows that money supply is the most important determinant of stock market prices in the estimated model, with a significant positive long-run effect and a positive weakly significant short-run effect. Exchange rate, GDP growth rate, inflation rate and interest rate do not have statistically significant long-run effects, while their short-run effects are also generally weak or insignificant. The significant error-correction mechanism indicates that deviations from long-run equilibrium are gradually corrected over time. Overall, the findings suggest that monetary liquidity has a more direct association with Nigerian stock market prices than the other selected macroeconomic variables during the study period. The study therefore contributes empirical evidence on the macroeconomic determinants of stock market prices in Nigeria and highlights the importance of balanced monetary policy, market liquidity and stronger integration between the real and financial sectors.

Recommendations

Based on the findings, the study recommends that the government should maintain a stable exchange rate through consistent policies and economic diversification, strengthen the link between the real sector and the capital market by encouraging more productive firms to list on the Nigerian Exchange, and ensure moderate inflation through sound monetary policies. It also recommends reducing borrowing costs to stimulate private sector investment and implementing a balanced expansionary monetary policy that provides adequate liquidity while controlling inflation. These measures would enhance investor confidence, improve stock market performance, and support sustainable economic growth in Nigeria.

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