

Factors that impact on stock market

[Finance](#), [Market](#)



Stock market is the place where all stocks and other securities buy and sell. Pakistan has three main stock markets (KSE, LSE, ISE). Among these stock exchanges Karachi stock exchange founded on 18 September 1947. It was the largest stock exchange in Pakistan and oldest in the South Asia. It is growing day by day.

Many ups and downs are occurring in KSE due to political instability, securities threats and macro-economic issues but due to negative issues. It shows a positive progress. Two types of KSE, 100 and KSE 30 index. KSE 100 index rapidly growing in Pakistan indexes. 2013 is the best year in history of stock market in Pakistan on December 31 (25,261) points are achieved which are great achievements.

Top five companies in KSE 100 index are by capitalization and weightage. No. Company Names Weightage % Market capitalization (PKR) in Million

| No. | Company Names | Weightage % | Market capitalization (PKR) in Million |
|-----|-------------------------|-------------|--|
| 1 | OGDCL | 14.14 | 550,948,930,000 |
| 2 | MCB | 7.17 | 279,583,150,000 |
| 3 | BOP | 5.43 | 211,726,900,000 |
| 4 | Pakistan petroleum | 5.06 | 197,201,080,000 |
| 5 | Standard chartered Bank | 4.41 | 171,704,800,000 |

Literature Review

According to researcher's stock market in country play a vital role in economy growth. Many factors that have an impact on stock market. These factors may decrease the performance or may increase the performance. Government of every country should encourage these factors that may increase the performance and should discourage these factors that have diverse impact on stock market.

A study many articles and every paper about these factors but found that interest rate has a negative impact on stock market. Interest rate also decrease the efficiency of stock market. Davidson (1996) focus the relationship Between both variables and use regression analysis to define the relationship. He found that important impact of interest rate on stock market. his results are focus on long term interest rate that are play fundamental role in price dividend ratios.

Knut (1996) he found that those countries with less interest rate has strong market as compere to who have high interest rate. He also says that develop countries having low rate that's way its market is extra ordinary. Kellen (2000) worked develop markets (south Africa, Zimbabwe) he says that in this market high interest rate think to huge loss market and its prices. After study the markets he found that relationship is negative in both variables.

Hosing (2004) find out variables have different impact on each other. variables were interest rate, exchange rate and stock market. but at the end he found that negative relationship between interest rate and stock market. Zoran (2005) worked with macro factors i. e. World War II and he also found opposite relation between both variables. He also focused on cycle's research. For example: ten to fifteen years etc. Salahuddin (2009) study two factors that can impact on country growth and reduction.

These factors are interest rate and stock exchange. Salahuddin investigate about these variables and he found that both variables have negative impact on each other. Zahid (2010) also study macro variables and stock market

index and found that interest rate and inflation has negative impact on stock market.