Review of: "Does Exchange Rate and Interest Rate Affect Stock Prices in Nigeria?"

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The article investigates some traditional relationships in the field of Finance, which are those between stock market indexes (or stock prices) and both interest rates and exchange rates. Generally, studies found strong effects between these variables. However, the author does not find long-term relationships using the ARDL approach (Pesaran et al., 2001). With regard to this econometric method, it is relevant to note that Pesaran and Shin (1999) warn that the ARDL approach requires that the independent variables I(1) cannot be cointegrated between themselves. Amorim and Resende (2023) justify the specification of a ARDL model based on this argument. Macroeconomic theory has known relationships between some of the author's independent variables, and he finds that three of them are I(1). Therefore, there seems to be a problem in the specification of the model, and it may have motivated the results of the absence of long-term relationships. I suggest two alternatives. On the one hand, ARDL models usually include a few variables, and more parsimonious models could be an alternative for the author. On the other hand, ECM models in the approach of Johansen (1988) do not have the mentioned restriction and may be other alternative for the author, including as a robustness test.

Rereferences:

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