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

Nikiforos T. Laopodis[1]

1 American College of Greece

REVIEW OF

Does Exchange Rate and Interest Rate Affect Stock Prices in Nigeria?

MAIN COMMENTS

1 A simple search on the internet to find similar papers (too many to include in this review) produced several related papers that the author has not mentioned in the paper. These papers need to be evaluated for potential inclusion in the paper.

2 A number of statements made in the Introduction, although common knowledge, need to be linked to rightful references. The work of other researchers needs to be credited properly.

3 The **Introduction** contains two separate sections, the main ideas about the paper (that is, the potential linkages among stock prices, interest rates and exchange rates) and the specifics of the Nigerian stock market. They should be separated and perhaps, the second component, expanded a bit more.

4 The **Introduction** section needs to be concluded with what lies ahead in the paper and, perhaps, how the issues will be examined.

5 The ARDL specification needs, first, to be rationalized. Why this model preferred and not some other one? This rationale would also assist in the interpretation of results and establish the study within the literature.

6 What is the purpose of model (2) relative to model (5)? Also, why these variables only and not some other ones or additional ones, if these were also used by other researchers? This may define the marginal contribution of your paper.

7 More details on model (7) are needed. For example, what are X_{1t-j} and X_{2t-k}?

8 On Table 1: You used the raw values of the variables to compute the descriptive stats. Standard analysis also uses transformed series (using logs, log-returns, differences, spreads etc.). Besides, you will use the variables in transformed form in the main empirical analysis.

9 Correlations should have been performed with transformed series, not raw series as they hide the relationships among

them. For example, you should have used the log of CPI (instead of the inflation series).

10 You should not mix a transformed variable (here, inflation) with raw variables when conducting unit-root, cointegration, lag length and Granger causality tests. The incorrect inferences will suggest an incorrect model (for example, a VEC/VAR instead of a VAR/VEC).

11 As a rule, if you do not have cointegration, you would estimate a model without an error-correction term. Your model includes an error-correction term despite the indication of no cointegration. The remaining tests follow from this incorrectly specified model.

12 Your robustness tests should have the made you revise the model to account for some findings (such as structural breaks).

MINOR COMMENTS

1 The title should read: *Do the Exchange Rate and the Interest Rate Affect Stock Prices in Nigeria?*

2 The **Empirical Literature** section could be mentioned as Review of the Literature OR Literature Review.

3 The **Methodology** section could be mentioned as *Methodology and Data*, with some sub-sections (for clarity of presentation).

4 The **Results and Discussion** section could be expressed as *Empirical Results* with, possibly, two sub-sections, one for the preliminary statistical investigation (descriptive statistics, stationarity, cointegration, Granger causality) and the other for the ARDL model.

5 The paper needs careful editing.