

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

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Potential competing interests: No potential competing interests to declare.

The article, titled 'Does Exchange Rate and Interest Rate Affect Stock Prices in Nigeria?', investigated the effect of exchange rate and interest rate on stock prices in Nigeria using monthly data from January 1996 to December 2022. For this purpose the study has employed the Autoregressive Distributed Lag (ARDL) estimation technique considering the oil price and inflation as control variables. The results of this study show that there is no long-run relationship between the all-share index, exchange rate, interest rate, inflation, and oil price. However, in the short run, the oil price and exchange rate in the previous period and the all-share index in the previous period play significant role in determining the all-share index. The study founds that the exchange rate has a negative effect on the all-share index, while the oil price positively influences the all-share index.

Based on theoretical backgrounds the author should build up a relevant macroeconometric model to explore the relationship between the all-share index, exchange rate, interest rate, inflation, and oil price. According to Keynesian beauty contest theory the fluctuations in stock prices are often related to the "animal spirit" of investors, that is, irrational waves of optimism and pessimism. The present study can incorporate this view in explaining the movements in stock prices.

The article is well written and results of the study are clearly stated. However, 'Conclusion' of the article should include intuitive interpretations of the results.