

MACRO-ECONOMIC VARIABLES AND STOCK MARKET PERFORMANCE: EVIDENCE FROM SRI LANKA

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This study examines the impact of selected macro-economic variables namely Gross Domestic Product, Inflation, Money supply and Exchange rate on Stock market performance of Sri Lanka over the period 1990-2019. All share price index is used as the proxy for stock market performance. The study makes use of secondary data gathered from the Central bank report of Sri Lanka and data is analyzed by means of correlation and regression analysis. Regression results suggested that macro-economic variables have a significant impact on stock market performance. Coefficient estimation showed that exchange rate and money supply have significant impact on all share price index. Findings of the study helps to enhance the decision making process of different investors who are investing their funds in stock market by assisting how to gauge their investment options.

Keywords: *All Share Price Index; Exchange rate; Gross Domestic Product; Inflation; Money supply*
