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Macroeconomic Indicators and their Impact on Stock Market Performance: (Comparative Study between Pakistan and India)

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Abstract

This study examines the performance of different macroeconomic indicators, their fluctuations between stock indexes in Pakistan Stock Exchange (PSX) and Bombay Stock Exchange (BSX) also comparative study between them. This data is collected on eight specified macroeconomic variables which are: interest rate (IR), inflations (IF), GDP growth, export (EXP), import (IMP), unemployment(UR), (BSX) and (PSX) index. In this research paper, a comparative study has been developed between India and Pakistan with using estimation strategy. Regression analysis and correlations must be used. Data collected from WDI and describe through descriptive statistics. E-views, State software used for analysis. Secondary data must be drawn from Pakistan and India and every economy factors as describing the Indian and Pakistan economy. The empirical results indicate that there is a significant pricing relationship between PSX and BSX 100 indexes and the tested macroeconomic variables; have a significant in explaining the stock market fluctuations in various portfolios. The paper conclusively established that indexes fluctuations are depend upon the change of economic indicators both India and Pakistan. This is helpful for investors, financial management consultants, and policy makers for decision making. Due to limitation of time, data size is kept small. The only data used for analysis is from 1990-2016. Results help the employees and over the counter investor for understanding about macroeconomic indicators rates and stock market pricing fluctuations effected on economy as well as constructions about stock market performance. Additionally, this study adds value to the literature by exploring interest regarding economy conditions.

Keywords: Macroeconomics, Stock Exchange Indexes, Gross Domestic Product, India, Pakistan, Inflations Rates, Unemployment.

1. Introduction

According to 21 Century in the financial world, its challenging to find the best method how to utilize the money in proper way. Brings a new innovation and adventure in information technology sectors (IT) influence of every organization especially in every stock markets in global level. They provide and describing the information regarding macroeconomic and microeconomic indicators which relates with fluctuation on stock market performance. Today technology growth increase day by day and provide resources for every market's needs. So, Stock market is one of the important pillars of economy for any country because Stock Market plays a vital role in overall growth and development of economy. Stock exchange plays role as facilitator among the sellers and buyers for exchange of stocks that they invest in companies. The companies utilize the money that received from investors for further businesses 'to increase profit its leads to higher stocks prices. (Humpe and Macmillan 2009, Rjoub, Türsoy et al. 2009) investigate the effects of macroeconomic factor stock return using arbitrage principal theory and observed big difference among market portfolio against macroeconomic variable.

Contributively macroeconomic environment promotes profitability of organization. Diacogiamnis, Tsiritakis et al. (2001) explained the peculiarities of changing economic environment with risk premia attributed to observable macroeconomic factor. Commonly, the barometers for describing the performance of economy included other real GDP, inflation and many other variables. These Macroeconomic variables are major determine the growth of economy both countries India and Pakistan. In this paper, we are measuring a sense of comparative studies between India and Pakistan. As you know macroeconomic indicators based on the gross domestic product (GDP), Gross national product (GNP), and other some different forms will be characterizing and these economic factors effect on economy state in both countries even at all over the world. Every stock market affected with changing of economic factors also that these factors influence currency index. we very well know that macro-economic variables are held different rates value in Pakistan and India because it's depend upon the economy situations. Any other circumstances and any critical situations of country like war, terrorist, etc. must affected on economic indicators and through these change in economic factors that definitely effect on stock price (indexes). However, some effect positive and some may be negatively.

The aim of this research study is to examine the applicability on different pricing stock at the Indian stock market and Pakistan stock market and also identify the macroeconomic indicators which clearly and more closely with fluctuation of stock indexes and stock market factors. We collected all information of previous historical values of variables and its portfolio included period 1990 to 2016. Using these data, we measure the relationship and impact on stock market fluctuations.

In this research paper, different macroeconomic factors that are used as independent variables including GDP, unemployment, export, import and through these variables check the impact on Pakistan stock exchange index and Bombay stock exchange indexes and also measure the comparative analysis between them. Macroeconomic indicators rising the business profitability and measure the performance of economy of a country. The basic objective of research paper is that How Stock exchange market facilitates the business economies of a country?

The analysis is based on the data gathered for the year 1990-2016. Data size is small but due to the lack of time and data availability, we were restricted. Our result is reliable under these limitations. For better and comprehensive results on KSX-100index, and BEX. We need large sample size. A cross country study of developing countries with rich data is recommended to further investigate the determinants of Macroeconomic.

The paper presentation attempts to investigate how the Pakistan stock markets and Indian stock markets are influence by different macroeconomic indicator. This paper divided into five sections. In sections I introduce overall paper related variables, dependent and independent variables section II present the review of literature. Section III describe the methodology of research paper also that section IV disclose the results, findings. And the last one section V close our research in conclusion remarks and put some suggestions for further work on stock market and economy.

2. Review of literature:

Several researchers have attempted to build a relationship between macroeconomic variables and stock market performance using different dynamic models and techniques like, time serious, etc. and some time use a simple regression results through these ways checked the relationship conditions between indicators and stock indexes. Here our literature is based on different countries like Malaysia, India, Japan, China, Pakistan, Nepal, etc. and review it how can affected stock market indexes through changing the macroeconomic variables any circumstances in whole world. Therefore, the study of KHANMMS143072 (2017) investigated the relationship between the macroeconomic determinants and stock market development in south Asian countries by using data of seven countries from period of 1995-2014. Macroeconomic determinants include foreign direct investment (FDI), financial intermediary development (FID), income level (IL), savings (SVG) and macroeconomic stability (MS). They conclude that financial intermediary development (FID), foreign direct investment (FDI) and macroeconomic stability has positive and significant relationship with the stock market development, as well saving and income level have negative and insignificant relationship with the stock market development.

Another study conducted by Abdul Malik and Amjad (2013) argued that the foreign direct investment and stock market development in Pakistan this study based on secondary data. Researcher collected data from period 1985-2011 for determinates the aggregate relationship between different variables included foreign direct investment, (FDI), Gross domestic product (GDP), market capitalization. Using some analysis technique researchers concluded strong relation between FDI and aggregate market capitalization through co-integration and coefficients. Also, that foreign direct investment is a important factor that can boosting our stock market performance in Pakistan day by day.

Another Akbar, Khan et al. (2012) investigate the relationship between KSE 100 index and macroeconomic variable from 1999 to 2008.casuality test has been applied that show the positive relationship between money supply and short-term interest rate and there is negative relationship between inflation and foreign exchange reserve.

Hosseini, Ahmad et al. (2011) checked the impact of macroeconomics variables on stock market index in India and china stock exchange with covered the period from January 1999 to January 2009 and used the augmented dickey fuller unit root test, vector error correction model techniques. Concluded in both long term and short term have strong link of stock market index and macroeconomics variables in each of these countries which include India and china. The study conducted by Pramod Kumar and Puja (2012) to find the relationship between stock market index and macroeconomic variables in India of panel data 1994:04 to 2011:06. Vector error correction and Johansen's co-integration model is applied to find the relationship. They observed that stock prices influence positively with the industrial production and money supply as well as negatively influence with the inflation. The interest rate (short term) and exchange rate have insignificant relationship with stock prices. Finally, they conclude that in long-run macroeconomic variables create impact on stock prices but not in short-run.

Hussainey and Khanh Ngoc (2009) examined the impact of macroeconomic indicators on Vietnamese stock prices used different variables included industrial production, interest Rates (long- term and shortterm) used monthly time serious data the period from 2001 to 2008 through these investigation between stock price and macroeconomic indicators concluded that industrial production has a positive effected on Vietnamese stock market and interest rate has not affected on stock prices in any same passage of time.

Ahmed (2008) has been examined the relationship between aggregate economic variables and stock market that observed causal relationship between them. Key macro variables are the index of industrial production export, foreign direct investment, money supply exchange rate, interest rate. Causality test has been applied on quarterly data that show causal relationship between aggregate macro-economic variables and stock prices of index in the long run similar causal relationship in both markets in short run and stock prices. another researcher Chou, Li et al. (2007) represent the line of research that attempt to explain do macroeconomic factors subsume market anomalies in long investment horizons? In this research author used different Fama-Macbeth cross- sectional regressions of various models for all horizons. The empirical results show that the relationship between macroeconomic variables and the other anomalies, behaviour model and assets pricing model. The researcher concluded that behavior model are only variable which affected or significantly on stock return for all horizon regardless of the inclusion of other macroeconomic factors. Another one is firm size does not bear significant risk premium.

Naceur and Ghazouani (2007) consider the concerned with a fundamental relationship between financial development and economic growth. In this study researcher focused on 11 MENA region countries over a different period tries to find out the relationship between stock markets, banks and Economic developments growths. Some econometric issues will be used on estimation of a dynamic panel model with GMM estimators. After analysis concluded that overall financial development does not harmful for economic growth and unstable growth rate affect the quality of association between finance and growth. In this study, Gan, Lee et al. (2006) examined the stock market and macroeconomic variables relationship using panel data 1990 to 2003 in New-Zealand. Johansen and Granger-causality model test is used to find the relationship. They found the positive evidence about interest rate, GDP and money supply create impact on stock market but there is no positive evidence that stock indexes not an indicator for the economic growth in New Zealand.

Hiang Liow, Faishal Ibrahim et al. (2006) studied the microeconomic risk influences on the property stock market. Researcher used three step estimation strategies that indicate their results which showed risk premium on property stocks time varying and dynamically linked to the macroeconomic risk factor. There are some divergences in significance in the microeconomic risk factor transversely the property stock market. Al-Majali and Al-Assaf (2014) examined the relationship between main macroeconomics factors and stock index market prices in Jordan by using quarterly data from the period of 1992 to 2001. Applying Johnson co integration test, vector error correction model (VECM) impulse response function (IRF) variance decomposition(VD) concluded in long run Bi directional relationship between stock market prices all due to private sector, interest rate on time deposit, consumer price index. Also increases in the weighted average on time deposits in system of banks have significant influence on stock prices other than financial and microeconomics variables.

Maysami, Howe et al. (2005) found the relationship of macroeconomics factors and stock market indices of S Sector in Singapore stock exchange for the sample period of 30 years and used the descriptive statics Lag length estimation model techniques concluded there is co integrating relationship between interest rate price level industrial production, money supply, exchange rate and stock market prices with changes in the short term and long term. Ibrahim and Aziz (2003) analyzed there is casual relationship between industrial product, money supply, price level and the exchange rate witch stock market. Different technique of co integration and vector auto regression used through this explained long run and short run relation. Exchange rate negatively relate with stock price.

Tsoukalas (2003) studied to investigate the macroeconomic factors and stock prices in the emerging Cypriot equity market in this research used the different financial theories included Assets Pricing Model (CAPM) etc. through these theories must provide information to individual investor regarding fluctuation or change their equity investments also that showed strong relationship between exchange rates and the stock market indexes in cyburs. Mukhopadhyay and Sarkar (2003) found the effect on stock return by fundamentals of macroeconomics in Indian stock stock exchanges on the base of monthly data and used the autocorrelation based test, BDS test techniques. The results of this study show that only in the period of pre-liberalization exchange rate have greater and significant relations in variation of stock return. Menike (2010) examined the relationship between macroeconomics factors and stock market prices in Sri Lankan emerging stock market. By using multiple regression model on monthly based data for the sample period September 1991 to December 2002 and concluded interest rate, inflation rate, exchange rate, money supply is collectively influence on equity prices by rejecting the null hypothesis at 0.5 significance level in all market stocks.

3. *Research Methodology:*

In this study eight macroeconomic variables of India and Pakistan countries are examined. The model below is prepared to test the impact of those all macroeconomics indicators on the stock exchange indexes. The factors investigated are the terms of gross domestic product (GDP), inflations (INF), export rate (EX), import (IMP), interest rate (IR), unemployment rate (UR), and both indexes of Pakistan and Bombay stock exchange (BSX). These indicators formulated into linear estimations equations models as follow:

$$BSXI = \propto + \beta_1 Gdp + \beta_2 Inf + \beta_3 Ex + \beta_4 Im + \beta_5 Ir + \beta_6 Ur + \varepsilon_1 \qquad (1)$$

$$PSXI = \propto + \beta_1 Gdp + \beta_2 Inf + \beta_3 Ex + \beta_4 Im + \beta_5 Ir + \beta_6 Ur + \varepsilon_2 \qquad (2)$$

3.*1- Data:*

In this study, we use the data of listed stock exchange in both countries India and Pakistan. Stock exchange (PSX) and Bombay stock exchange (BSX). The data used is ordinary lead square on the base of secondary that consists of two countries from the period of 1990 to 2016. Because of data are already and easily available in different units of measurements. Our data are not in form in logarithm it's a level form and collected website (WDI).

3.2- *Source and Description Methods:*

In this study used analytical research methodology for analysing the data are available in form of facts and figures and done our judgment. All the data is collecting from natural environment so, this study conducted in non-contrived setting. As well as it's a cross sectional study in which time horizon concerned as all data is collected in one shot. We used secondary data for empirical purpose that collected from reliable and recognized resources namely are statistical bulletins of state bank of Pakistan and world development indicator (WDI).

3.3- *Data Analysis Techniques:*

For empirical purpose, there are number of techniques are used to check the relationship between macroeconomics factors and stock market performance as well as for this purpose some other correlation techniques Regressions analysis techniques and also description technique is also used in this study. Firstly, we check the stationary of data whether it is or not before applying co integration technique. If data did not stationary then OLS regression techniques might give fake regression results. Our data has been stationary and apply ordinary leads square method on it. Secondly its value of covariance two time intervals depends only on distance of two time intervals not on the computed actual time.

In this paper data are consists of one dependent variable is stock exchange indexes of both countries India and Pakistan and seven independents variables in which include gross domestic product (GDP), inflation rate (INF), export rate (EX), import rate (IM) and unemployment rate (UR). The following table shows the variables that are used, their symbols and units of measurement.

Sr.	*Variables*	*Notations*
1	Gross domestic product	GDP
2	Inflations	INF
3	Export	EX
4	Import	IM
5	Unemployment	UMP
6	Interest rate	IR
7	Bombay stock exchange index	BSXI
8	Pakistan stock exchange index	PSXI

(b) ***Dependent variables:***

Stock market indexes: To check the value of a specific section of stock market.it is calculated by the selected particular stocks. It is a technique that is helpful and useable for financial manager, advisor, investors to check the market and compare of particular investments.

(c) Independent variables:

Gross domestic product (GDP): The total market value of all finals goods and services produced by all companies and peoples in one country. It can be calculated by personal consumption, government spending and total exports of a country.

Inflation rate (IR): the rate by which price of all goods and services increases but consequently, the purchasing value of currency decreases.

Export rate (ER): The rate used to check the value of exports of a country rise or fall over the specific period of time. The export rate is one of the major components that make contribution in overall growth or decline in economy of a country.

Import rate (IMR): The rate used to check the value of imports of a country rise or fall over the specific period of time. The import rate is one of the major components that make contribution in overall growth or decline in economy of a country.

Interest rate (IFR): The amount expressed in percent of principal to a borrower by a lender for use of funds and assets.

Unemployment rate (UR): is to check the unemployed persons in one country over the period of time. It is calculated by numbers of individuals currently worked divide by unemployed individuals. One of the major components that effect in economy of a country.

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4. *Analysis and Interpretations:*

DESCRIPTIVE ANALYSIS:

Variables	Mean	Minimum	Maximum	Standard deviation
GDP	26.01111	0.0000	55.6000	17.1585
INF	15.28889	3.7000	55.8000	16.4558
EP	13.13704	2.5000	24.5000	6.3260
IMP	18.02963	8.5000	31.1000	7.0167
IR	5.777778	0.6000	9.2000	2.3455
UR	3.790741	0.0000	4.9300	0.8322
BSX	3143.390	306.5400	8386.690	2749.315

Table: I

Table I shows results of descriptive analysis which measure the impact of macroeconomic determinants on the stock market performance. Table shows value of mean, minimum, maximum and standard deviation. Mean gives the average value and standard deviation gives value of deviation from its mean. The gross domestic product (GDP) average value is 26.01 and its deviation from mean is 17.15. Inflation rate (INF) mean value 15.28 and deviation from mean is 16.45. Export (EP) and import (IMP) mean value respectively 13.13, 18.02 and deviation from mean is 6.32, 7.01 respectively. Interest rate (IR) is an indicator that causes to change in prices, its mean value 5.77 and its deviation is 2.34. Total debt (TD) mean value 2.57 and its deviation is 0.93 as well as unemployment rate (UR) mean and standard deviation is 3.79, 0.83 respectively. Bombay stock exchanges (BSX) mean value 3143.39 and its deviation from mean is 2749.315.

CORRELATION:

	GDP	INF	EP	IMP	IR	UR	BSX
GDP	1						
INF	0.7297916	1					
EP	0.9704823	0.6126931	1				
IMP	0.41259370	0.30116626	0.54993253	1			
IR	0.2607681	0.1894309	0.2624135	0.4913847	1		
UR	0.23299600	0.1725990	0.25390365	0.10846698	0.17218125	1	
BSX	0.1858430	0.71385273	0.00844516	0.72889484	0.2750832	0.0725798	1

Table: II

Table II presented the results of correlation. This method helps to find the surety that there is multi co linearity factor exists or not. This analysis shows how much co-linear one variable with other variables. The variables correlation values are less than 0.9, it means there is no correlation between the variables. The variables are not match with each other.

Regression analysis:

Dependent variable: BSX

Variable	Coefficient	Std. Error	t-statistic	Prob.
C	-2446.470	2219.803	-1.1021	0.2842
GDP	-212.5600	94.93674	-2.2389	0.0373*
INF	128.9666	75.57958	1.7063	0.1042**
EP	763.8391	153.6766	4.9704	0.0001*
IMP	33.08214	112.3570	0.2944	0.7716
IR	103.4630	155.6004	0.6649	0.5141
UR	-283.4513	184.9202	-1.5328	0.1418***
R-Squared	0.9040			
Prob.	0.0000			

Significant levels: 5%* 10%**15%***

Table: III

The results shown in table III indicate the impact of all Macroeconomic indicators on Bombay stock exchange indexes (BSX) fluctuations. In this research using BSX 100 index as a dependent variable and different macroeconomic factors considered independent. Overall the results close to the results of R^2= 0.9040 which shows all independent variables explain Bombay stock exchange indexes 90 percent. And prob. Value is 0.0000 which also showing that overall model is fit for analysis of estimations. The regression estimation equations related with Macroeconomic variables and Bombay stock indexes off India economy. Gross domestic product (GDP) shows negatively relationship with fluctuation of India stock indexes but a significant being a 1 percent significant value. Inflation rates of India economy being positive and significant relationship between Bombay stock exchange (BSX) 100 indexes. Export and import relates with all trading functions and transactions in Indian states. Here out model both are shows positive relationship but export significantly and import insignificantly relate with BSX 100 index being 1 percent and 77 percent significant level. Another one interest rate is most important factors of everyone economy and closely relate with changing indexes of BSX 100. so, interest rate shows positive and insignificant relationship. Unemployment rates and total debt rates are significant and negative relationship with BSX indexes fluctuations being 10 percent and 14 percent significant value and so on.

Descriptive analysis:

Variables	Mean	Minimum	Maximum	Standard deviation
INF	8.8251	2.0000	21.0000	4.1204
GDP	4.0881	1.0140	7.7060	1.8302
IR	14.1006	6.4758	17.5100	2.4514
EP	4.7526	-15.0008	33.4652	11.0880
UR	6.0021	3.1300	8.2700	1.3400
IMP	58.7269	21.7000	102.8000	25.4806
PSX	16.7397	-33.5464	72.7189	26.5671

Table: IV

Table IV shows results of descriptive analysis which measure the impact of macroeconomic determinants on the stock market performance. Table shows value of mean, minimum, maximum and standard deviation. Mean gives the average value and standard deviation gives value of deviation from its mean. The gross domestic product (GDP) average value is 4.0881 and its deviation from mean is 1.8302. Inflation rate (INF) mean value 8.8251 and deviation from mean is 4.1204. Export (EP) and import (IMP) mean value respectively 4.7526, 58.7269 and deviation from mean is 11.08, 25.48 respectively. Interest rate (IR) is an indicator that causes to change in prices, its mean value 14.1 and its deviation is 4.12 as well as unemployment rate (UR) mean and standard deviation is 6.002, 1.340 respectively. Pakistan stock exchange (PSE) mean value 16.739 and its deviation from mean is 26.5671.

CORRELATION ANALYSIS:

	INF	GDP	IR	EP	UR	IMP	PSX
INF	1						
GDP	-0.2080513	1					
IR	0.12481936	-0.3982539	1				
EP	-0.2124446	0.25605126	0.10147836	1			
UR	-0.5451283	0.27374330	-0.4104930	0.10075674	1		
IMP	-0.0706405	-0.1430181	-0.6667411	-0.2134093	0.30586015	1	
PSX	-0.3057464	0.35416808	-0.3955827	0.35497907	0.47897956	0.27467662	1

Table: V

Similarly, as a correlations analysis of Pakistan stock exchange basically correlation shows relationship between in different dependent and independent variables. Here in this result import and Pakistan stock index are mostly correlated each other with 35 percent and 30 percent respectively. Another one interest rate and export rate are also more correlated with 12 percent and 10 percent levels. Correlations results also shows multi co- linearity factors between variables so, not included any multi co- linearity error in table V.

REGRESSION ANALYSIS:

Dependent variable: PSX

Variable	Co efficient	Std. Error	T-statistic	Prob.
C	-33.7934	8.1706	-4.1359	0.0000
INF	-1.3017	0.1328	-9.7968	0.0000*
GDP	-0.9465	0.3499	-2.7046	0.0068*
INT	0.7731	0.3362	2.2991	0.021*
EX	0.7074	0.0436	16.2216	0.9870
UNP	7.0026	0.4402	15.9066	0.0000*
IMP	0.2367	0.0297	7.9575	0.1800
R-Squared	0.7066			
Prob.	0.0000			

Significant levels: 5%* 10%**15%***

Table: VI

The result shown in Table IV indicates the effect of macroeconomic variables on Pakistan stock exchange indexes (PSX) fluctuations. Overall the results of model are close to the results of related studies the value of R^2=0.7066 which shows that all the variables explain Pakistan stock exchange indexes 70 percent. And prob. Value is 0.0000 which showing that overall model is fit for analysis. The Regressions estimation results of the study related with Macroeconomic variables and indexes of Pakistan stock exchange (PSX). Here in this research using some variables of macroeconomics as a independent. Inflation rate of economy beings significant with 100 percent levels and shows negatively relationship with them. Gross domestic product (GDP) shows negative but significant relationship with fluctuation of Pakistan stock exchange indexes as 1 percent significant level. Interest rate is most important factors of everyone economy and closely relate with changing in indices. So, interest rate shows positive and significant effect with being a 1 percent significant level. Another one export import relate with trading functions here our model import and export are positively relating with stock indexes but not a significant being a 98 percent significant level respectively. Last one is unemployment rates of Pakistan is another variable of our research here unemployment are shows positive and significant relationship between them being a 100 percent significant level.

Comparative analysis between India and Pakistan:

Variables	**Pakistan**		**India**	
	T-statistic	**Prob.**	**T-statistic**	**Prob.**
C	-4.1359	0.0000	-1.1021	0.2842
INF	-9.7968	0.0000*	-2.2389	0.0373*
GDP	-2.7046	0.0068*	1.7063	0.1042**
INT	2.2991	0.021*	4.9704	0.0001*
EX	16.2216	0.9870	0.2944	0.7716
UNP	15.9066	0.0000*	0.6649	0.5141
IMP	7.9575	0.1800	-1.5328	0.1418***
R-Squared	0.7066		0.9040	
Prob.	0.0000		0.0000	

Table: VII

The results show in table VII indicates that comparative analysis between India and Pakistan countries. Here in this result using different variables of macroeconomics. Inflation rate negative effect on stock market index in both countries India and Pakistan. Another is gross domestic product (GDP) in Pakistan negatively and in India positively affected. Similarly, interest rate is also using indicators for the purpose of checking relationship between them so, interest rate has positive relationship with stock market fluctuations in both countries. export and import is most important factors for every country here in this research paper we are taking about two countries India and Pakistan so, export have positive effected in both countries and import have negative relationship in India and positive relationship in Pakistan. Last one indicator unemployment rate shows the country's economies so; according to the regression analysis unemployment rate have positively relationship between stock market indexes in India and Pakistan countries. so that's why we can say that macroeconomic variables are mostly relate with stock market fluctuations and play a major role indexes transaction in every country. Market due to these Policy makers in Pakistan may initiate policies to foster economic growth.

5. Finding and Conclusion:

The finding shows that both Pakistan and India countries' economies and its stock fluctuation. There is a link between different selected macroeconomic indicators mostly affected on stock market. When we see overall results included as regression estimation equations. Then show Pakistan is positive and India this effect is negative .in terms of inflation the impact of Indian stock market positive but in Pakistan negatively affected. Similarly, the effect of gross domestic (GDP) is effect positive in both countries. However, some variables are insignificant and some is significant. Also, that this study reveals that the changes in stock market prices are affected not only in few macro-economic variables that are selected but there are other different macro-economic factors like: oil price, Money supply etc. also affecting the Indian capital market and Pakistan capital market.

In summary, the indicate that there is a significant pricing relationship between the PSX and BSX 100 indexes and the tested macroeconomic variables; namely, gross domestic product (GDP), inflation, export, import, and unemployment have a significant in explaining the stock market fluctuations in various portfolios. But these effects showed a weak explanatory based on the findings. This means that there are other macroeconomic factors affecting stock market prices in other than the tested ones.

6. Future Scope and implications:

In the context of policy implications, this study suggests that government should provide incentives to foreigners for investment as foreign direct investment enriches stock market capitalization which not only encourages economic activity but also ripens capital markets. As economic factors perform very vital role in the performance of stock, research paper we are taking about two countries India and Pakistan so, export have positive effected in both countries and import have negative relationship in India and positive relationship in Pakistan. Last one indicator unemployment rate shows the country's economy so, according to the regression analysis unemployment rate has positively relationship between stock market indexes in India and Pakistan countries. so that's why we can say that macroeconomic variables are mostly relate with stock market fluctuations and play some major role indexes transactions in every country. Market due to these Policy makers in Pakistan may initiate policies to foster economic growth.

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