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Impact of Macroeconomic Variables on Indian Stock Market

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Abstract: This study explores the relationship between macroeconomic variables and stock market return. The yearly data of six macroeconomic variables are considered namely GDP growth rate, unemployment rate, US Dollar return, inflation rate, debt to GDP ratio, manufacturing to GDP ratio which are used as independent variables. The return of Sensex is used as dependent variable. The Auto Regressive Distributed Lag (ARDL) model is used to check the relationship between the dependant and explanatory variables. The Bound test confirms that a long-run association is there between the variables. The constructed model is fit, which is backed by the Serial Correlation LM test and CUSUM test.

Keywords: Macroeconomic variables, Debt to GDP ratio, Sensex, US Dollar, ARDL

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