

"Think in
other terms..."



National University of



Science and Technology

DATE COMMENTS SUPERVISOR SIGNATURE

Department of Banking in the Faculty of Commerce

RESEARCH TOPIC:

An evaluation of the impact of macroeconomic fundamentals on the performance of the Zimbabwe Stock Exchange (2000 – 2006)

By

MOSES MAPFUMO

N005 301P



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Submitted in partial fulfillment of the requirements of the Bachelor of Commerce Honors Degree in Banking.

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NATIONAL UNIVERSITY OF SCIENCE

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P.O. BOX 246 BULAWAYO

ZIMBABWE

Supervisor: Mr.P. Nkala

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ABSTRACT

After noticing the anomalies that were on the Zimbabwe Stock Exchange, the researcher set out to study the relationship between the macro economic environment and the performance of the stock market. Most authors agree on the fact that stock markets perform better if the generality of the economy is performing well. However, the case for the Zimbabwe Stock Exchange was seen to be conflicting this view as noted in 1998 when the stock market declined despite positive economic growth and during the post 2000 era when the stock market continued to flourish amid poor economic activity. In order to analyse the impact of the macro economy on the stock market performance, the causality study was adopted to answer the question of whether or not the performance of the economy as a whole was of any consequence on the Zimbabwe Stock Exchange. Five macroeconomic fundamentals, that is, interest rates, exchange rates, money supply, Inflation and G.D.P were chosen and were compared to both the industrial and the mining indices. The results of the study indicate that the macro economy has an effect on the performance of the stock market but that the degree of its impact varies from time to time depending on the state of affairs at that time. The research also showed that a hyperinflationary environment is a special economic environment in which the conventionally held views do not always hold water.