

ABSTRACT

This study sought to determine the effect of macroeconomic variables on the stock returns for the companies listed in Nairobi securities exchange. The target population for this study was 20 companies Listed in Nairobi securities exchange used in the computation of the NSE 20 share index. This study used secondary data and the data was collected using data collection sheet. The sample data covering a period of 5 years from 2014 - 2018 was collected from various sources. The descriptive analysis was done using frequencies, percentages, means and standard deviations for all the variables for this study while inferential statistics used in this study were Pearson correlation and both simple and multiple regression analysis. The study found out that Money Supply, Gross Domestic Product, Oil Prices and Interest rates contributed to 71.4% variation in the stock returns meaning that other factors not included in this study accounted for 28.6%. The results of the study revealed that money supply had a strong negative relationship ($r=0.697$). Money supply had a significant effect on stock returns of companies listed in Nairobi Securities Exchange (P Value= $0.037 < 0.05$), $R^2 = 0.486\%$, $\beta = -0.674$ and F statistics = $6.615 > 3.84$. Oil Prices had insignificant effect on stock returns of companies listed in Nairobi Securities Exchange (P Value= $0.153 < 0.05$), $R^2 = 0.268\%$, $\beta = 0.471$ and F statistics = $2.5697 < 0.05$, $R^2 = 0.718\%$, $\beta = 0.532$ and F statistics = $17.799 > 5.32$. Interest rates had a significant effect on stock returns of companies listed in Nairobi Securities Exchange (P Value= $0.037 < 0.05$), $R^2 = 0.718\%$, $\beta = 0.532$ and F statistics = $17.799 > 5.32$. Money Supply, Oil Prices, Gross Domestic Product, and Interest Rates jointly had a positive strong relationship with stock returns of companies listed in the Nairobi Securities Exchange. Money Supply, Oil Prices, Gross Domestic Product, and Interest Rates jointly significantly affected stock returns of companies listed in the Nairobi Securities Exchange. Where, ($R=0.924$, $R^2 = 0.854$ P Value = $0.048 < 0.05$, $\beta = 0.674$, F statistics = $13.679 > 5.32$). The study concluded that money supply, gross domestic product and interest rate; positively affected the stock returns of companies listed in Nairobi Securities Exchange. The study also concludes that Oil Prices do not significantly affect stock returns of companies listed in Nairobi Securities Exchange. This study recommends close monitoring of macroeconomic environment in order to ensure stability of stock returns in the Nairobi Securities Exchange. The study added new knowledge to research work.