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Impact of policy measure on stock market development in Nigeria

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Abstract

This research looks into the impact of monetary policy on stock market development in Nigeria. The scope of this study spanned between 1985 to 2020. The data used/ utilized for this study were mostly sourced from the Central Bank of Nigeria (CBN) statistical bulletin 2020 and the World Bank Development Indicators 2020. Adequate econometric analysis method (which is the Auto Regressive Distributed Lag -ARDL) have been employed using a time-series data for the study. The study explains the impact of monetary policy on the stock market development in Nigeria. One model was used to capture the relationship that exist between the variables and these variables are interest rate, inflation rate, exchange rate and money supply as the independent variable while the total market capitalization as a percentage of the GDP (TAMC) as the dependent variable. The findings shows that exchange rate and money supply have a positive relationship with the total annual market capitalization as a percentage of the GDP and are significant while the inflation rate and interest rate were both negatively related with the total annual market capitalization of the GDP but only interest rate was significant. The result recommends among other policies a reduction in the interest rate to encourage foreign investors and subsequently enhance the development of the stock market.

Keywords: Monetary Policy, Stock Market Development, ARDL, Nigeria

1. Introduction

Jhinghan (2010) sees monetary policy to imply/ mean the credit control measures adopted by the central bank of most economies/ countries. It is also viewed as the way of determining the trajectory/ direction of facilities of credit for the purpose of stable price and growth of the economy of any nation whether in Africa, Asia, Europe or American continent (Chowdhury, Hoffman & Schubert 2003).

Monetary policy can be said to be expansionary policy or restrictive policy. Monetary policy measures/ instruments can lead to a restrictive- non liberal, liberal-accommodative or in-between the restrictive and the expansionary policies. A contractionary monetary policy – interest rates on the short term may be initiated to aid reduce inflationary pressures whereas, an expansionary monetary policy by reducing the short-term interest rates when the economy needs stimulation when necessary; this can be felt in the economy indirectly or directly. This direct effect is through the trajectory of interest rates, the indirect influence on the economy is through expectations about where inflation is headed. Monetary policy tools affect primary asset such as equities. During periods of expansionary policy, equities are likely to get a boost. In the early part of the year 2013, the Dow Jones Industrial average and S&P 500, reached the highest it has ever been. This happened some months after the Federal Reserve released the 3rdquantitative slackening in the month of September 2012 by deciding to purchase about 85 billion worth of longer-term financial instruments on a monthly basis

until the market for labour showed a great improvement. The expansionist monetary policy of buying market assets, side by side with very low rate of interest, which invariably boosted the prices of stocks as investors borrowed more funds – this resulted in increased income as profits increased when the cost implication of production reduced.

With interest rates at low levels, bond yields trend lower, and their inverse relationship with bond prices means that most fixed-income instruments post sizeable price gains. U.S. Treasury yields were at record lows in spring 2020, with 10-year Treasuries yielding less than 0.90 percent and 30-year Treasuries yielding about 1.25 percent. The demand for higher yield in this low-yield environment led to a great deal of bidding for corporate bonds, sending their yields to new lows as well, and enabling numerous companies to issue bonds with record low coupons. However, this premise is only valid as long as investors are confident that inflation is under control. If policy is accommodative for too long, inflation concerns may send bonds sharply lower as yields adjust to higher inflationary expectations.

The opposite tends to hold true when the central bank is conducting restrictive, or tight monetary policy. This will be put to use when economic growth is robust and there is a real risk of runaway inflation. Raising rates makes borrowing more expensive, put a damper on rapid growth to keep it in check. Equities underperform during tight monetary policy periods, as higher interest rates restrict risk appetite and make it relatively expensive to buy securities on margin. However, there is typically a substantial lag between the time when a central bank commences tightening monetary policy and when equities peak. As an example, while the Federal Reserve began raising short- term interest rates in June 2003, U.S. equities only peaked in October 2007, almost 3½ years later. This lag effect is attributed to investor confidence that the economy was growing strongly enough for corporate earnings to absorb the impact of higher interest rates in the early stages of tightening. Higher short-term interest rates are a big negative for bonds, as investor demand for higher yields sends their prices lower. Bonds suffered one of their worst bear markets in 1994, as the Federal Reserve raised its key federal funds rate from 3% at the beginning of the year to 5.5% by year-end. (Potters, 2021).

The stock market is regarded as an integral component of most economies since it signals redistribution and reallocation of assets among different unit within an economy (Pilinkus, 2010). The performance of this market is tied in the overall performance of an economy; particularly the growth in the Nigerian economy in the last two decades can be associated with impact of stock market on the overall economy (Betram, 2018; Ifionu & Omojefe, 2013).

This is to say that the evolution of the economy is connected with the performance of the capital market. Growth as we know is a necessary condition for development in the stock market. Development of the stock market by fostering financial development and financial integration, will promote economic growth through improving the efficiency of capital allocation and allowing for better risk sharing (Laeven, 2014). A developed stock market provides a lower cost of equity capital for firms and allows individuals to effectively price and hedge risk (Masila, & Onsongo, 2012).

Thus, research on monetary policy and stock market has become an issue of discourse among policy makers. Monetary policy is likely to influence the stock market through the mechanisms of money supply, exchange rate and interest rate. Evidently the central bank of Nigeria (CBN) has interest in the overall working of the stock market due to its importance for

monetary policy and financial risk management, this is because the bank has the ability to impact on the capital market via interest rate credit, wealth effect, exchange rate and monetary channels (Mishkin's, 2016, Nwakoby & Alajekwe 2016). This study shows the impact of monetary policy on the development of stock market in Nigeria.

Statement of Problem

The disappointment of monetary policy and fiscal policy are the most reasons why most of the formative programs embraced by the government have no impact on the Nigerian economy. Globally the stock market of any economy plays the role of attracting and sourcing for domestic resources for productive investments. The stock market is regarded as an integral component of most economies since it signals redistribution and re-allocation of assets among the different economic units within the economy (pilinkus 2010). In show of disdain toward insignificant of monetary policy on stock market return, march (2006) envisages however that there are numerous conceivable unsettling influences that nourishes the financial system with vulnerability in various regard as such the growth in the Nigerian economy in the last two decades can be associated to the impact of the stock market on the overall economy. Thus, it is fair to say that the growth of an economy evolves around the performance of the capital market. Monetary policy can influence the sectors of the economy, therefore the monetary authority notably the central bank can influence other macroeconomic indicators by altering the minimum rediscount rate otherwise known as the monetary policy rate to stimulate the economy. However, indicators like interest rate, exchange rate and the rate of inflation have direct impact on the stock markets for instance lowering interest on demand and savings deposit will improve return on investment relative to investing in deposit money banks (DMBs) holding factors such as risk and cost of transaction constant.

The study attempts to investigate with the aid of qualitative and quantitative tools to analyse and show how the monetary policy used by the central bank of Nigeria has contributed to the stock development in the Nigerian economy. This is why this study views how the instruments of monetary authorities develop the stock market through the total annual market capitalization in order to solve the problem identified in this study. Thus, the broad objective of the study is to determine the impact of monetary policy on the stock development in Nigeria and the specific objectives include: to show the relationship between either an upward or the downward review of interest rate and the stock market development in Nigeria. Secondly, to determine how foreign exchange rate appreciation or depreciation could influence the capital market. Thirdly, to examine the impact of money supplied relationship to the stock market development of the Nigerian economy and fourthly, to show the impact of inflation rate relationship on the stock market development of the Nigerian economy.

2. Literature Review

Theoretical Review

Arbitrage Pricing Theory

The Arbitrage Pricing Theory (APT) model was developed by Ross (1976). It is a general theory of asset pricing that holds that the expected return of a financial asset can be modeled as a linear function of various macroeconomic factors or theoretical market indices, where sensitivity to changes to each factor is represented by a factor-specific beta coefficient.

Thus, one way of linking macroeconomics variables and stock market returns is through the arbitrage pricing theory (APT) where multiple risk factors can explain asset returns.

Discounted Cash Flow Model

An alternative, but not inconsistent approach is the discounted cash flow or present value model (PVM). This model relates the stock price to future expected cash flows and the discount rate of these cash flows. Again, all macroeconomic factors that influence future expected cash flow or the discount rate by which these cash flows are discounted should have an influence on the stock price. The advantage of the PVM model is that it can be used to focus on the long run relationship between the stock market and macroeconomic variables.

Empirical Literature Review

Nwokoye and Otu (2018) investigated the impact of monetary policy on the development of the stock market in Nigeria. The study period covered from 1981 to 2015. Co-integration and vector error correction modeling (VECM) were utilized for the investigation. The variables used were money supply (broad money supply), interest rate (prime lending rate), exchange rate, total value traded to GDP (TVT) and money capitalization ratio to GDP (MCR). The co-integration test shows that there exists long run harmony relationship between monetary policy and the stock market. VECM result shown that monetary policy, through the development rate of cash supply has affected emphatically and essentially on the improvement of the stock market in Nigeria. Moreover, discoveries encourage demonstrated that prime loaning rate has had a negative effect on the advancement of the stock market in Nigeria.

Umezurike, Echekoba and Ananwude (2019) carried out a study on "Does monetary policy affect stock return" using the study period of 1968 to 2018 and Nigeria as a case study. The method used for the study was the autoregressive distributed lag and the variables used were monetary policy rate (MPR), liquidity ratio (LQR) and the loan to deposit ratio. The findings show that stock returns in Nigeria is not significantly affected by adjustment in monetary policy instruments of the central bank of Nigeria. The recommendation was that the Central Bank of Nigeria should consider reducing the current double digit monetary policy rate to a single digit say 9% at most to attract investments in the stock market. This would reduce the prime lending rate because, high interest rate reduces cash flows of firms quoted in the exchange, and thus contraction in values of securities traded on the market.

Babangida and Khan (2021) carried out an analysis the effect of monetary policy on Nigerian stock market by employing the Smooth Transition Autoregressive (STAR) model on monthly data from 2013 M4 to 2019 M12 for all Share Index and monetary policy instrument. The variable used were monetary policy rate (MPR), money supplied (M2), exchange rate (EXR), inflation rate (INF) and 91-day Treasury bill rate (TBR). The findings show evidence of nonlinear effect of monetary policy on the stock exchange market. Monetary policy rate, money supply, lagged monetary policy rate and lagged Treasury bill rate are found to have significant positive effects on the stock exchange market in the lower regime while current Treasury bill rate shows a negative effect. In the upper regime, money supply and lagged Treasury bill rate have significant negative effect on the stock market. The current Treasury bill rate is found to have a positive effect on the stock exchange market. It is recommended that the Central Bank of Nigeria should maintain a stable money supply growth that is consistent with increased activities in the Nigerian stock market.

Literature Gap

The finding of previous studies is more than enough reason for a study of this kind. This research work is an addition to the existing

body of knowledge on the importance of the stock market and the role of the monetary authorities on the development of the stock market. This study brings in a new light. This study views how the instruments of monetary authorities develop the stock market through the total annual market capitalization.

3. Methodology

The model specification of this study is based on the average pricing theory and the discounted cash flow model. The arbitrage pricing theory focuses on short run relationships between the stock market and macroeconomic variables. The arbitrage pricing theory is given by the equation

E (ri) = rf + βi1 * RP1 + βi2 * RP2 + ... + βkn * RPn

Where

rf is the risk-free rate of return

β is the sensitivity of the asset or portfolio in relation to the specified factor and

RP is the risk premium of the specified factor.

The discounted cash flow model shows the long run relationship between stock markets and macro economic variables.

The discounted cash flow is given by the equation:

$$DF=\frac{CF_1}{1+i}+\frac{CF_2}{(1+i)^2}+\frac{CF_\infty}{(1+i)^\infty}=\sum_{n=i}^{\infty}\frac{CF_n}{(1+i)^n}$$

Where

DF is the discounted cash flow

CF is the cash flow

I is the discount rate and

N is the time periods from one to infinity

Research Design

The research design employed for this study is the ex-post facto research design

Variables in the Model

The variables used for this study are total annual market capitalization of Nigeria stock exchange for the stock market, inflation rate, money supply (broad money growth rate), exchange rate and the interest rate of which the prime lending rate was used

The total annual capitalization of Nigeria stock exchange is the dependent variable while the inflation rate, exchange rate, money supply (broad money growth rate) and interest rate (prime lending rate) are the independent variables.

Model Specification and Formulation

The functional link between the dependent variable and the explanatory variables are expressed in this model. This model can be specified in three forms which is shown below

Functional Specification

TAMC = F (INF, INTR, EXR, MS)

Statistical or Probabilistic Specification

$$TAMC=\beta_0+\beta_1 INF+\beta_2 INTR+\beta_3 EXR+\beta_4 MS+\mu$$

Econometric Specification

$$TAMC=\beta_0+\beta_1 INF+\beta_2 INTR+\beta_3 EXR+\beta_4 MS+\mu$$

Where

TAMC is the total annual market capitalization of the Nigeria stock exchange market as a percentage of the GDP

INF is the inflation rate

INTR is the interest rate (prime lending rate)

EXR is the exchange rate

MS is the money supplied represented with the broad money growth rate

μ represents the error term and

β0, β1, β2, β3 and β4 represent the parameters of the variables

Apriori Expectations

Based on existing economic theory, it follows that

$\beta 0 > 0, \beta 1 < 0, \beta 2 < 0, \beta 3 < 0, \beta 4 > 0$

Method of Data Analysis

The method of data analysis used for this study was the Autoregressive Distributed Lag (ARDL) cointegration technique. This technique was used for predicting the link between the endogenous variable (T.A.M.C) and the exogenous variables (INTR, EXR, MS and INF)

4. Results and Discussion

Unit Root Test

In order to verify the reliability of the time series data used for this analysis, a unit root test was conducted. The unit root test is used to check the stationarity of each variable in the mode, it would be used to check whether the variables are stationary or non-stationary at level form. This study would adopt both the Augmented Dickey Fuller and the Phillips perrons unit root test. The result of both tests are shown below:

Table 1: Augmented Dickey Fuller Unit Root Test Summary

Variables	ADF Stats at Level	5% Critical Value	ADF Stats 1st Difference	5% Critical Value	Decision
TAMC	-1.600914	-2.948404	-6.402371*	-2.951125	@ I(1)
INF	-2.336959	-2.971853	-4.694311*	-2.976263	@ I(1)
EXR	2.098382	-2.948404	-3.737053*	-2.951125	@ I(1)
INTR	-4.064791*	-2.948404			@ I(0)
MS	-3.298085*	-2.948404			@ I(0)

Source: Researcher compilations from Eviews 10

Table 2: Phillips Perrons Unit Root Test Summary

Variables	PP at Level	5% Critical Value	PP Stats 1st Difference	5% Critical Value	Decision
TAMC	-1.381508	-2.948404	-8.341995*	-2.951125	@ I(1)
INF	-2.718718	-2.948404	-6.963148*	-2.951125	@ I(1)
EXR	2.391041	-2.948404	-3.766950*	-2.951125	@ I(1)
INTR	-4.062230*	-2.948404			@ I(0)
MS	-3.096524*	-2.948404			@ I(0)

Source: Researcher compilations from Eviews 10

From the result of both the Augmented Dickey Fuller (ADF) and Phillip Perrons (PP) unit root test, it is observed that TAMC, INF and EXR are integrated of order I(1) while both INTR and MS were integrated of order I(0). The variables under study are of mixed integration and therefore justifies the use of the ARDL bound test approach over other conventional approaches such as the OLS that requires all the variables to be integrated of order I(0) or the cointegration approach that requires all variables in the model to be integrated of order I (1).

Cointegration Test

Table 3: Autoregressive Distributed Lag Bound Test for Cointegration

F-Bounds test		**Null hypothesis: No levels relationship**		
Test statistics	Value	Signif.	I (0)	I (1)
F-statistics	12.63993	10%	2.2	3.09
K	4	5%	2.56	3.49
		2.5%	2.88	3.87
		1%	3.29	4.37

Source: Researcher compilations from Eviews 10

From the ARDL Bound tests and going by the decision rule of the bound test, we cannot accept the null hypothesis of no cointegration since the F-Bounds statistics of 12.63993 is greater than the I(0) and I(1) bounds at the 5% level, therefore we conclude that there exist a long run relationship among the variables.

Table 4: Dynamic Short Run ARDL Error Correction Model

ADRL ECM REGRESSION

Variable	**Coefficient**	**Std. Error**	**t-statistics**	**Prob.**
D(INF)	-0.027995	0.040267	-0.695243	0.4969
D(INF(-1))	0.059437	0.039427	1.507517	0.1512
D(INF(-2))	0.065677	0.039900	1.646030	0.1193
D(INF(-3))	0.095899	0.040539	2.365577	0.0310
D(EXR)	-0.037689	0.023117	-1.630365	0.1225
D(EXR(-1))	-0.111126	0.029732	-3.737655	0.0018
D(EXR(-2))	-0.103762	0.028751	-3.608952	0.0024
D(EXR(-3))	-0.100853	0.029671	-3.399064	0.0037
D(INTR)	-0.333116	0.149447	-2.228984	0.0405
D(INTR(-1))	0.526865	0.157338	3.348619	0.0041
CointEq(-1)*	-0.990267	0.099256	-9.976945	0.0000
R-squared	0.834979	Mean dependent var		0.682774
Adjusted R-squared	0.756397	S.D. dependent var		5.272655
Durbin-Watson stat	2.547755			

Source: Researcher compilations from Eviews 10

The following findings were uncovered from the results of the ARDL short run ecm regression

Inflation rate has a negative relationship with total annual market capitalization in the current year period and shown to statistically insignificant at the 5% level. An increase in inflation rate by one unit leads to a decrease in total annual market capitalization by 0.027995 units.

In the 1st, 2nd and 3rd years lag short run period, inflation rate has a positive relationship with TAMC but only the 3rd year lag short run period proved to be statistically significant. An increase in inflation rate by a unit in these three periods would lead to an increase in TAMC by 0.059437, 0.065677 and 0.095899 respectively.

Exchange rate has a negative relationship with TAMC in the current year but shown to be statistically insignificant at the 5 % level. An increase in the foreign exchange rate by one unit in this period would lead to a decrease in total annual market capitalization by 0.037689 units

In the 1st, 2nd and 3rd years lag short run period, the exchange rate has a negative relationship with TAMC but all proved to be statistically significant. An increase in the foreign exchange rate by one unit in these periods would lead to a decrease in TAMC by 0.111126, 0.103762 and 0.100853 respectively.

Interest rate has a negative relationship with TAMC in the current period and also shown to be statistically significant at the 5 % level. An increase in the prime lending rate by a unit would lead to a decrease in TAMC by 0.333116.

In the 1st year lag short run period, the interest rate also has a negative relationship with TAMC and statistically significant in determining TAMC. An increase in the interest rate by one unit in this period would lead to a decrease in TAMC by 0.100853

The Error correction mechanism met the required conditions. The significance and rule of ECM holds that negative and statistically significant error correction coefficients are necessary conditions for any disequilibrium to be corrected. In this light, the coefficient of CointEq(-1) is -0.990267. The above result shows that the ECM (-1) value is -0.99% implying that there is convergence of the equilibrium should there be disequilibrium in the system. The negative sign of the coefficient satisfies the first condition while the fact that its Pvalue [0.0000] is less than 5% [0.05] level of significance satisfies the second condition of statistical significance. The coefficient indicates that the speed of adjustment between the short run dynamics and the long run equilibrium is 99%. Thus, ECM will adequately act to correct any deviations of the short run dynamics to its long-run equilibrium by 99% annually. This means that if total market capitalization of the GDP is at disequilibrium, it converges back to equilibrium at an average speed of about 99% (0.990267x 100) every year in Nigeria.

We can also say that about 99% of disequilibrium from shocks of previous years in the total market capitalization of the GDP converges back to long run equilibrium every year in Nigeria. Hence, the whole system will get back to equilibrium, long run equilibrium at the speed of about 99 % yearly.

R-squared of 0.834979 indicated that 83 % of the total variation in stock market performance as captured by total annual market capitalization of the GDP is accounted for by Lending Interest Rate (INTR), Broad Money Growth Rate (MS), Exchange Rate (EXR), and Inflation Rate (INF). However, the total variation of 17 % in the dependent variable is attributable to the influence of other factors not included in the regression.

Table 5: ARDL Long Run Form

Variable	Coefficient	Std. Error	t-Statistic	Prob.
INF	-0.054537	0.071686	-0.760769	0.4579
EXR	0.086965	0.017385	5.002281	0.0001
INTR	-1.348552	0.372437	-3.620885	0.0023
MS	0.210471	0.044726	4.705809	0.0002
C	27.72626	8.204349	3.379459	0.0038

Source: *Researcher compilation from Eviews 10*

The following findings were uncovered from the result of the ARDL long run form after conducting the regression analysis.

The constant has a positive relationship with TAMC and was shown to be statistically significant at the 5 % level. An increase in the constant by a unit by one unit would lead to an increase in TAMC by 27.72626 units. It is the level of the total annual market capitalization independent of the prime lending rate, broad money growth rate, inflation rate and foreign exchange rate.

Inflation rate has a negative relationship with TAMC but was shown from the result to be statistically insignificant to determining TAMC in the long run. This shows that the inflation rate is of no importance and does not contribute to the stock market development in Nigeria in the long run. An increase in inflation rate by a unit leads to a decrease in TAMC by 0.054537 units.

The foreign exchange rate has a positive relationship with TAMC and is statistically significant at the 5 % level. This shows that the foreign exchange rate is very relevant to the capital market and is a strong contributor to the stock market development in Nigeria in the long run period. An increase in the foreign exchange rate by one unit would lead to an increase in TAMC by 0.086965 units.

The money supply (broad money growth rate) has a positive relationship with TAMC and is statistically significant at the 5 % level. This shows that the money supply (broad money growth rate) is very relevant to the stock market and is a strong contributor to the stock market development in Nigeria in the long run period. An increase in the money supply (broad money growth rate) by one unit would lead to an increase in TAMC by 0.210471 units.

The interest rate (prime lending rate) has a negative relationship with TAMC and is statistically significant at the 5 % level. This shows that the interest rate is very relevant to the stock market and is a strong contributor to the stock market development in Nigeria in the long run period. An increase in the interest rate by one unit would lead to a decrease in TAMC by 1.348552 units.

Normality Test

This is used to check whether the model is normally distributed, this study would make use of both the histogram normality test and the serial correlation lm test to test for the normal distribution of the variables in the model

Histogram Normality Test

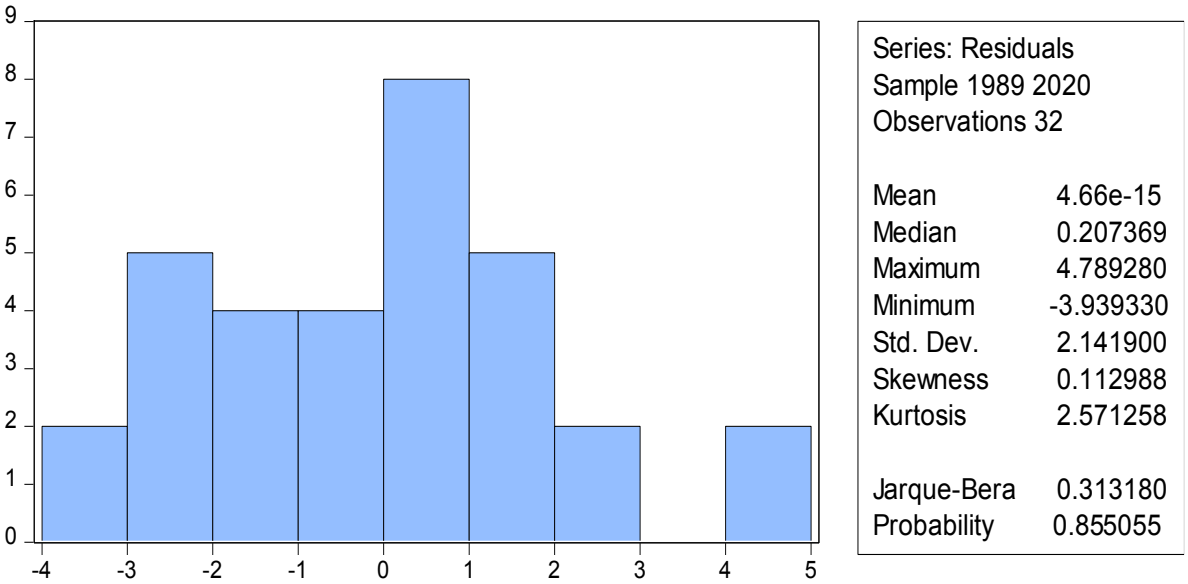


Figure 1

Source: Eviews 10

Serial Correlation L.M Test

TABLE 6: Breusch-Godfrey Serial Correlation LM Test

F-statistic	2.621510	Prob. F(2,14)	0.1079
Obs*R-squared	8.718832	Prob. Chi-Square(2)	0.0128

Source: Eviews 10

After conducting the normality test using both the histogram normality test and serial correlation lm test, the following were observed from the results

The f-statistics of the Breusch-Godfrey Serial Correlation LM Test which is greater than 5 % indicates the variables in the model are normally distributed.

The histogram normality test probability of 0.855054 which is above the 5 % level also supports the serial correlation lm test claim which proves the model to be normally distributed

Heteroskedasticity Test

This is used to check for auto or serial correlation in the model.

TABLE 7: Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	2.033453	Prob. F(15,16)	0.0852
Obs*R-squared	20.98967	Prob. Chi-Square(15)	0.1372
Scaled explained SS	4.122522	Prob. Chi-Square(15)	0.9973

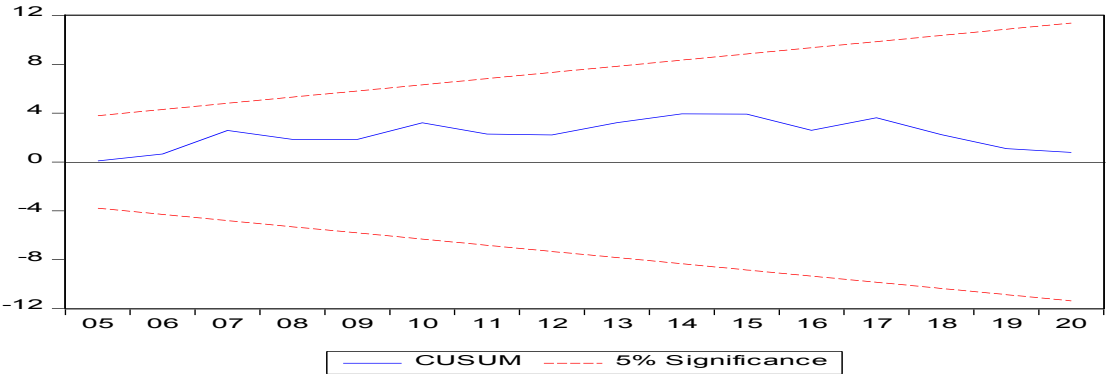
Source: Eviews 10

The f-statistic of the Breusch-Pagan-Godfrey test which is greater than the 5 percent level shows that there is no autocorrelation in the model

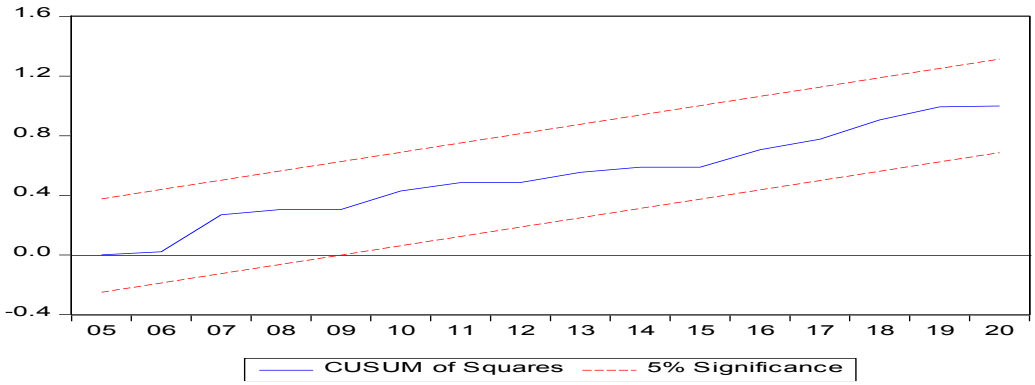
Stability Test

This is used to check the stability of the overall model

Cusum Test



Cusum of Squares Test



The results after conducting the stability test using the cusum and cusum of squares test revealed that the overall model is stable at the 5 % level of significance

5. Conclusion and Recommendation

5.1 Conclusion

This study used the ARDL technique to investigate the impact of monetary policy on stock market development for the period 1985 to 2020; it was observed that only exchange rate, interest rate and money supply can effectively contribute to developing the stock market in Nigeria while inflation rate was seen as a weak contributor to the development of the stock market in Nigeria.

The stock market has been a major contributor to the growth of the Nigerian economy over the years; hence the development of the stock market would yield to immense improvement not just in the gross domestic product of Nigeria but also could translate in the improvement in the other different sectors of the economy.

5.2 Recommendations

Based on the findings revealed in this study, the following are recommended to improve the development of stock market and to increase its performance in Nigeria:

Monetary authorities such as the central bank of Nigeria should set up policies which would minimize the level of interest rate on credits so as to encourage investment in the stock market; this would lead to growth in the stock market and in the long run its development.

Monetary authorities should also increase the level of money supply to the Nigerian economy, this would improve the stock market development, however there should be a limit and if this increase is not properly controlled could lead to an inflationary trend in the economy.

Effective monetary policies should be set up by monetary authorities to reduce the rate at which inflation rises in the economy as an inflationary trend in Nigeria could spell the doom of the stock market in Nigeria.

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