

**AN EXAMINATION OF THE IMPACT OF THE MACROECONOMIC FACTORS ON  
THE PERFORMANCE OF STOCKS LISTED ON THE UGANDA SECURITIES  
EXCHANGE**

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## **ABSTRACT**

This study aims to cast light upon the innate bearing of changes in the macroeconomic environment on the performance of stocks listed on the Uganda Securities Exchange (USE). I examine the bearing of two macroeconomic factors namely; (1) foreign exchange rate and, (2) interest rate, on the performance of the stocks listed on the USE. The study is motivated by the deficiency of research in this area of study on the underdeveloped markets especially in Sub-Saharan Africa although findings on major developed markets indicate a relationship between the macroeconomic environment and stock performance.

Synthesizing the Arbitrage Pricing Model, this study built and tested theoretical models linking macroeconomic factors and stock performance. The models take account of the effect of GDP which is a serious gap in literature pertaining macroeconomic factors and stock performance in Uganda. Drawing on (Ouma and Muriu, 2014), the study argues that research on the effect of macroeconomic factors on stock markets should cover as many factors as possible to reach reliable conclusions. The study's major contribution, is the localization of research findings on how movements in macroeconomic factors affect performance of stocks.

It was not possible for the study to manipulate the independent variables and so, a non-experimental research design was employed using a hypothesis testing approach to quantitative data. Theoretical models were tested using Pearson's Correlation Coefficients, and hierarchical multiple regression. The results indicated significant negative relationships between stock performance and each of the independent variables foreign exchange rate, and interest rate

implying that when the Uganda shilling depreciates against the US dollar or when interest rates increase, the performance of stocks on the USE will shrink and vice versa.