

# Abstract

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## **The Micro and Macro Determinants of Stock Return**

This study investigates the effects of macro and micro variables on stock prices in US stock market using data for the period from September 1992 to December 2010. The multiple regression was run using macro and micro variables effect on stock return. This study extends the literatures by considering the relationship between stock return and micro determinants of stock return (price ratios) and macro determinants of stock return (industry-level ratios and country level) in US Stock Market. The objectives of this thesis are primarily having an idea about the factors affecting the stock return. Secondly, to identify whether there is a significant relationship between each of the listed variables included in micro macro variables. The study examines whether the relationship between these variables and stock price is negative positive with the presence of finance literature. Regression analysis is conducted to find out the relationship between micro and macro factors with the stock price. The results of regression analysis reveal that there is a positive relationship between stock price and the following variables (Operating Costs, Depreciation, Tax, Inventories, Current Liabilities, Inflation, Growth Inflation, Growth Unemployment Rate, Growth Retail Inventory, Growth Retail Sales, Retail Clothing and clothing access stores, Hardware, & Plumbing & Heating Equipment & Supplies, Miscellaneous Durable Goods, Paper & Paper Products, Farm Product Raw Materials, Beer, Wine, & Distilled Alcoholic Beverages). A negative relationship exists between stock price and Common Stock Dividends, Receivables, Shareholders' Equity, Productivity Growth, T-Bills, Unemployment Rate, Growth Sales Wholesalers, Growth Inventories Wholesalers, Furniture & Home Furnishings, Electrical & Electronic Goods, Chemicals & Allied Products, Petroleum & Petroleum Products, Time.