



SDI Review Form 1.6

Journal Name:	<u>British Journal of Economics, Management & Trade</u>
Manuscript Number:	Ms_BJEMT_22524
Title of the Manuscript:	RELATIONSHIP BETWEEN STOCK PRICES, STOCK RETURNS AND MACROECONOMIC VARIABLES
Type of the Article	Original Research Article

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This journal's peer review policy states that **NO** manuscript should be rejected only on the basis of '**lack of Novelty**', provided the manuscript is scientifically robust and technically sound.

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PART 1: Review Comments

	Reviewer's comment	Author's comment (if agreed with reviewer, correct the manuscript and highlight that part in the manuscript. It is mandatory that authors should write his/her feedback here)
Compulsory REVISION comments		
Minor REVISION comments		
Optional/General comments	The conclusion (line 235 – 237) shows that different conclusions are found for UK by different papers. Questions arise: which one is correct? Or both of them are correct or incorrect? Or partly correct? How to judge (test) the accuracy of a result? It is better to answer these questions. However, things are always changed (including data). It is hard to get an ideal relationship (if it exists) reflecting the true perfectly and accurately among economic variables. This paper uses Johansen approach to model a long run relationship between stock returns and economic variables with a series tests based on regression analysis and obtained helpful results. It is OK to accept. Suggestion: 1. More factors closely related to stock marker price could be included in consideration: (1) Demand and supply of capital. QE(quantitative easing) (2) Exchange rates and international trading. (3) Speculation and shocking events. (for short run) (4) Moving cash flow 2. Explanation: (1) which term in Eq.(3) represents “stock market return”? “stock marker price”? (2) the meaning of “z-value”, “p-value” in Tables 4B,5B (3) the meaning of “constant”, “trend”, and (...) in parentheses.	Lines 364-370 explain the plausible reasons for the differences in result. Also the technique of analysis adopted by a study goes a long way to determine the applicability of the results and how accurate it is. In addition, the UK has had different regimes of monetary policy rules before settling for inflation targeting since 1992. This is one of the justifications for choosing inflation as one of the explanatory variables. Please see lines 141-180 for a comprehensive overview In equation 3, Z_t is a column vector of the variables of interest in which case the stock market index/prices is one of them. Now, finding the first difference of the stock market index gives the stock market return. Z values are measures of standard deviation while p values are probabilities that . Both statistics are associated with normal distribution and they allow significance and confidence to be attached to estimates. P value is the probability that one has falsely rejected the null while the Z score is a test of significance that helps decide whether or not to reject the null hypothesis. Z values must be greater than or equal to 2 (in absolute terms) while probability must be zero or not significantly different from zero. Tables 4B and 5B are fully explained in the manuscript. The values in parentheses in tables 4A and 5A are the Z values indicating the significance of the estimates.