

ABSTRACT

The research is based upon analysing performance of stock return of KSE 100 index firms influenced by monetary decisions of Pakistan economics system. The research focused on some specific variables for example inflation, conversation rate, money stock and monetary policy indicators (interest rate and discount rate) that have been analysed for period august 2009 to august 2021 based on monthly data. The Quantitative approach has been applied taking secondary source of information and to observe the usefulness of monetary policy on stock price-the Vector Error Correction Model (VECM) model is used. The results of the research highlighted Exchange rate, CPI, MO,M1 are negatively noteworthy in long run with KSE 100 index, while Discount rate and M3 are positively significant with KSE 100 index in long run but Notes in circulation observed non-significant with KSE100 index. However, Notes in circulation is the only one variable that is positively significant in short run and all other variables showed non-significant in short run with KSE100 index. Hence, all the selected variables have long run impact on Stock return of KSE 100 index firms.

Key Words: Pakistan, Karachi Stock Exchange, Monetary Policy, Stock Return.