International Journal of Remote Work Management and Globalization
IJRWMG

INFLUENCE OF SELECTED MACROECONOMIC AND POLITICAL VARIABLES ON NIGERIA'S STOCK MARKET PERFORMANCE (2009-2023)

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DOI: https://doi/10.5281/zenodo.21669943

Abstract

This study examined the effect of selected economic and political variables on the performance of the Nigerian stock market, proxied by the All-Share Index (ASI). The independent variables include inflation rate, exchange rate, political instability, and foreign portfolio investment (FPI). Secondary time-series data covering the period 2009–2023 were obtained from the Central Bank of Nigeria (CBN), the International Monetary Fund (IMF), and the World Bank, and were analyzed using the Ordinary Least Squares (OLS) regression technique. The findings reveal that inflation and exchange rate exert a significant positive effect on stock market performance, suggesting that rising inflation and currency depreciation may encourage investors to treat equities as a hedge and may benefit firms with foreign earnings. Political instability was also found to have a significant positive effect, reflecting speculative activities and shifting investor expectations during politically sensitive periods. However, foreign portfolio investment exhibited a positive but statistically insignificant effect on the ASI, likely due to volatility and policy inconsistencies. The study concludes that Nigeria's stock market performance is driven more by domestic economic and political conditions than by foreign capital inflows. It therefore recommends effective inflation management, exchange rate stabilization, political and institutional reforms, and strengthened domestic investor participation to ensure sustainable market growth.

Keywords: Economic variables, stock market performance, All-Share Index, Nigeria, foreign portfolio, investment.

Introduction

The stock market is a vital component of the financial system of any country. It serves as a barometer of economic performance and provides a mechanism for capital formation for businesses as well as wealth creation for investors (Jamaludin et al., 2017). According to Jareno and Negrut (2016), the stock market refers to a collection of markets and exchanges where activities such as the buying, selling, and issuance of shares of publicly listed companies take place. This dynamic environment facilitates efficient capital allocation, enabling firms to raise funds for expansion, research and development, and other strategic initiatives (Laeven & Levine, 2021). It also provides investors with opportunities to acquire ownership stakes and share in corporate profitability (Sakariyahu et al., 2024).

In Nigeria, the Nigerian Exchange Group (NGX), formerly known as the Nigerian Stock Exchange (NSE), serves as the principal marketplace for trading equity and debt instruments. Its role is pivotal in providing a transparent and regulated platform for capital mobilization, thereby supporting both domestic and foreign investment. Despite its demutualization in line with global trends aimed at enhancing efficiency and governance, the performance of the Nigerian stock market remains subject to considerable volatility and sustained scholarly attention (Bello, 2020). This underscores the need for empirical investigation into the economic factors influencing stock market performance in Nigeria. Stock market performance refers to the extent to which the market or individual securities perform over a given period. It is commonly measured using indicators such as market indices, stock prices, returns on investment, and trading volume (Jamaludin et al., 2017). In Nigeria, stock market performance has exhibited significant fluctuations over time, driven by both internal and external factors, including economic and non-economic variables (Bello, 2020). Understanding these determinants is essential for investors, policymakers, researchers, and financial institutions. A well-performing market is typically characterized by rising asset prices, high liquidity, and strong trading volumes, which signal positive economic expectations. Key macroeconomic indicators such as inflation rate, interest rate, exchange rate, gross domestic product (GDP)

growth, and fiscal and monetary policies play crucial roles in shaping stock market outcomes. In addition, non-economic factors; including political stability, regulatory quality, corporate governance practices, investor sentiment, and global economic trends have been identified as significant influences (Laeven & Levine, 2021). In the Nigerian context, political stability remains particularly critical, as perceived instability, electoral uncertainty, and insecurity can trigger capital flight and reduced investor participation (Orogun et al., 2024). Furthermore, investor sentiment and behavioral tendencies can amplify market movements, resulting in periods of excessive optimism or panic selling (Ikpefan & Uche, 2021). Global economic conditions, especially fluctuations in oil prices and shifts in international capital flows, also exert considerable influence due to Nigeria's dependence on oil exports.

Despite these challenges, the Nigerian Exchange Group has implemented several reforms aimed at enhancing market efficiency and investor confidence (THISDAY News, 2026). These reforms include improvements in transparency, stricter regulatory frameworks, and the adoption of advanced trading technologies (THISDAY News, 2026). However, a significant gap persists in understanding the combined effects of economic and political variables within Nigeria's unique socio-economic environment. The interaction of these factors, often intensified by structural challenges, necessitates a more comprehensive empirical analysis.

This study therefore seeks to contribute to the existing literature by examining the influence of selected economic variables: namely inflation rate, exchange rate, political instability, and foreign portfolio investment on the performance of the Nigerian stock market.

Statement of the Problem

Ideally, stock market performance should reflect underlying economic fundamentals and efficient market dynamics. In a stable economic environment characterized by low inflation, predictable exchange rates, steady foreign portfolio inflows, and minimal political instability, the All-Share Index (ASI) is expected to exhibit consistent growth. Under such conditions, the capital market functions as a reliable driver and indicator of

economic development (Ugoh et al., 2025). However, the Nigerian stock market deviates from this ideal scenario. Market performance is frequently influenced by macroeconomic volatility and structural uncertainties. Inflation remains persistently high, exchange rates are unstable, foreign portfolio investment (FPI) flows are erratic, and political instability continues to weaken investor confidence. Consequently, the ASI often reflects short-term shocks and speculative activities rather than underlying economic fundamentals.

Unlike developed and some emerging markets, where macroeconomic indicators exhibit more predictable relationships with stock market performance, Nigeria's experience is characterized by inconsistency. Variables such as inflation, exchange rate, and FPI demonstrate unstable and sometimes contradictory relationships with stock market outcomes, while political instability further intensifies uncertainty. This divergence highlights a structural inefficiency within the Nigerian capital market and underscores the need for deeper empirical investigation.

Although several studies have examined the Nigerian stock market, most have focused on individual variables in isolation. For instance, Adewale and Okon (2024) examined inflation, Olawale (2024) focused on exchange rate, Okoro and Li (2023) investigated political instability, while Okafor and Huang (2023) analyzed foreign portfolio investment. While these studies provide valuable insights, they fail to capture the combined and interactive effects of these variables on stock market performance

Moreover, existing studies often overlook the increasing significance of political risk in shaping market behavior and do not adequately cover recent periods marked by heightened economic and political uncertainties. To the best of the researchers' knowledge, limited empirical work has simultaneously examined inflation rate, exchange rate, political instability, and foreign portfolio investment within the same framework, particularly over the period 2009–2023. This gap necessitates a comprehensive study that integrates these key variables to better understand their collective impact on the Nigeria's stock market over these period (2009 to 2023).

Theoretical Framework

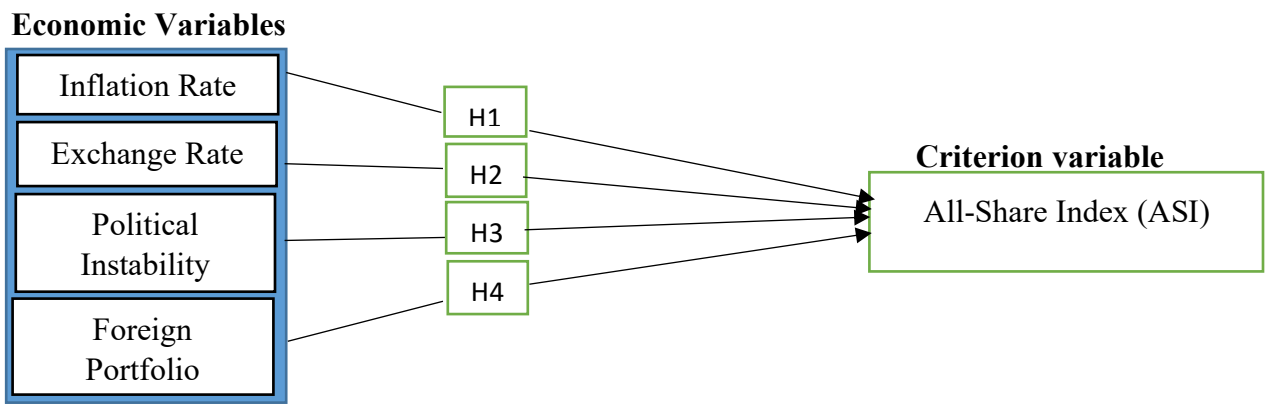
This study is anchored on the Arbitrage Pricing Theory (APT) developed by Ross (1976). The theory posits that the expected return of a financial asset can be expressed as a linear function of multiple macroeconomic and systematic risk factors. Each factor influences asset returns through a sensitivity coefficient (beta), which captures the extent to which the asset responds to changes in that factor. These factors may include unexpected changes in inflation, industrial production, interest rates, investor confidence, and other macroeconomic indicators. In the context of this study, key variables such as inflation rate, exchange rate, political instability, and foreign portfolio investment are considered relevant determinants that may influence stock market performance.

The relevance of the Arbitrage Pricing Theory lies in its ability to explain how multiple economic forces, often beyond the control of individual firms, jointly determine stock returns. Unlike single-factor models, APT provides a more flexible framework for analyzing how macroeconomic condition shape asset pricing in financial market.

Applying this theory to the Nigerian context, it becomes possible to examine how fluctuations in economic variables and political conditions systematically affect stock prices and, by extension, the All-Share Index (ASI). Therefore, the theory provides a strong analytical foundation for understanding the relationship between the selected variables and stock market performance in Nigeria.

Conceptual Model

Fig 1



Study Objectives

This study examined the influence of selected macroeconomic and political variables (inflation rate, exchange rate, political instability, and foreign portfolio) on stock market performance in Nigeria over the period 2009–2023.

Specifically, the study seeks to:

1. Determine the influence of inflation rate on the All-Share Index (ASI) of the Nigerian Exchange Group (NGX).
2. Examine the influence of exchange rate on the All-Share Index (ASI) of the Nigerian Exchange Group (NGX).
3. Investigate the effect of political instability on the All-Share Index (ASI) of the Nigerian Exchange Group (NGX).
4. Analyze the relationship between foreign portfolio investment and the All-Share Index (ASI) of the Nigerian Exchange Group (NGX).

Research Hypotheses

The study is guided by the following hypotheses

1. There will be a significant influence of inflation rate on the All-Share Index (ASI).
2. There will be a significant influence of exchange rate on the All-Share Index (ASI).
3. There will be a significant influence of political instability on the All-Share Index (ASI).
4. There will be a significant influence of foreign portfolio investment on the All-Share Index (ASI).

Methodology

Research Design

This study adopts an ex-post facto research design to examine the influence of selected economic variables namely: inflation rate, exchange rate, political instability, and foreign portfolio investment (FPI) on the performance of the Nigerian stock market, proxied by the All-Share Index (ASI). This design is appropriate because it relies on historical data and does not involve manipulation of variables.

Model Specification

This study adapts the model of Ajide (2014), which examined the influence of governance indicators and macroeconomic variables on stock market performance in Nigeria. The model is specified both functionally and arithmetically to capture the relationship between the dependent variable and the independent variables.

The original functional model is expressed as:

STKPERF = f (CC, GE, PS, RL, RQ, VA, INF, RINR, EXCR)

Where:

STKPERF = Stock market performance

CC = Control of Corruption

GE = Government Effectiveness

PS = Political Stability

RL = Rule of Law

RQ = Regulatory Quality

VA = Voice and Accountability

INF = Inflation Rate

RINR = Interest Rate

EXCR = Exchange Rate

In this study, the model is modified by removing interest rate, selecting political stability as the governance indicator, and adopting the All-Share Index (ASI) as the sole proxy for stock market performance.

Modified Model

Functional Form

All-Share Index = *f* (Inflation Rate, Exchange Rate, Political Instability, Foreign Portfolio Investment)

Econometric Form

$ASIt = \beta_0 + \beta_1 INFRt + \varepsilon t$ eq (i)

$ASIt = \beta_0 + \beta_2 EXCRt + \varepsilon t$ eq (ii)

$ASIt = \beta_0 + \beta_3 PIIt + \varepsilon t$ eq (iii)

$ASIt = \beta_0 + \beta_4 FPIt + \varepsilon t$ eq (iv)

Where:

ASI = All-Share Index

INFR = Inflation Rate

EXCR = Exchange Rate

PII = Political Instability

FPI = Foreign Portfolio Investment

t = Time period

β_0 = Constant term

β_1–β_4 = Coefficients of the independent variables

εt = Error term

Methods of Data Analysis

The study employs both descriptive statistics and Ordinary Least Squares (OLS) regression techniques for data analysis.

Descriptive statistics, including mean, standard deviation, minimum, and maximum values are used to summarize the basic characteristics of the data. The OLS regression technique is applied to estimate the linear relationships between the dependent variable (ASI) and the independent variables. All analyses are conducted using EViews statistical software, which ensures robustness and reliability in estimation.

Descriptive Statistics

Table 1: Descriptive Statistics of the variables

	ASI	EXCR	FPI	INFR	PII
Mean	35429.21	274.8178	4185.223	13.61846	-1.963333
Median	31430.50	253.4920	2456.401	12.53783	-1.960000
Maximum	74773.77	645.1941	16865.72	24.65955	-1.770000
Minimum	20730.63	148.8800	56.56509	8.047411	-2.210000
Std. Dev.	13949.07	141.5063	5063.675	4.390279	0.134837
Skewness	1.527132	1.197379	1.438640	0.972804	-0.111022
Kurtosis	5.224809	4.001080	3.829103	3.711894	2.061096
Jarque-Bera	8.923938	4.210645	5.603846	2.682617	0.581778
Probability	0.011540	0.121806	0.060693	0.261503	0.747599
Sum	531438.1	4122.267	62778.34	204.2768	-29.45000
Sum Sq. Dev.	2.72E+09	280336.3	3.59E+08	269.8437	0.254533
Observations	15	15	15	15	15

Table 1 presents the descriptive statistics of the variables used in the study, including the mean, median, maximum, minimum, standard deviation, skewness, kurtosis, and Jarque–Bera statistics.

The mean value of the All-Share Index (ASI) over the study period is 35,429.21, while the median value is 31,430.50, indicating a moderate dispersion in market performance. The standard deviation of 13,949.07 suggests a considerable level of variability in ASI over time. The maximum and minimum values of 74,773.77 and 20,730.63, respectively, further confirm the volatility of the Nigerian stock market. The Jarque–Bera statistic (8.923938) with a probability value of 0.011540 indicates that ASI is not normally distributed.

The exchange rate (EXCR) has a mean value of 274.8178 and a median of 253.4920, with a standard deviation of 141.5063, suggesting noticeable fluctuations over the study period. The maximum and minimum values are 645.1941 and 148.8800, respectively. The Jarque–Bera statistic of 4.210645 with a probability value of 0.121806 indicates that the exchange rate is normally distributed.

Foreign Portfolio Investment (FPI) records a mean value of 4,185.223 and a median of 2,456.401, with a relatively high standard deviation of 5,063.675, indicating substantial variability. The maximum and minimum values of 16,865.72 and 56.56509, respectively, highlight the volatile nature of foreign capital inflows. The Jarque–Bera statistic (5.603846) with a probability value of 0.060693 suggests that FPI is not normally distributed, implying that its movements may be influenced by external shocks and market uncertainties.

The inflation rate (INFR) has a mean of 13.61846 and a median of 12.53783, with a standard deviation of 4.390279, indicating moderate variability. The maximum and minimum values are 24.65955 and 8.047411, respectively. The Jarque–Bera statistic (2.682617) with a probability value of 0.261503 shows that inflation is normally distributed.

Political instability (PII) has a mean value of −1.963333 and a median of −1.960000, with a relatively low standard deviation of 0.134837, indicating minimal variation over the study period. The maximum and minimum values are −1.770000 and −2.210000, respectively. The Jarque–Bera statistic (0.581778) with a probability value of 0.747599 indicates that political instability is normally distributed.

Overall, the descriptive statistics reveal that while some variables (EXCR, INFR, and PII) follow a normal distribution, others (ASI and FPI) deviate from normality, suggesting the presence of volatility and potential external influences in the Nigerian stock market

Unit Root Test

The data were subjected to unit root tests through Augmented Dickey-Fuller (ADF) to ensure that the variables were devoid of stationary defects that may likely affect the output of the regression equation.

Table 2: Unit root test results for variables

Variables	Order of Integration	ADF	Prob*	Remark
ASI	1(1)	-2.229713	0.0298	Stationary
EXCR	1(1)	-4.025043	0.0490	Stationary
FPI	1(1)	-3.636950	0.0242	Stationary
INFR	1(1)	-2.463142	0.0184	Stationary
PII	1(0)	-2.036861	0.0446	Stationary

Test of Hypotheses One

Table 3: H_1: There will be a significant influence of inflation rate on All Shares Index.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
INFR	1538.437	531.0330	2.897066	0.0145
C	-9414.284	8468.558	-1.111675	0.2900
ASI(-1)	0.760805	0.266619	2.853530	0.0157
R-squared	0.743692	Mean dependent var		36472.21
Adjusted R-squared	0.697090	S.D. dependent var		13855.35
S.E. of regression	7625.602	Akaike info criterion		20.90382
Sum squared resid	6.40E+08	Schwarz criterion		21.04076
Log likelihood	-143.3267	Hannan-Quinn criter.		20.89114
F-statistic	15.95855	Durbin-Watson stat		1.943599
Prob (F-statistic)	0.000560			

The coefficient of INFR was positive which showed a positive influence on All Shares Index. The probability value showed that INFR has significant influence on ASI. The regression R-squared value of 0.743692 showed that about 74% of the systematic variations in ASI were explained by the independent variable. The Durbin Watson stat of 1.943599 indicated that there is no auto correlation problem in the model. Since the p-value is less than 0.05

at 0.0145; we accept the hypothesis which stated that there would be a significant influence of inflation rate on All Shares Index in Nigeria.

Test of Hypothesis Two

Table 4: H_2: There will be a significant influence of exchange rate on All Shares Index.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EXCR	65.49716	20.65925	3.170355	0.0089
C	5222.956	7782.254	0.671137	0.5160
ASI(-1)	0.388127	0.324786	1.195023	0.2572

R-squared	0.763881	Mean dependent var	36472.21
Adjusted R-squared	0.720950	S.D. dependent var	13855.35
S.E. of regression	7319.115	Akaike info criterion	20.82178
Sum squared resid	5.89E+08	Schwarz criterion	20.95872
Log likelihood	-142.7524	Hannan-Quinn criter.	20.80910
F-statistic	17.79332	Durbin-Watson stat	1.438025
Prob(F-statistic)	0.000357		

The coefficient of EXCR was positive; which showed a positive effect on All Shares Index. The probability value showed that EXCR had a significant influence on ASI. The regression R-squared value of 0.763881showed that about 76% of the systematic variations in ASI were explained by the independent variable. The Durbin Watson stat of 1.438025 indicated that there was no auto correlation problem in the model. However, since the p-value is less than 0.05 at 0.0089, the second hypothesis which started that there would be a significant influence of Exchange rate on All Shares Index in Nigeria was accepted.

Test of Hypothesis Three

Table 5: H_3: There will be a significant effect of Political instability on All Shares Index.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PII	56344.89	24063.16	2.341541	0.0358
C	146053.0	47347.89	3.084679	0.0087

R-squared	0.296644	Mean dependent var	35429.21
Adjusted R-squared	0.242540	S.D. dependent var	13949.07

S.E. of regression	12140.18	Akaike info criterion	21.76999
Sum squared resid	1.92E+09	Schwarz criterion	21.86440
Log likelihood	-161.2750	Hannan-Quinn criter.	21.76899
F-statistic	5.482816	Durbin-Watson stat	1.357032
Prob (F-statistic)	0.035786		

The coefficient of PII was positive; which showed a positive effect on All Shares Index. The probability value showed that PII had a significant influence on ASI. The regression R-squared value of 0.296644 showed that about 29% of the systematic variations in ASI were explained by the independent variable. The Durbin Watson stat of 1.357032 indicated that there was no auto correlation problem in the model. Hence, since the p-value is less than 0.05 0.0358, hypothesis three which stated that Political Instability would positively and significantly influence All Shares Index in Nigeria was accepted.

Test of Hypothesis Four

Table 6: H_4: There will be a significant effect of foreign portfolio investment on All Shares Index.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FPI	0.062062	0.565485	0.109750	0.9146
C	-1101.070	11869.54	-0.092764	0.9278
ASI(-1)	1.143546	0.324404	3.525062	0.0048

R-squared	0.548623	Mean dependent var	36472.21
Adjusted R-squared	0.466555	S.D. dependent var	13855.35
S.E. of regression	10119.58	Akaike info criterion	21.46974
Sum squared resid	1.13E+09	Schwarz criterion	21.60668
Log likelihood	-147.2882	Hannan-Quinn criter.	21.45707
F-statistic	6.684944	Durbin-Watson stat	1.806326
Prob(F-statistic)	0.012588		

The coefficient of FPI is positive which showed a positive influence on All Shares Index. The probability value showed that FPI had insignificant influence on ASI. The regression R-squared value of 0.548623 indicated that about 54% of the systematic variations in ASI were explained by the independent variable. The Durbin Watson

stat of 1.806326 indicates that there was no auto correlation problem in the model. Thus, since the p-value is greater than 0.05 at 0.9146, the fourth hypothesis that stated that Foreign Portfolio Investment would positively and significantly influence All Shares Index in Nigeria was reject.

Discussion

The findings of this study indicate that inflation has a significant influence on stock market performance in Nigeria. This result underscores the important role inflation plays in shaping investor behaviour and market valuation. One possible explanation is that during periods of rising inflation, investors may perceive equities as a potential hedge against the declining purchasing power of money. As inflation increases, investors may therefore shift their financial resources toward the stock market in an effort to preserve the real value of their investments (Adewale & Okon, 2024).

Furthermore, inflation can affect corporate earnings, production costs, and monetary policy decisions. In Nigeria, persistent inflationary pressures often prompt the Central Bank of Nigeria (CBN) to adopt contractionary monetary policies, particularly through increases in interest rates. Such policy actions may influence liquidity conditions within the financial system and subsequently affect investment decisions in the capital market. Nevertheless, certain sectors of the economy, particularly those with strong pricing power, may benefit from inflationary conditions, thereby contributing to improved stock market performance. This finding aligns with previous empirical studies which emphasize that inflation can significantly influence financial market outcomes depending on the prevailing economic structure (Ibrahim & Adekunle, 2024; Ugoh et al., 2025).

The results of the study also reveal that exchange rate movements significantly influence stock market performance in Nigeria. Exchange rate fluctuations affect the profitability and operational efficiency of firms, particularly those that rely heavily on imported inputs or engage in international trade. When the domestic currency depreciates, the cost of imported goods and production inputs increases, which may negatively affect the financial performance of

such firms. Conversely, companies that generate revenue in foreign currencies, especially those operating in export-oriented sectors, may benefit from currency depreciation.

In addition, exchange rate volatility may influence the confidence of foreign investors in emerging markets. Nigeria's capital market has historically attracted foreign investors who are highly sensitive to currency risk and macroeconomic instability. Significant depreciation of the naira may therefore trigger capital outflows as foreign investors reallocate their investments to relatively stable financial environments. Consequently, exchange rate movements represent an important transmission mechanism through which macroeconomic conditions influence stock market performance (Sakariyahu et al., 2024).

The study further finds that political instability significantly influences stock market performance in Nigeria. Political developments often shape investor expectations and risk perceptions, particularly in emerging economies where institutional frameworks may still be evolving. Periods of political uncertainty, electoral tensions, or governance challenges can increase market volatility as investors adjust their investment decisions in response to perceived risks within the political environment.

Interestingly, the findings reveal a positive relationship between political instability and stock market performance. This outcome may be explained by speculative trading behaviour and policy expectations that often emerge during politically sensitive periods. In some situations, investors may anticipate policy reforms, government interventions, or fiscal stimulus measures that could stimulate economic activity and market performance. These findings are consistent with the work of Okoro and Li (2023) and Bello and Zhang (2024), who argue that political dynamics can significantly influence investor sentiment and stock market behaviour in developing economies.

Finally, the results indicate that foreign portfolio investment (FPI) has a positive but statistically insignificant influence on the All-Share Index. Although foreign capital inflows are generally expected to enhance market liquidity, deepen capital markets, and stimulate investment activities, the findings suggest that foreign portfolio

investment may not be a consistent determinant of stock market performance in Nigeria. This outcome may be attributed to the highly volatile and short-term nature of foreign portfolio investment flows (Okafor & Huang, 2023).

Foreign investors often respond quickly to macroeconomic shocks, exchange rate instability, and political uncertainty by withdrawing their investments from emerging markets. As a result, the contribution of foreign portfolio investment to long-term stock market growth may be limited. The findings therefore suggest that domestic investors, institutional strength, and structural economic conditions may play a more stable role in shaping stock market performance in Nigeria.

Overall, the results highlight the importance of macroeconomic stability, sound monetary and fiscal policy frameworks, and strong domestic investor participation in sustaining the growth and resilience of the Nigerian stock market.

Recommendations

The study therefore recommends the following:

Inflation Management with Equity Hedging Opportunities: Policymakers should continue to prioritize inflation control through sound monetary and fiscal policies. At the same time, regulators and fund managers can deepen awareness of equities as a hedge against inflation, encouraging domestic investors to use the stock market as a protective investment vehicle during inflationary cycles.

Exchange Rate Stability with Export Diversification: The Central Bank of Nigeria (CBN) should pursue a stable and transparent exchange rate regime to minimize speculative risks. Simultaneously, incentives should be given to listed firms in export-oriented sectors, whose foreign-denominated revenues can strengthen the ASI when exchange rates depreciate.

Leveraging Political Cycles for Market Confidence: While the finding shows political instability had a positive influence, policymakers must not assume instability is inherently beneficial. Instead, governments should use

election cycles and periods of uncertainty to institute pro-market reforms and stabilize the policy environment, thereby channeling speculative investor activity into sustainable growth.

Strengthening the Role of FPI: Given the insignificance of FPI's influence despite its positive sign, efforts should be made to reduce capital flow volatility. This includes deepening market infrastructure, improving investor protection, and ensuring transparent regulatory frameworks that encourage long-term foreign participation.

Domestic Investor Mobilization: Since reliance on volatile FPI is risky, regulators should broaden domestic investor participation through financial literacy campaigns, pension fund integration with equities, and fintech-driven access to the stock market. This would create a more stable demand base and reduce vulnerability to external shocks

Conclusion

This study established that economic variables such as inflation, exchange rate, and political instability was positively associated with stock market performance within the study. The positive outcomes may be explained by investors treating equities as hedges against inflation, by listed firms with foreign earnings benefiting from exchange rate depreciation, and by speculative trading and policy interventions during politically unstable periods that temporarily stimulate the ASI.

In contrast, foreign portfolio investment (FPI) was found to have a positive but insignificant influence on the ASI. While consistent with the expected positive sign, its lack of significance underscores the volatility of foreign inflows in Nigeria, as sudden reversals triggered by global and domestic shocks weaken their sustained impact on market performance.

Overall, these findings reveal the paradoxical resilience of the Nigeria's stock market: while domestic macroeconomic and political disruptions unexpectedly boosted performance, external capital flows proved unstable and less influential. This highlights the need for policies that strengthen market fundamentals, stabilize capital flows, and deepen domestic investor participation.

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