



Effect of Macroeconomics Variables on Stock Market Returns for MILA's Stock Exchange Market: Colombia, Peru and Chile.

Research Practice I | Proposal Research
Susana Luna Ramírez

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Ermilson Velásquez Ceballos,
evelas@eafit.edu.co
Armando Lenin Támara Ayús,
atamaraa@eafit.edu.co
Grupo de Investigación en Finanzas y Banca
(GIFyB). Departamento de Finanzas.

1. MILA

2. OBJECTIVE

3. MOTIVATION

4. DATA & METHODOLOGY

5. BIBLIOGRAPHY



Is a program that integrates the stock exchange markets of Chile, Colombia and Peru.



- Founded In 2010.
- Give investors a greater supply of securities, issuers and also larger sources of funding.
- If Mexico's stock exchange integrates MILA's market it would create **Latin America's largest stock exchange** (The Mexican Stock Exchange signs agreement to join MILA n.d.).



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Find which market and macroeconomics variables are statistically significant to explain the stock returns of MILA's members market through a time series econometric analysis using the Box-Jenkins Autoregressive Integrated Moving Average (ARIMA) model.



Find the level of significance among the variables that explain the stock returns of the different countries.



Analyze and describe the factors that drive to the acceptance or failure of each of the variables chosen.



Verify if there is a relationship between the past stock return and the present one that supports the Efficient Market hypothesis.



From the significant variables, recognize similarities and differences between MILA's markets for possible investment decisions.

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A. LIQUIDITY CRISIS

There has been an ongoing concern about the dynamism of the stock market after the 2008 financial crisis.

B. EMERGING MARKETS

Most of the research already done, have been focused on develop markets (Gay, 2008).

C. DISAPPOINTING RESULTS IN THE PAST

Despite having a good economic justification, most of the variables are not statistically significant.

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Variables

- Petroleum Price (WTI Index)
- Industrial Production
- Interest rate
- Treasury bonds
- Exchange rates
- S&P 500
- Gold Price

Software: STATA.

Model: ARIMA.

Sources: BLOOMBERG and oficial web sites.

Time scale: Monthly basis, february 2009:January: 2015.

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Gay, Robert. 2008. *Effect of Macroeconomic Variables on Stock Market Returns for Four Emerging Economies: A Vector Regression Model for Brazil, Russia, India, and China*. International Business & Economics Research Journal, March 2008.