

## The Relative Importance of Monetary Transmission Channels On the Tehran Stock Exchange Price Index

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### Abstract

Whenever changes in economic variables cause changes in the risk or return of one type of investment, other forms of investment will also change. Understanding the factors affecting the stock market can help directing capital and improving investment decisions. Monetary policy is one of the factors that affect the stock market through different channels. If the effects of monetary policy on stock prices are known, policies can also be effectively and consciously pursued to achieve macro goals and economic stability. In this paper, the contribution of each channel to the spread of monetary policy effects on the price index of the Tehran Stock Exchange is investigated. For this purpose, the vector autoregressive model and seasonal data over the period 1997-2017 were used.

The results show that monetary shocks affect the price index of the Tehran Stock Exchange but are not a determinant factor. The results confirm that the greatest effect of the money supply is caused through the exchange rate and credit channel.

**Keywords:** Monetary Transmission Channels; Exchange Rate Channel; Credit Channel; Stock Price Index; Vector Autoregressive Model.

**JEL Classification:** G10, E52.

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