

Oil Revenue, Exchange Rate and Stock Market Investment in Iran: Evidence from Markov Switching Model

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Abstract

The aim of this study is to investigate the effect of oil revenues and exchange rates on the amount of investment in the stock market in Iran using seasonal data from the period 1991-2016. To this end, the impact of oil revenues and exchange rates and the amount of liquidity on investment in the stock market in Iran has been estimated using the Markov-Switching two-mode model. The results of model estimation show that oil revenues, exchange rates and liquidity have different effects on investment in the stock market in Iran. The second regime is related to the variance and high average (Prosperity) and diet (2) are associated with variance and low average (recession) regimes. It should be noted that in regime (1) only the volume of liquidity has a positive and significant effect on the amount of investment in the stock market, but in regime (2) the exchange rate has a negative and significant effect and oil revenues have a positive and significant effect on the amount of investment in the market Has had shares.

Keywords: Oil Revenue; Exchange Rate; Liquidity volume; Stock Market; Markov- Switching.

JEL Classification: E29, F31, G19, C29, N15.

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