

Abstract

This study examines the effect of macroeconomic factors on the equity market performance of Nairobi Securities Exchange. Panel data is collected for a 10year period, from 2005 to 2014 on the equity market capitalization as the dependent variable and the macro-economic variables of Average annual inflation rate, Average annual exchange rate, Average yearly monetary base (M3 and Average annual GDP growth rate as the independent variables. The regression analysis was used and the study found no evidence of significant influence of exchange rate on equity market capitalization. However the study concludes that there is a weak positive relationship between the selected macroeconomic factors (Exchange rate, Inflation rate, money supply, and GDP) and Equity market performance.