

ABSTRACT

Stock exchange and interest rate are two crucial factors of economic growth of a country. The impacts of interest rate on stock exchange provide important implications for monetary policy, risk management practices, financial securities valuation and government policy towards financial markets. This study seeks evidence supporting the existence of share market efficiency based on the monthly data from January 2000 to January 2010 and also shows empirical relationship between stock index and interest rate for five developed and developing countries- China, Indonesia, South Africa, Germany and USA. Relationship between share price and interest rate, and changes of share price and changes of interest rate were determined through time series regressions.