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**A Comprehensive Review of Literature on Stock Market
Variations Due to Economic Factors**

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Abstract

Stock market variations are closely associated with changes in macroeconomic conditions, making economic factors an important area of financial research. This comprehensive review of literature examines the relationship between stock market movements and major economic variables, including inflation, interest rates, exchange rates, gross domestic product (GDP), money supply, unemployment, fiscal conditions, and economic growth. Existing empirical studies indicate that changes in interest rates and inflation frequently influence equity valuations by affecting borrowing costs, corporate profitability, investment decisions, and investor expectations. Exchange-rate fluctuations can further affect stock prices, particularly in economies with substantial international trade and foreign investment. Similarly, GDP growth and broader economic activity are generally associated with changes in corporate earnings and market sentiment. The review also highlights that the magnitude and direction of these relationships vary across countries, time periods, market conditions, and economic structures. During periods of financial instability or economic crises, stock markets may respond more strongly to macroeconomic shocks and changes in investor expectations. Differences in research methodologies, financial-market characteristics, and monetary and fiscal policy frameworks contribute to mixed findings across studies. Overall, the literature demonstrates that stock market variations result from the interaction of multiple economic factors rather than a single determinant. Understanding these relationships is important for investors, policymakers, financial institutions, and researchers seeking to interpret market behaviour and assess the broader economic implications of stock market fluctuations.

Keywords: Stock Market, Economic Factors, Inflation, Interest Rate, Exchange Rate, GDP, Money Supply, Economic Growth, Macroeconomic Variables, Market Fluctuations.