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Monetary Policy, Macroeconomic and Anomalies Interactions Post COVID in Developed and Eastern European Stock Markets

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Abstract: The purpose of this study is to examine the crucial factors amongst monetary policy and macroeconomic variables that spike the anomalies momentum on stock markets post-COVID-19 pandemic in selected Developed and Eastern European countries. This study uses panel data to measure the cross interactions of five stock exchanges based on unprecedented recovery in the European stock markets that yield astonishingly higher returns post-COVID-19, believed to be due to a perfect adoption of monetary policies (Exchange and Inflation Rates) and macroeconomic factor (Economic Growth) from January 2017 to December 2022. Findings suggest that the Exchange Rate and Economic Growth of the country are positively significant in influencing the Stock Market Performance in European stock markets. Additionally, the Inflation Rate surprisingly is negatively related to Stock Market Performance. Furthermore, local and foreign investors prefer to invest in a country that has a great adoption of monetary policies (stable Exchange Rate and lower Inflation Rates) as well as macroeconomic variables (resilient Economic Growth) for post COVID-19 economic landscape. For practical implications, the study suggests that the stock market performance, exchange rate, inflation rate, and economic growth of the country should be maintained and improved to attract fund inflows from local and foreign investments. To the best of the authors' knowledge, this study is the first that examines the anomalous market momentum effect post-COVID-19 pandemic focusing on aspects, monetary policy, and macroeconomic variables. The momentum effect investing strategies that provide abnormal returns in different stock markets truly existed.

Keywords: *Anomalies, Efficient Market Hypothesis, Momentum Effect, COVID-19, Monetary Policy, Macroeconomic, Stock Market Performances.*

1. Introduction and Background

Market Anomalies refer to the occurrences or trends in the financial markets that act differently from the financial theory of the Efficient Market Hypothesis (EMH) (Sharma & Kumar, 2020). Anomalies imply that there are chances for investors to take advantage of pricing inefficiencies and generate abnormal returns (Bouattour & Martinez, 2019). Simply, the EMH is the information-reflecting share price hypothesis which contends that markets are efficient and all available information is promptly reflected in asset prices. Hence, no retail or institutional investors can buy discounted shares or even sell shares for inflated prices because based on EMH theory, equities will always trade at their fair value on exchanges (Xu, 2023). A traditional finance theory considers rational investors might also find it difficult to outperform the market even through skilled stock selection or perfect market timing (Kamoune & Ibenrissoul, 2022). The only chance for an investor to earn an abnormal return is by investing in a riskier financial asset.

A study by Zhang and Zheng (2015) added that rational investors can gain benefits created by irrational ones when deciding to buy or sell shares in the security market, while other several empirical types of research and abnormal phenomena like the *Momentum Effect* (Kim & Lee, 2018; Safdar, 2020; Singh et al., 2022), *Winner-Loser Effect* (Loang & Ahmad, 2022; Supriya & Raj Singh, 2017), *Friedman-Savage Puzzle* (Friedman & Savage, 1948; Rabin & Thaler, 2001), and *Riddle of Bonus Effect* (Al-Jaifi, 2017) are among the well-known market anomalies. Moreover, even major economic agents such as households (individuals), firms, governments, and Central Banks are no longer to be assumed as rational investors because they are also normal human beings, which will be dealt with a mix of emotional responses, overconfidence, loss aversion, confirmatory and outcome bias, as well as hindsight bias that may cause the emergence of behavioral finance (Fieger, 2017).

One of the popular market anomalies is the Momentum Effect, but it goes against the EMH's contention that

historical prices should not be utilized to forecast future prices. The presence of these momentum anomalies, however, indicates the persistence of the trends could signal the risk takers among the traders and investors to potentially gain abnormal profit from it (Cattlin, 2018). Shares that have experienced a positive return (outperform) in the past most likely will experience a positive return in the future, and shares that have experienced a negative return (underperform) in the past most likely will experience a negative return in the future. The changes in the share prices will be continuously repeated, and this phenomenon is known as the Anomalous Market Momentum Effect (Salur & Ekinci, 2023).

Several anomalous markets exist not only in the United States but also in Canada and some parts of the European countries such as Germany, France, and the United Kingdom according to Lu et al. (2017). The Coronavirus Disease 2019 (COVID-19 hereafter) was first discovered in Italy in mid-February 2020. As the article is written, there are about 38.4 million, 4.8 million, 3.41 million, 6.08 million, and 4.64 million COVID-19 confirmed cases were reported in Germany, Belgium, Denmark, Austria, and the Czech Republic, respectively. Despite strict lockdown procedures such as Movement Control Orders (MCOs) domestically, closing international borders, and any other precaution measures that have been taken around the globe to minimize the virus spread, total death tolls have accumulated to 6,951,677 as of July 26, 2023 (WHO, 2023).

The COVID-19 pandemic's emergency status has been prolonged for more than three years and after the 15th Meeting, the WHO's International Health Regulations Emergency Committee on May 5, 2023 "announced that COVID-19 is no longer a public health emergency of international concern" (Rice, 2023). The World Health Organization or WHO, which acts as a specialized agency of the United Nations (UN) has taken responsibility for international public health. Recently, Dr. Tedros Adhanom Ghebreyesus, the WHO Director-General has notified that during this endemic phase, many people are adjusting back to their normal lives, and the same goes with investing activities just before the COVID-19 attack. Now, the disease is no longer considered as a global health threat.

Figure 1: Stock Market Indices for Developed and Eastern Europe Economies

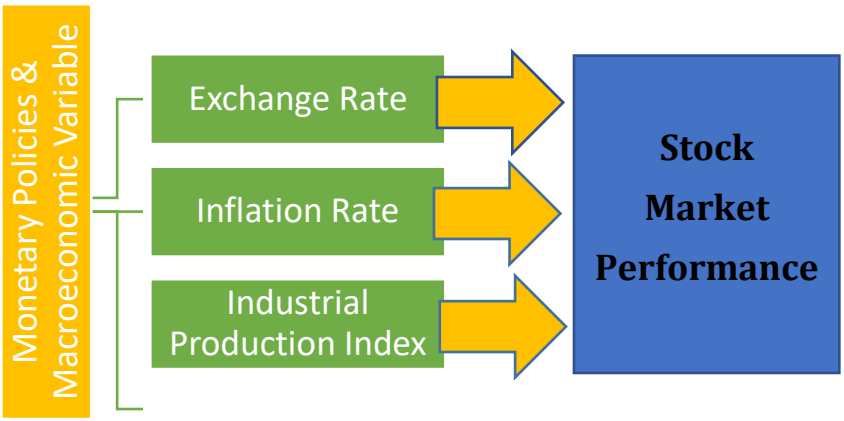
This study aims to bridge the gap between anomalous momentum effects and post-COVID-19 pandemic in the European financial market. What makes European financial markets resilient to the downside risk although it has been struck by devastating effects caused by the COVID-19 threat? This question remains unanswered. A long time ago, Jegadeesh and Titman (1993) claimed that "momentum investing strategies provide abnormal returns in different stock markets" existed. This statement leads to an ongoing debate on its existence in the search for an explanation for the profitability of momentum strategies post-COVID-19. As the literature has not come to a consensus, this study will analyze five (5) European stock markets with datasets comprising both *Developed Europe* (represented by Germany, Belgium, and Denmark) and *Eastern Europe* (represented by Austria and Czechia). In a nutshell, the study will look through the dynamics and trends of the stock market indices starting from January 2017 until December 2022, in which data covered before the outbreak of the pandemic (pre), the outbreak of the pandemic (during), and after the outbreak of the pandemic (post) COVID-19 phases. The study intends to emphasize that the unprecedented recovery in the European stock markets that yielded astonishingly higher returns post-COVID-19 has been due to a perfect adoption of monetary policies by the Government (such as Exchange Rate and Inflation Rate) and macroeconomic variables that represent a reasonable growth in the economy with Industrial Production Index (IPI) being taken as a yardstick.

The IPI is a proxy to measure Economic Growth in the country. It is hypothesized that any increase in growth rate will directly increase the stock index or performance (Hashmi & Chang, 2023). Meanwhile, the currency Exchange Rate is used to measure the currency rates between the two countries. It is hypothesized that with any increase in the real exchange rate of the domestic currency, foreign goods will be relatively cheaper, however, domestic goods will be relatively more expensive (Neifar & Gharbi, 2023). Finally, the CPI is a proxy to measure the Inflation Rate in the country. It refers to the overall increase in prices and the cost of living that will also cause a loss of purchasing power. This can be hypothesized that any increases in the inflation rate will directly decrease the stock index or performance (Chiang, 2023). In summary, IPI and Exchange Rate have a positive influence on Stock Market Performance while CPI has a negative influence on Stock Market Performance.

The association between Exchange Rate, Inflation Rate, and Economic Growth with a Stock Return (performance) has created significant academic discussion in both theoretical and empirical literature. Nevertheless, the literature is still inconclusive about the true association between those variables when it relates to the momentum effect post-COVID-19. Investors believe that Monetary Policy and Macroeconomic variables have a great influence on economic events and cause volatility in stock prices. This implies that both Monetary Policies and Macroeconomic Variables may also influence investors' investment decisions, and this will motivate the researchers to investigate the relationships between Stock Market Performance, Monetary Policy, and Macroeconomic Variables.

Based on Figure 2, the researchers focused on currency Exchange Rate (*ER*), Inflation Rate (*CPI*), and Industrial Production Index (*IPI*), which represent monetary policies and macroeconomic factors that act as constructs in affecting Stock Market Performance (stock indices). This study has become crucial recently for academicians, practitioners, and policymakers.

Figure 2: Conceptual Framework for Stock Market Performance



2. Literature Review

Market efficiency is a standard finance theory that has become a model of market behavior and has been accepted by many academicians since the 1970s (Dhankar & Maheshwari, 2016). Market efficiency will be achieved when security prices reflect relevant information (Patil & Rastogi, 2019). The faster new information is reflected in security prices, the more efficient the market will be (Woo et al., 2020). Thus, it will be difficult for investors to obtain abnormal returns through stock trading transactions (Lu et al., 2021). Several situations must be met to achieve market efficiency (Ying et al., 2019), such as many investors trying to maximize profits, and all market participants can obtain information at the same time in an easy way. The information provided is random, investors react quickly to new information so that security prices will change according to actual conditions. By having well-informed investors in the securities market, investments will be appropriately priced when all available information is reflected in the share price (Fama, 1991). Market inefficiency, on the other hand, is a theory used to explain a momentum effect. Arguably, all available information is not promptly reflected in share prices, hence it opens wide doors to the market

participants for effective trading based on historical share prices.

Investor behavior is a tool that can explain the Momentum Effect (Singh et al., 2022). Theoretically, investors often do not react to newly available information and this scenario prevents the share prices from fluctuating very rapidly (Haddad et al., 2021). Consequently, shares with good news will attract more investors' interest and will cause a further price increase. A self-reinforcing cycle will take place in which a strong momentum will attract more investors and rise in share price, on the other hand, a weak momentum will increase the selling pressure and decline in share price (Sawitri & Astuty, 2018).

The first factor, the currency Exchange Rate (*ER*) may have an impact on market anomalies (Sharma et al., 2019). For instance, a positive market momentum will attract foreign investors to invest in a domestic share market and thus demand for the local currency will increase (Tian et al., 2021). However, a negative market momentum will cause foreign investors to lose their confidence in a domestic share market and hence demand for the local currency will drop (Moradi et al., 2021). A decrease in demand for local currency may cause the exchange rate to decline against other currencies (Dahlquist & Hasseltoft, 2020).

Generally, the International Fisher Effect (IFE) theory posits a relationship between nominal interest rates, inflation rates, and exchange rates (Sumner, 2022). This economic theory was developed by Irving Fisher, a U.S. economist who states that the difference between the nominal interest rates in two countries is directly proportional to the changes in the exchange rate of their currencies at any given time (Şen et al., 2020). It can be hypothesized that the variations in exchange rates might impact investment returns (CFI Team, 2022). For instance, if two countries have nominal interest rates that are different from one another, investors will choose to invest in the nation with the higher rate of interest (since it is proportionate to a higher ER) to maximize their gains. Thus, when it comes to stock returns, fluctuations in exchange rates may influence how much investors who own stocks with different currency values can make. When an investor holds stocks denominated in a different currency, any fluctuations in the ER between that currency and their home currency will impact the overall return on investment (Gavriilidis & Kgari, 2016). Development of hypotheses will be based on the main research objective which is to determine the relationship between monetary policy and macroeconomic variables (i.e., ER, CPI, and IPI) and stock market indices (based on individual country) and the following individual hypothesis is formed.
H_1: *ER* has a positive influence on stock market index during anomalous market momentum post-COVID-19.

The second factor, Inflation Rate (*CPI*) may also have an impact on market anomalies. For instance, a positive asset momentum will reflect a robust economic performance as well as an investor's confidence (Malyshenko et al., 2019). During inflation with CPI as a proxy, prices of goods and services often increase due to an increase in consumer spending, while the financial institution will directly increase the domestic interest rate (high cost to the investors) (Olusola et al., 2022). The investors' wealth depends on the success of the stock market, but inflation develops investor's herding behavior such as a lack of confidence in the domestic stock market (Rasool & Ullah, 2020). Consequently, a high inflation scenario may result in lower corporate earnings, which may hurt stock return, hence stock performance (Lintner, 1975; Nelson, 1975). Negative asset momentum will reflect a sign of uncertainty or an economic downturn (Chiang, 2022). According to Ceyda Oner, a Deputy Division Chief in the IMF's Finance Department, during deflation, the prices of goods and services often reduce due to lower demand, in this negative trend will cause the CPI to decline (IMF, 2023).

Based on new Keynesian Factors, incorporating the two factors such as shocks to inflation targets and the external finance premium into asset pricing models will able to explain the size, value, and momentum premiums observed in the cross-sectional variability in stock returns (Cho, 2013). Traditional Keynesian Theory posits a negative relationship between inflation and stock market performance (Ogujiuba & Cornelissen, 2020). Feldstein (1980) supports this theory and claims that the tax system diminishes stock gains while boosting inflation. This is because a rise in the inflation rate will harm investment in the stock market (Huy et al., 2021). Simply put, monetary policy shocks can affect stock returns through the inflation and interest rate channels (Klein & Linnemann, 2023). For instance, during inflation banks will increase borrowing costs, hence it can reduce the quantity of funds demanded for investment, lack of current consumption, and finally, it leads to a decrease of economic activity (Asimakopulos, 2020). As a conclusion,

the changes in interest rates due to inflation can create an adverse effect on real share price and hence its performance.
H_2: *CPI* has a negative influence on stock market index during anomalous market momentum post-COVID-19.

The third factor, steady Economic Growth (*IPI*) may also influence market anomalies (Dodig, 2020). For instance, a positive market momentum will reflect a favorable business environment and corporate confidence (Dai et al., 2022). During the economic boom, the business grew steadily with the increase in demand for its manufacturing operations (Singh et al., 2020). Therefore, the level of economic growth with industrial production index, IPI as a proxy will rise because of the market uptrend (Shahzad et al., 2021). In contrast, a negative market momentum or slowdown in economic growth will reflect a sign of economic instability (Ali & Joshi, 2022). During economic instability, businesses may be forced to reduce their output levels in response to a lower demand. Consequently, this negative momentum will cause the IPI to decline too (Jan et al., 2022).

According to Keynesian theory, positive economic growth and stock gains are interrelated (Amitrano & Vasconcelos, 2019). This theory affirms that economic regulation by the government can assist in maintaining financial stability, prevent severe downturns, lessen the impact of economic shocks, and foster financial market stability (Parui, 2022). During a bad economy, the theory accentuates by increasing government expenditure, executing monetary easing, and enacting a fiscal stimulus initiative to foster economic expansion. These will have a beneficial effect on stock returns and performance (Liang & Silber, 2020). When businesses can make more money, it will indirectly raise stock prices and profits for investors. Maintaining this overall consistency may help boost stock returns (Commendatore et al., 2003).
H_3: *IPI* has a positive influence on stock market index during anomalous market momentum post-COVID-19.

3. Research Methodology

This article forms part of a major study regarding the influence of Monetary Policy and Macroeconomic Variables on the performance of the European stock markets post-COVID-19. Five regions from Developed and Eastern Europe namely Germany, Belgium, Denmark, Austria, and Czechia (Czech Republic) constituted the study. *German* stock index is the DAX (Deutscher Aktienindex) consisting of the 40 major German blue-chip companies trading on the Frankfurt Stock Exchange. *Belgium* stock index, the BEL20 is the benchmark stock market index of Euronext Brussels that tracks the performance of the 20 most capitalized and liquid stocks traded in the Belgium Stock Exchange. *Denmark* stock index, the OMX Copenhagen Index is a market value-weighted index that consists of 20 most-traded stocks in the Copenhagen Stock Exchange. *Austria* stock index, the ATX (Austria Traded Index) is the main stock index of the country that is made up of 20 of the largest listed companies on the Vienna Stock Exchange. The *Czechia* stock index, the PX, is the official index that is made up of the most liquid blue chips of the Prague Stock Exchange.

This study attempts to examine the relationship between ER, CPI, IPI, and Stock Market Indices in Developed and Eastern European economies. The data utilized in this study were sampled monthly over the period from January 2017 to December 2022. The sample size of the study consisted of stock market indices monthly from two years before the outbreak of the pandemic (23 months: January 2017 until November 2019), the outbreak of the pandemic (29 months: December 2019 until May 2022), and after the outbreak of the pandemic (7 months: June 2022 to December 2022). Stock Market Indices were sourced from Germany, Belgium, Denmark, Austria, and Czechia Stock Exchange online publications while ER, CPI and IPI that are hypothesized to influence stock indices (return and performance) were obtained from the FRED of Federal Reserve. For the Regression Model, the dependent variable was the stock index and independent variables such as ER, CPI, and IPI, were used the model has been constructed as follows, $Y = \alpha + \beta X1 + \beta X2 + \beta X3 + \varepsilon t$

Where Y is considered as the Stock Market Index, X1 denoted ER, X2 denoted CPI, and X3 denoted IPI. It is considered as $\alpha = 0.05$ which indicates the P value is between 0.01 to 0.05. There 95% confidence level was expected.

4. Results and Discussion

In this section, the Descriptive Analysis, Multicollinearity Procedure, and Static Panel Data results are presented. The results of the Descriptive Statistics of the variables utilized in this model are displayed in Table 1. The mean of the Stock Index (SI) indicates 116.22 with a median of 110.25. Meanwhile, the maximum amount of stock market performance is 199.64 and the lowest amount is 68.48. On the other hand, the mean and median for Exchange Rate (ER) are USD99.87 and USD99.55, respectively. The maximum ER for five selected European countries is USD117.30 with the minimum amount of USD90.91. Another variable, which is CPI represents the Inflation Rate and shows that the mean and median amounts are 108.76 and 106.61, respectively. Meanwhile, the maximum and minimum amount of CPI is 138.50 and 100.30. The final variable is IPI with a mean of 100.97 and median of 110.64. In addition, the maximum and minimum IPI is 150.10 and 71.10, respectively. The total number of observations for this Panel Data is 360 months.

Table 1: Descriptive Statistics

VARIABLE NAMES	SI	ER	CPI	IPI
Mean	116.2203	99.879	108.765	110.9763
Median	110.2545	99.550	106.6089	110.6408
Maximum	199.6418	117.300	138.5000	150.100
Minimum	68.47787	90.910	100.3000	71.105
Skewness	1.153391	2.742193	1.8721	0.085694
Kurtosis	4.327382	14.45808	6.9171	4.4157
Observations	360	360	360	360

Notes: SI, a monthly index response is a hypothetical portfolio representing a segment of the financial market (Stock Market Index); ER (Exchange Rate) over USD, is the rate at which one currency will be exchanged for another currency based on one US dollar; CPI is the most well-known indicator of Inflation that measures the percentage change in the price of a basket of goods and services consumed by households; IPI is a statistical instrument used to monitor the monthly trends in country's industrial activity.

Table 2 below presents the Variance Inflation Factors (VIF) results, which show that all independent variables have scored less than 10. This indicates that there is no multicollinearity problem exists among the independent variables.

Table 2: Result of Multicollinearity Procedure using VIF

Variable Names	Centered VIF
ER	1.67
CPI	1.93
IPI	1.22
Mean VIF	**1.61**

Table 3: Static Panel Data Results

Dependent Variable: Stock Index (SI)	
Independent Variables:	
Exchange Rate (**ER**)	0.903259*
Inflation Rate (**CPI**)	-0.495333*
Economic Growth (**IPI**)	0.912474***
R-squared (R^2)	0.109355
F-statistic (F-stat)	14.57018***
Observations (Obs)	360

Note: The signs ***, **, and * indicate the result is statistically significant at the 1%, 5% and 10% levels, respectively.

Based on the Static Panel results presented in Table 3, ER (Currency Exchange Rate), CPI (Consumer Price Index), and IPI (Industrial Production Index) demonstrate a significant relationship with Stock Market Performance. Specifically, the currency Exchange Rate (ER) has a *positive* and significant impact in explaining

the Stock Market Performance at a 10% significant level. It indicates that when the currency is in a stable condition, it can have positive implications for the stock market. The reason is that a stable currency will increase the confidence level of domestic and foreign investors, businesses, and consumers. Therefore, it contributes to the more resilient performance of the stock market. In addition, after COVID-19 hit worldwide, foreign investors are likely focused on investing in countries with a stable currency Exchange Rate which could reduce currency depreciation and boost the demand for domestic stocks. This result is aligned with studies by Lakshmanasamy (2021), Tian et al. (2021), and Dahlquist and Hasseltoft (2020) in which the preference for domestic financial assets (stocks) will decline over those in foreign currencies denominations due to the depreciation of domestic currency that forces the funds to leave the country. It has been proven that local investors are encouraged to increase investments in domestic stocks when asset prices are on the uptrend, they believe this scenario will increase the demand for a domestic currency hence, boost the sale of stocks internationally (Suriani et al., 2015; Wong, 2022). Large demand for domestic currency is believed to invite more participation among international investors in the domestic stock market. Therefore, Hypothesis One (H_1) fails to be rejected, thus ER has a *positive influence on the Stock Market Index* during anomalous market momentum post-COVID-19.

Indeed, the second highlighted variable, the CPI (Inflation Rate) showing a *negative* and significant impact on stock market performance is an interesting finding. Specifically, the Inflation Rate (CPI) has a *negative* and significant impact in explaining the Stock Market Performance at a 10% significant level. Generally, when inflation hits certain countries, it erodes the lower level of purchasing power among consumers, where they can just get less good with the same amount of money from years ago. Therefore, it will lead to a lower spending pattern among consumers and will have an impact on the revenue as well as the performance of the company's stock price. However, a finding by Chiang (2023) based on data from 12 advanced countries (i.e., the US and 11 other global markets) indicated that real stock returns are negatively correlated with equity market volatility, which indirectly is positively correlated with inflation. Our results are consistent with Tripathy (2011), which finds a substantial correlation between inflation and the Indian stock market (BSE Sensex) using weekly data ranging from 2005 until 2011. More research reveals the adverse effects of inflation on stock market performance (Asimakopulos, 2020; Chiang, 2022; Huy et al., 2021; Ogujiuba & Cornelissen, 2020; Olusola et al., 2022; Rasool & Ullah, 2020), and in specific a study by Uwubanmwen and Eghosa (2015) in Nigerian stock exchange and by Qamri et al. (2015) in Karachi stock exchange. In addition, Lee and Brahmasrene (2018) found the short-term detrimental effect of inflation on the Korean stock exchange. Therefore, Hypothesis Two (H_2) of CPI has a *negative influence on the Stock Market Index* during anomalous market momentum post-COVID-19 fails to be rejected.

The third indicator that gives a positive and significant relationship with stock performance is Economic Growth, proxy by IPI. Specifically, Economic Growth has a *positive* and significant impact in explaining the Stock Market Performance at a 1% significant level. This positive impact explains that when the economies of countries are growing at a healthy rate, this condition can attract more investors and will directly strengthen the stock performance of the companies of those countries, especially in Developed and Eastern Europe. As economic growth is interconnected between countries, the momentum of the stock market performance of one country will be influenced by the economic growth of the other countries, which means international trade and investment flows can impact the companies' revenues and earnings, hence affecting stock market performance. Moreover, Endogenous Growth Theory states that a thriving stock market may encourage capital mobilization that will support long-term economic growth. According to Marques (2013), even a small economy in Portuguese compared to other European nations aspired to invest as shown by a causal and positive relationship between economic growth and stock market expansion. This has proven that stronger economic growth will contribute to a stronger stock market performance (Amitrano & Vasconcelos, 2019; Liang & Silber, 2020; Parui, 2022; Shahzad et al., 2021; Singh et al., 2020), and vice versa (Alawin et al., 2018). As a result, Hypothesis Three (H_3) of IPI has a *positive influence on the Stock Market Index* during anomalous market momentum post-COVID-19 fails to be rejected.

5. Managerial Implications and Recommendations

The performance of the stock or equity market is vital in determining the growth and development of countries. Investors or foreign direct investment (FDI) will tend to lend their investment in countries that are

resilient and stable to get better returns. As the three important key variables considered in this study, which are ER, CPI and IPI indicated to have a significant impact on the Stock Market Performance, it shows that the investors are more interested in parking their funds in countries that have strong Currency Rate, lower Inflation Rate as well as higher Economic Growth. Hence, the economic policy of the countries should strengthen these important key indicators to encourage more investors and create a healthy investment environment.

Conclusion: Drawing from the findings, this study has shed light on the crucial factors that influence the momentum of stock market performance after the global economy was hit by the COVID-19 pandemic. The findings from the Static Panel Data reveal that all selected variables (ER, CPI and IPI) significantly impact the Stock Market Performance of five European countries despite varying directions of the impact. Consequently, all the hypotheses (H_1, H_2, and H_3) based on this study failed to be rejected when the results showed that Exchange Rate (ER) and Economic Growth (IPI) are positively significant while Inflation Rate (CPI) is negatively significant in influencing the Stock Market Performance of five countries from Developed and Eastern Europe namely Germany, Belgium, Denmark, Austria, and Czechia. Critically, the finding of this study concludes that investors are more interested and dare to lend their funds to countries that have robust Exchange Rates, lower Inflation Rates, as well as healthy Economic Growth. Logically, the countries that fulfill the criteria of having a great combination of effective Monetary Policies and efficient Macroeconomic Variables will give a positive reflection and look more appealing for investors to park their funds in the stock exchanges for a longer period, especially in the post-COVID-19 economic landscape. Furthermore, this study can be extended by future researchers, in terms of evaluating the market volatility and the risk factors that can contribute to investor interest in the stock market as well as adding other microeconomic factors in the analysis as the stock market is a complex and dynamic system that influenced by various factors.

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