

The relationship between stock market, CPI and industrial production in Iran and the impact of oil price

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This paper examines the relationship of cyclical components of consumer price index (CPI), Industrial Production, stock market in Iran and the influence of oil prices on these variables. The period of the study from 1996 to 2008

Using a VAR we find that the Iranian CPI exercises a significant negative influence in the Iranian stock market. Further, oil prices are negatively influencing the Iranian CPI and stock market, at a significant level. It is worth noting that on average, shocks from CPI require about 3 years to be absorbed by the each of other variables, shocks from the stock market and oil need about 2-3 years, whereas shocks from industrial production will be absorbed within a period of 1-2 years from each of other variables. The findings of this study are of particular interest and importance of financial managers, financial analysts and investors dealing with the Iranian market.

Keywords: cyclical components, macroeconomics indicators, oil prices