

The Impact of Accounting Information and Macroeconomic Variables on the Stocks Market Prices of Saudi Stock Exchange

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The main aim of this study is to analyze the financial and microeconomic information, and to find the relationship between these information and its impact upon the stock prices of selected companies in Saudi Arabia stock exchange. The researcher used the descriptive analytical method for the purpose of the study, to achieve the aim of the study, the researcher used gathered the monthly information of the stock price of the selected companies using financial ratios and historical data of interest rate, inflation rate, oil prices and exchange rate, the researcher adopted various statistical tests, single regression method to examine each hypotheses separately, t-test to test the effect of every independent variable on the dependent variable in single regression method. Also F-test was used to examine the effect of more than one variable on the dependent variable in the same time. The main finding of this study was the Saudi Arabia stock market like any other stock exchange responds to the changes in market information which is reflected directly on the stock prices.

Key Words: Microeconomic, stock price, financial information, Saudi Arabia stock exchange

Introduction

To choose among alternatives in the financial market may be considered the most critical decision that investors may face. The traditional evaluation model of stock prices suggests that stock prices reflect expectations about the future economy, and can therefore predict the economy. The "wealth effect" contends that stock prices lead economic activity by actually causing what happens to the economy.

The efficient market hypothesis (EMH) suggests that competition among the profit-maximizing investors in efficient market will ensure that all the relevant information known about changes in macroeconomic variables are fully reflected in current stock prices, so that investors will not be able to earn abnormal profit through prediction of the future stock market movements (Conge & Koh 2003).

Early studies of (EMH) by Fama & Schwert, (1977), Nelson, (1976), and Jaffe & Mandelkar, (1976), all affirmed and reached to the same conclusion that macroeconomic variables influence the stock prices and returns.

Financial ratios considered one of the most classical tool used by internal and external financial data to help out the investors to make their economic decisions. This study will use some ratios of financial and accounting information of the selected 15 companies which were selected randomly from the 15 different sectors in Saudi Arabia stock exchange for the period

2006-2014 as independent variables, namely, return on assets (ROA), return on equity (ROE), book value of the share (BVS), earning per share (EPS) and dividend per share (DVS), the researcher also uses some of macroeconomic information, namely inflation rate (IFR), interest rate (ITR), exchange rate (EXR) and oil prices (OP). On the other hand, the researcher used the annual average closing prices per share (SCP) as a dependent variable.

Saudi Arabia Stock Market

Saudi joint stock companies had their beginnings in the mid 1930's, when the "Arab Automobile" company was established as the first joint stock company. By 1975 there were about 14 public companies. The rapid economic expansion, besides the Saudisation of part of the foreign banks capital in the 1970's led to the establishment of a number of large corporations and joint stock banks.

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The market remained informal, until the early 1980's when the government embarked on forming a regulated market for trading together with the required systems. In 1984, a Ministerial Committee composed of the Ministry of Finance and National Economy, Ministry of Commerce and Saudi Arabian Monetary Agency (SAMA) was formed to regulate and develop the market. SAMA was the government body charged with regulating and monitoring market activities until the Capital Market Authority (CMA) was established in July 2003 under the Capital Market Law (CML) by Royal Decree No. (M/30). The CMA is the sole regulator and supervisor of the capital market, it issues the required rules and regulations to protect investors and ensure fairness and efficiency in the market (Tadawul, 2016).

Literature Review

For several years much attention was given to understand the relationship between the exchange rate and stock market and many tried to analyze the real connection between, the first study was by Frank & Young, (1972) to examine the association among stock's market prices and exchange rates. They employed six divers exchange rates and found no association among exchange rates and stock prices. Also Aggarwal, (1981) used monthly U.S. stock prices data and the effective exchange rate for the period 1974-1978, the consequences based on the simple regressions showed that stock prices and the value of U.S. dollar is positively related in strong way especially in short run.

Apergis and Eleftherio (2002) investigated that the relationship among the index of Athens stock exchange, interest rate and inflation and concluded that inflation has greater impact on the performance of index of Athens stock exchange than interest rate.

Rapach, (2001) also analyzed the long run relationship between inflation and stock prices, using macroeconomic data from sixteen developed countries, it is concluded that there is a weak relationship between inflation and stock prices.

Liu ve Shrestha (2008) examined the relationship between a set of macroeconomic variables and index of Chinese stock market, they found that a significant relationship exists between the index of Chinese stock market and macroeconomic variables, they concluded that inflation, exchange rate and interest rate have a negative relationship with the index of Chinese stock market.

Wei (2007) investigates the relation between unexpected inflation and stock returns, the study showed correlation between unexpected inflation and nominal equity return of Fama-French book-to-

market and size portfolio across the business cycle. The study found four main finding. Firstly, there was strong evidence that equity returns respond more negatively to unexpected inflation during contractions than expansions. Secondly, the equity returns of firms with lower book-to-market ratio and medium size are more negatively correlated with unexpected inflation. Third, the excess return was only factor responded to changes in expected and unexpected inflation. Lastly, the cyclical patterns of inflation beta would not explain based solely on how bond prices react to unexpected inflation, the return of the 30-year government bond declines in response to unexpected inflation and the magnitude of responses does not differ significantly across the business cycle.

Brahmasrene and Jiranyakul, (2007) examined the relationship between stock market index and selected macroeconomics variables during the post-financial liberalization (pre-financial crises) and post-financial crisis in Thailand. In the empirical analysis, they perform unit root, cointegration and Granger causality test, their result show that money supply has a positive impact on the stock market index, while industrial production index, the exchange rate and oil prices have a negative impact in the post-financial liberalization period, with respect to the post-financial crises, money supply is reported to be the only variable positively affecting the stock market. Aydemir and Demirhan (2009) investigated the relationship between exchange rate and the index of Istanbul stock exchange, by employing Toda-Yamamoto causality test, they found that there exists a two-way causation between stock exchange index and exchange rate.

Das and Pattanayak (2007) examined 30 shares constituting the Bombay stock exchange sensitivity index in order to study the factors effecting stock price movements, the analysis revealed that higher earnings, return on investment, growth possibility and favorable valuation have positive impacts on the market price of shares while higher risk and volatility have inverse impacts.

In the same vein, Nirmala, Sanju and Ramachandran (2011) used panel data and examined three sectors namely auto, healthcare and public sector of the period 2000-2009 in order to infer main factors affecting share prices in India, and results revealed that dividend, price-earning ratio and leverage are major determinants of share prices.

Also, Khan (2011) analyzed the impact of dividend policy on stock prices in Malaysia after controlling for factors such as earning per share, profit after tax and return on equity, the research applied fixed and random models on a panel data for 55 companies listed in KSE-100 index from 2001-2010, results revealed that dividend yield, earning per share, return

on equity and profit after tax are positively related to stock price while retention ratio have negative relation and significantly explains the variation in stock prices.

Pathirawasm (2010) investigates the value relevance of earnings, book value and return on equity on share price of 129 companies in CSE, cross sectional and time cross-sectional regressions are used for the data analysis, study finds that earnings, book value and return on equity have positive value relevance on market value of securities.

(Vuyyuri, 2005) investigated the cointegration relationship and the causality between the financial and the real sector of Indian economy using monthly observations from 1992- 2002, the financial variables used were interest rate, inflation rate, exchange rate, stock return, and real sector was proxied by industrial productivity. Unit root tests show all variables are non-stationary in levels, but stationary in their first differences. Johansen multivariate cointegration test supports the long run equilibrium relationship between the financial sector and the real sector.

Using a multivariate approach, (Muradoglu et al., 2000) study the causal relationship between macroeconomics variables and stock returns in 19 emerging markets, including Turkey, they conduct Granger causality tests for each country, they include two-way interaction between stock returns and macroeconomic variables, derives from the size of the stock market, through various measures of financial liberalization.

Mohammad, (2011) uses multivariate regression model computed standard OLS formula and granger causality test to model the impact of changes in selected microeconomic and macroeconomic variables on stock returns in Bangladesh, he examines monthly data for the period 2002-2009, the study finds a negative relationship between stock returns and inflation as well as foreign remittance while market price/earnings and growth in market capitalization have positive influence on stock return.

Caroline et al. (2011) mainly investigates the relationship between stock market, expected and unexpected inflation rate, interest rate and GDP in case of Malaysia, US and China, to test for the stationary and the order of integration of all series, ADF was conducted and show that all the variables are integrated in the same order, which means that the countries are stationary, the Johansen test for cointegration result indicates the there is a long run equilibrium relationship between the variables, the VEC result show no short run relationship between the stock market, expected inflation, exchange rate, unexpected inflation, interest rate and GDP for Malaysia and US, however china show there a short run relationship between expected inflation rates with China stock market.

Nissim & Penman, (2003) showed that changes in interest rates are positively related to subsequent earnings, but the change in earnings is typically not large enough to cover the change in the required return. Hence, the net (numerator and denominator) effect on equity value is negative, consistent with the results of the research on interest rates and stock returns.

Ready (2012) presented a new, simple, method for identifying sources of oil supply shocks using changes to the VIX and oil producer stock returns. Using this method, both oil supply and demand shocks are shown to have a highly significant impact on U.S. and world stock prices, in contrast to the very small correlations observed when using aggregate changes in oil prices. The impact of supply shocks is greatest for countries with a high dependence on oil imports, and at the domestic level is more significant for firms that depend on consumer expenditure rather than those which rely on oil as an input. These findings provide insight into the way oil price affect the world economy, and suggest that the important effect of oil price shocks may be pain at the pump for consumers rather than higher prices for oil using firms.

Kilian & Park (2009) While there is a strong presumption in the financial press that oil prices drive the stock market, the empirical evidence on the impact of oil price shocks on stock prices has been mixed. This paper shows that the response of aggregate U.S. real stock returns may differ greatly depending on whether the increase in the price of crude oil is driven by demand or supply shocks in the crude oil market. The conventional wisdom that higher oil prices necessarily cause lower stock prices is shown to apply only to oil-market specific demand shocks such as increases in the precautionary demand for crude oil that reflect concerns about future oil supply shortfalls. In contrast, positive shocks to the global demand for industrial commodities cause both higher real oil prices and higher stock prices, which helps explain the resilience of the U.S. stock market to the recent surge in the price of oil. Oil supply shocks have no significant effects on returns.

Ebrahimi and Aghaei (2011) investigated whether the current period earning divided by stock price at the beginning of the stock market period, current period dividend divided by stock price at the beginning of the stock market period, prior dividend divided by stock price at the beginning of the stock market period and the reverse of stock price at the beginning of the stock market period are relevant to explain stock market returns in Iran. They used cross-section, pooled data and panel data regression models for testing the effects of the above variables on stock returns. The results show that in some years, shareholders pay special attention to dividends and also

the variable prior dividend divided by stock price at the beginning of the stock market period affects stock return. Moreover, there is a significant relationship between current period earning divided by stock price at the beginning of the stock market period and stock return. Thus, results theoretically support the existence of relationship between earning, dividend and stock return.

Kabajeh et al. (2012) examined the relationship between the ROA, ROE and ROI ratios together and separately with Jordanian insurance public companies share prices during the period (2002-2007). Based on the empirical evidence, the results showed a positive relationship between the ROA, ROE and ROI ratios together with Jordanian insurance public companies share prices. The results also showed a positive but low relationship between each of ROA ratio separately and ROI ratio separately with Jordanian insurance public companies share prices. However, the results showed no relationship between the ROE ratio separately with Jordanian insurance public companies market share prices.

Methodology

Data sources and research sample

Saudi stock exchange consists (171) company's distributed on (15) different sectors, the researcher has chosen 15 companies as a sample; this sample is selected according to the following condition: a- the company should be listed in Saudi stock exchange. b- company's stock must be traded at least 12 months before conducting this study.

This study covers 8 years period from 2006/2014. All the statistical data which concern the accounting data were collected from the published annual reports of the selected companies on the Saudi stock exchange website: <http://www.tadawul.com.sa>, and Argaam website: <http://www.argaam.com/ar>, in addition to the selected companies websites. And regarding to the macroeconomic information like exchange rates, the collected all the historical exchange rates of Saudi Riyal against US Dollar, from the Oanda website, <http://www.oanda.com/currency/historical-rates/>

Also the historical inflation rates for the period were collected from the Saudi Central Department of Statistic and Information <http://www.cdsi.gov.sa/english/>. Finally historical interest rates were collected from the Saudi Arabian Monetary Agency, <http://www.sama.gov.sa/ar-sa/Pages/default.aspx>.

Statement of the problem

The financial market is considered as a mirror which reflects the economic situation at any country, and play major role in revitalization of the economy, through Compilation of savings and redirecting it to the industrial and service projects, and there is no doubt that the success of these financial markets depends on the availability of accounting and macroeconomic information of the listed companies.

Therefore this study will try to answer the main following question: *Is there any relationship between the accounting and macroeconomic information and the market stock prices of the listed companies of Saudi stock exchange?*

Research Objective

The overall objective of this study is to re-examine the relationship between the financial information of the selected Saudi companies and the Saudi macroeconomic information and stock prices of these companies, the specific goal of the study is to measure if there is real impact of these information on the Saudi stock prices during the period 2006-2014.

Importance of the study

Successive financial crises continue to hit the global financial markets, including the Saudi market which is not apart from these crisis, especially the big collapse of Saudi financial market happened in 2006 and 2008, The index registered its lowest level in 52 months and the majority of stocks fall to the maximum, due to random behavior and speculation of the investors especially the small one, which lead to the heavy losses. So the present study is significant in the sense that it will provide knowledge to the potential investors about the key factors affecting stock prices in Saudi stock exchange.

Research Hypothesis

In the light of the literature review the following hypotheses are formulated:

- H₁: There is significant relationship between return on assets (ROA) and stock's market price.
- H₂: There is significant relationship between return on equity (ROE) and stock's market price.
- H₃: There is significant relationship between earning per share (EPS) and stock's market price.
- H₄: There is significant relationship between book value (BVS) and stock's market price.
- H₅: There is significant relationship between inflation rate (IFR) and stock's market price.
- H₆: There is significant relationship between currency exchange rate (EXR) and stock's market price.

- H₇: There is significant relationship between Changes in global oil prices (OP) and stock's market price.
- H₈: There is significant relationship between Changes in interest rate (ITR) and stock's market price.

- H₉: There is significant relationship between Dividend distributed for share (DPS) and stock's market price.

Study Variables

Table 1. Provides an overview of the variables used, definition of variables.

Variables	Definition	Symbol
Independent Variables		
Dividend per share	Dividend paid/Number of shares outstanding	DPS
Earning per share	Net income/ Number of shares outstanding	EPS
Book Value per share	Total shareholders equity/Number of shares outstanding	BVS
Return on equity	Net income/shareholders equity	ROE
Return on Assets	Net income/total assets	ROA
Inflation rate	The inflation rate in the related year as announced by the government agency	IFR
Interest Rate	The annual interest rate as announced by Saudi central bank	ITR
Exchange rate	The Saudi riyal price against the US Dollar	EXR
Oil Price	Market price of oil in international markets	OP
Dependent variables		
Stock's market price	The average of closing of share pricing for 12 months of every year	SMS

Data Analysis

This study will use different statistical tests to examine the relationship between the independent variables (ROA, ROE, EPS, BVS, IFR, EXR, OP, ITR, DPS) and dependent variable stock's market price (SMP), single regression method was used to examine each hypotheses separately, t-test was used to test every independent variable on the dependent variable in single regression method, also F-test was used to

examine more than one variable on the dependent variable in the same time.

Testing of hypothesis

Results of Testing First Hypothesis

- H₁: There is significant relationship between return on assets (ROA) and stock's market price.

Table 2. Simple regression test between return on equity (ROA) and stock's market price

variable	β	t	Sig.	F	Sig.	R	R Square	Adjusted R square
constant	3.70	26.68	*0.000	8.19	0.005*	0.24	0.06	0.05
return on assets	0.12	2.86	0.005*					

Significant at the ($\alpha \geq 0.05$)

Table (2) indicates a significant positive relationship between the return on total assets and the stock's market price, it suggests that the use of return on total assets interpreted to 6%, and has been accepted regression line equation, where the calculated F value (8.19) with significance level (0.005), but for the value of calculated (t) for the return on total assets (2.86) with significance level (0.005), which means that the independent variable, a return on total assets is statistically significant, it is clear from the table that the

relationship was positive between the independent variable and the dependent variable. The same result was concluded by (Kabajeh & others, 2012)

Results of Testing Second Hypothesis

- H₂: There is significant relationship between return on equity (ROE) and stock's market price.

Table 3. Simple regression test between return on equity (ROE) and stock's market price

variable	β	t	Sig.	F	Sig.	R	R Square	Adjusted R square
constant	3.72	30.92	*0.000	10.61	0.001*	0.27	0.07	0.07
return on equity	0.16	3.26	0.001*					

Significant at the ($\alpha \geq 0.05$)

Table (3) refers to the positive relationship between return on equity and the stock's market price, it suggests that the use of return on equity explain 7% , and has been accepted regression line equation , where the calculated F value (10.61) with significance level of (0.001) , but for the value of calculated (t) for a return on shareholders' equity, it was (3.26) with level of significance of (0.001), and thus it's clear that the independent variable, a return on equity is statistically significant effect, and the relationship is

positive proportional between the independent variable and the dependent variable. Opposite result was concluded by Kabajeh & others, 2012)

Results of Testing Third Hypothesis

H3: There is significant relationship between earning per share (EPS) and stock's market price.

Table 4. Simple regression test between earning per share (EPS) and stock's market price

variable	β	t	Sig.	F	Sig.	R	R Square	Adjusted R square
constant	3.25	55.61	*0.000	42.26	*0.000	0.49	0.24	0.24
Earning per share	0.28	6.50	*0.000					

Significant at the ($\alpha \geq 0.05$)

Table (4) indicates to positive relationship between earnings per share and the stock's market price, it suggests that the use of earnings per share explain amounted to 24% , and has been accepted regression line equation , where the F value (42.26) with significance level of (0.000) , As for the value of calculated (t), it was for earnings per share (6.50) with significance level of (0.000) , it's clear that the independent variable is statistically significant and the relationship has been positive direct correlation be-

tween the independent variable and dependent variable. The same result was found by (Ebrahimi & Aghaei, 2011) and (Mohammad, 2011).

Results of Testing Fourth Hypothesis

H4: There is significant relationship between book value (BVS) and stock's market price.

Table 5. Simple regression test between book value (BVS) and stock's market price

variable	β	t	Sig.	F	Sig.	R	R Square	Adjusted R square
constant	2.47	8.91	*0.000	11.116	0.001*	0.28	0.08	0.07
book value	0.32	3.33	0.001*					

Significant at the ($\alpha \geq 0.05$)

Table (5) indicates a positive relationship between the book value per share and the stock's market price, it suggests that the use of the book value per share explains 8% , and has been accepted regression line equation , where the calculated F value (11.116)

with significance level of (0.001) , but for the value of calculated (t) for the book value per share (3.33) with significance level of (0.001) , the independent variable , (a book value per share), has statistically significant effect and it's clear from the table that the

relationship has a positive direct correlation between the independent variable and dependent variable. The same result was found by (Pathirawasm, 2010).

Results of Testing Fifth Hypothesis

H₅: There is significant relationship between inflation rate (IFR) and stock's market price.

Table 6. Simple regression test between inflation rate (IFR) and stock's market price

variable	β	t	Sig.	F	Sig.	R	R Square	Adjusted R square
constant	4.01	17.001	*0.000	7.68	*0.006	0.23	0.06	0.05
Inflation rate	0.43-	2.271-	*0.006					

Statistically significant at the ($\alpha \geq 0.05$)

As shown in Table (6), there is a strong relationship between the inflation rate and stock's market price, the regression line equation has been accepted, where the calculated F (7.68) with significance level of (0.006), as for the value of calculated (t) for inflation rate (-2.72) with (0.006) significance level. By taking all this in consideration, it's clear that the independent variable (inflation rate) has significant effect but the relationship is counterproductive negative one.

This result matches the (Liu ve shrestha, 2008) study on Chinese stock market, (Fama and Schwert,1977), (Chen, Roll and Ross,1986), (Nelson, 1976), and (Jaffe and Mandelkar, 1976).

Results of Testing Sixth Hypothesis

H₆: There is significant relationship between currency exchange rate (EXR) and stock's market price.

Table 7. Simple regression test between exchange rate(EXR) and stock's market price

variable	β	t	Sig.	F	Sig.	R	R Square	Adjusted R square
constant	112.89	0.55	0.58	0.29	0.59	0.05	0.002	-0.01
Exchange rate	-82.86	-0.54	0.59					

Significant at the ($\alpha \geq 0.05$)

Regarding exchange rate, there was no relationship with stock's market price as Table 6 showed the calculated F value (0.29) with (0.59) significance and the calculated (t) for exchange rate was (-0.54) with (0.59) significance level, which indicates that there is no relation between exchange rate and stock's market prices, while Brahmasrene, (2007) study proved a negative impact, and (Al-Qenae & Weaing, 2002) study showed a significant negative impact on stock prices in Kuwait, Also Aggarwal, (1981) study showed that stock prices and the value of U.S. dollar are positively related in strong way especially in

short run, nevertheless, (Frank & Young, 1972) study found no association among exchange rates and stock prices, and the reason behind this result in this study was that the riyal prices kept constant during the study period (2006-2014) were the total changes were only 0.10%.

Results of Testing Seventh Hypothesis

H₇: There is significant relationship between Changes in global oil prices (OP) and stock's market price.

Table 8. Simple regression test between Oil price(OP) and stock's market price

variable	β	t	Sig.	F	Sig.	R	R Square	Adjusted R square
constant	4.65	3.79	*0.000	1.08	0.30	0.09	0.01	0.001
Oil price	-0.29	-1.04	0.30					

Significant at the ($\alpha \geq 0.05$)

Table (8) indicates the absence of the positive relationship between the oil prices and the stock's market price, it suggests that the use of the oil prices interpreted to 1 % , where the calculated F value (1.08) with significance level of (0.30) As for the value of calculated (t) for oil prices it was (-1.04) with significance level of (0.30), so it's clear that the independent variable (oil prices) has no statistically significant impact upon the dependent variable. (Brahmasrene and Jiranyakul, 2007) has proved a negative

impact on stock prices, (Ready, C., 2012) found in his study on US stock market that there is zero relation between the two variables.

Results of Testing Eight Hypothesis

H₈: There is significant relationship between Changes in interest rate (ITR) and stock's market price.

Table 9. Simple regression test between interest rate(ITR) and stock's market price

variable	β	t	Sig.	F	Sig.	R	R Square	Adjusted R square
constant	3.48	44.88	*0.000	4.76	0.031*	0.19	0.04	0.03
Interest rate	0.06	2.18	0.031*					

Significant at the (α ≥ 0.05)

Table (9) indicates that there is a strong relation between interest rate and stock prices, where calculated F value (4.76) with (0.031) significance level, and calculated (t) was = (2.18) with 0.031 significance level, so it's clear that the interest rate has significant positive relationship with the market stock prices. This result is contrary to many studies that showed negative relationship; such as (Liu ve shrestha, 2008) study on Chinese stock market, also Udin and Alam, (2007) study on Dhaka stock exchange share prices.

The explanation of this discrepancy in results is that the interest is prohibited in Saudi Arabia according to the Islamic law.

Results of Testing Ninth Hypothesis

H₉: There is significant relationship between Dividend distributed for share (DPS) and stock's market price.

Table 10. Simple regression test between Dividend distributed for share (DPS) and stock's market price

variable	β	t	Sig.	F	Sig.	R	R Square	Adjusted R square
constant	3.25	59.30	*0.000	59.63	*0.000	0.57	0.31	0.30
Dividend Distributed	0.48	7.72	*0.000					

Significant at the (α ≥ 0.05)

Table (10) shows positive relationship between dividend and stock's market price, the regression equation has been accepted. Where calculated F value (59.63) and calculated (t) for dividend distributed reached to (7.72), so it's clear that the independent variable (DPS) has strong and positive Centrifugal relationship with stock prices. Same result was stated by (Nirmala, Sanju & Ramachandran, 2011), (Khan, 2011) and (Ebrahimi & Aghaei 2011).

mixed opinions between researchers about the impact of financial and microeconomic information on the stock prices. Many of them, the researchers, have found the same results that match the financial theories, while others have found totally different ones. While examining the selected Saudi stock exchange prices and applying selected statically methods, the researcher noticed the following:

Conclusions

As we noticed from the above literature review and the previous researches, it's obvious that there was

- i. The Saudi stock exchange, like any other stock exchange markets responds to the available information which reflects on the prices of the stocks.
- ii. There was a strong positive relationship between the stock prices and each of: return on assets

- (ROA), return on equity (ROE), earning per share (EPS), book value per share (BVS), and dividend per share (DPS), which means that these factors actively determinate shaping of the stock's market price.
- iii. There was a negative relationship between the inflation rate (IFR) and the Saudi stock prices.
 - iv. There was no relation between exchange rate (EXR), oil prices(OP) and the Saudi stock prices.
 - v. It's noticed that the Saudi stock exchange collapsed frequently especially during the years (2006&2008) and suffered from heavy losses due to random behavior and speculation of the investors especially the small one.
 - vi. Dividend per share (DPS) is considered the strongest variable affecting Saudi stock prices followed by book value per share (BVS), earning per share (EPS), return on equity (ROE) and return on assets (ROA) respectively.
 - vii. It's noticed that the financial information of the selected companies have significant impact upon stock prices more than macroeconomic variables.

Recommendations

The researcher recommends the following in the light of the mentioned findings:

- i. The investors should rely on the published information before taking any investing decisions.
- ii. It is required from the Saudi monetary authorities to educate investors, especially small ones and warn them not to be dragged into market rumors.
- iii. Its recommended that investors monitor, (DPS), (BVS),(EPS), (ROE) and (ROA) before making investment decisions.
- iv. Saudi companies should give more attention in their policies and strategies to financial factors, (DPS), (BVS),(EPS), (ROE) and (ROA) because they are most influencing on the stock prices.
- v. Finally, investors should depend more on financial ratios provided by the companies on Tadawul website which helps them to take rational investment decisions, also it's recommended that future research including, consumer price index, GDP, business cycle, etc. should be conducted.

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