Abstract:

At a macroeconomic level, scheduled announcements most commonly relate to the release of news by government and its agencies, regarding certain macroeconomic indicators of economic performance such as gross domestic product, balance of trade, inflation, unemployment and so on. In an efficient market, government policy announcements will not have systematic significant effects on stock returns. The objective of this study is to test the information efficiency of stock prices at NSE in relation to macro-economic factors. This was done by finding out how the stock prices in NSE do vary with GDP announcement and also determining whether there is a relationship between NSE stock prices and balance of payment announcement. The research was based on all the listed companies' at Nairobi Stock Exchange between the year 2005 and 2008 it therefore included a sample all the companies continuously listed at NSE between the same years. Secondary data on share prices was extracted from published reports of NSE companies' library and from the company individual libraries. Data collected was analyzed using simple linear regression and correlation analysis. The conclusion derived from the findings is that there is a positive variation between the stock prices at the NSE and the GDP announcement. This is because the stock prices leads to either a positive or negative influence in the Kenyan economy. Also there exists a very strong relationship between the NSE stock prices and balance of payment announcement. This is would be due to the NSE prices being highly volatile hence easily affected by everyday news and balance of payment highly depending with the investor confidence. This led to the recommendation that the government should control the information content released inform of content and timing. This information should be scheduled according to the appropriate time because the stock prices and also the low volumes experienced have great impact on a country's economic performance. Fiscal policies should be made putting in mind the impact it will have on the investor when they are made public