

RESEARCH ABSTRACT

Research title: Inflation's impacts on Vietnam's stock market

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Class: QH-2008-E Finance Banking

Instructor: Assoc.Prof.Dr. Nguyen Van Dinh

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Research objectives:

The objective of this research is to clarify inflation's impacts on Vietnam's Stock Market during the period 2005 – 2010 and to find solutions to those impacts for the state's governance as well as for enterprises and investors.

Research content:

By concentrating on answering the question *What are inflation's impacts on Vietnam's Stock Market?* this research covers the content that includes:

- Researches and theoretical frameworks include concepts about inflation, factors of inflation that affect the stock market, stocks, the stock market and factors affecting the stock market.
- Using quantitative method with the application of Time Series regression model to investigate inflation's impacts on Vietnam's stock market. From the research result, our group proposes policies as well as offer advices to investors and enterprises that participate in the stock market.

Research outcomes:

- Depending on the cause of inflation, the level of inflation and its complex behaviors, there will be different impacts on the market; for average inflation, 1% of inflation will cause VNI to increase by 4.36%; for extremely high inflation such as the one in 2008, 1% of inflation will cause VNI to decrease by 8.68%. However, due to limiting sample size in the period of high inflation, the percentage of 8.68 is only short-term.

- Based on the results obtained, our group proposes some policies that the government could implement to develop the stock market, for example, the policies adjusting inflation rate about 5-7% per year. Therefore, the stock market will have positive effects and the VNI will increase. One more important matter is that the government should consider investors' reactions as those are factors that have determining role in influencing the stock market.