Migration Letters

Volume: 21, No: S6 (2024), pp. 832-848

ISSN: 1741-8984 (Print) ISSN: 1741-8992 (Online)

www.migrationletters.com

Measuring The Impact Of Fiscal And Monetary Policies On The Iraqi Stock Market Indicators For The Period 2004-2022

Estabraq Ismael Hama Murad[1], Slim MAHFOUDH[2]

Abstract:
The study sought to analyze and measure the impact of financial and monetary policies on financial market performance indicators, and experiences of selected countries in Iraq for the period (2004-2022), to know the changes in financial and monetary policy, and its reflection on some stock market indicators, to carry out a comprehensive analytical review of the data which extends over 19 years. To achieve the objectives of the study, which are to identify the conceptual framework of financial and monetary policy variables as well as the generalities of financial markets by referring to stock market indicators and their uses, and to analyze financial and monetary policy variables as well as stock market indicators for the countries of the study sample, and to achieve the objectives of the study, the researcher adopted. There are two methods: the first is the theoretical method by using scientific sources and references, and the second method focuses on economic analysis and measurement using the multiple linear regression model. The problem of the study was that the stock market is an important location for financial investments in stocks and bonds, and the market is of great importance for attracting capital, activating investment and economic activities, and stimulating them to evaluate the performance of financial markets. And revealing the developments it has achieved compared to other markets in the sample countries. The research problem can be framed by asking the following question: Is it possible for changes in fiscal and monetary policy to affect some stock market indicators? It was built on three assumptions: the accumulation, management and direction of wealth, the most important financial institution with an influence on the economy of countries up and down, and the mirror that reflects the reality of the country's economic situation, and an effective indicator of the extent of achievements achieved and the expected quality of performance of companies, which fall within its entity. The study includes a set of recommendations, the most important of which is that Investing in financial markets carries many risks if it is not built on correct foundations. Therefore, the importance of analyzing variables related to monetary policy leads to a sound evaluation of various stocks, to help investors make the right decision to invest at the appropriate time.

Keywords*: monetary policy, quality, investors, stock market, wealth, development, measurement, fiscal, countries, Iraq*

Introduction:

This study aims to know the changes in monetary policy and its impact on some stock market indicators. We will conduct a comprehensive analytical review of the data that extends over 19 years for the period (2004-2022) since the stock market often tends to decline during financial crises and recessions of the negative performance. The stock market is of great importance in the economy, as it occupies a vital position in

[1] PHD Student, Iraq. Email: eestabraqesmael.gmail.com
[2] Associate Professor at the University of Sfax. Tunisia.

contemporary economic systems, especially those that rely on private sector activities to accumulate capital for investment and economic development. Financial markets are also considered one of the most important channels because of the important role they play in mobilizing national savings and directing them into investment channels. It works to support the national economy and increases the rates of the economic well-being of its individuals, in addition to being a reflection of the general economic activity of the state. It is also the tool through which money is transferred between deficit units and surplus units, in the hope of achieving the maximum profits and the lowest possible costs.

First: **The Research Problem**: The research problem emerged, which can be framed by the following question:

Is it possible that changes in fiscal and monetary policy affect some stock market indicators?

Second: **The Importance of the Research**: The subject of financial markets is receiving attention at the level of developed countries which is equivalent to its paramount importance to the economies of developing countries in light of the current transformations, and because of the impact that financial markets have in developing and revitalizing economic sectors and stimulating the movement of securities, in addition to giving a clear picture about monetary policy variables and the extent of their impact on some stock market indicators in the Iraqi economy.

Third: **Research Objectives**: The research seeks to identify the basic concepts in monetary and financial policy variables and the extent of their reflection on some stock market indicators. In addition to explaining the role of monetary policy variables in some stock market indicators of the Iraqi economy.

Fourth: **Research Hypothesis**: There is a significant correlation between monetary and financial policy variables and the indicators of the Iraqi stock market.

The First Topic

The Effects of Fiscal and Monetary Policy on Achieving the Performance of Financial Markets

First: **The Impact of the Money Supply on Financial Market Indicators**

An increase in the money supply leads to a decrease in the interest rate, which leads to an increase in investment spending and consumer spending, which increases production and incomes, which is reflected in the level of demand for the company's products, which increases the company's profits and thus increases the profits distributed to shareholders, which stimulates investors and savers buy stocks, which in turn leads to increased trading volume and higher stock prices (Al-Habib, 2000).

Second: The Impact of Inflation on Financial Market Indicators

Inflation is concentrated in any type of investment that carries a fixed interest rate. If the inflation rate rises, the discount rate rises with it, so the real value of the investment decreases due to the decline in the current value. Also, the investment tools most affected by inflation are long-term securities, for which the value you recover is set at a specific amount. Its maturity is like a long-term bond. Therefore, the increase in the inflation rate resulting from the increase in the money supply affects interest rates through the expected inflation rate (Al-Rifai and Belarbi, 2002).

Shares are considered a protection against inflation because shares represent ownership of physical capital, meaning they represent a real value independent of inflation, meaning

that any change in the inflation rate will lead to an increase in the value of the share and an increase in the general level of prices will also be accompanied by an increase in the level of the exporting company's products. per share, which generates profits for companies issuing those shares, as well as increasing demand for shares. Increased demand and purchases for those shares will increase trading volume, increase their prices, and increase their market value, which will reflect positively on the performance of the company's activity as well as its reflection on financial market activity (Al-Shibli and Al-Shibli, 2000).

Third: **The Impact of Interest Rates on Financial Market Indicators**

The market interest rate is considered the primary driver of the financial market mechanism, as economic studies indicate that there is an inverse relationship between changes in interest rates and stock prices because cheap money enables individuals to obtain bank credit (loans) at low-interest rates and use them in the financial markets to benefit from... The difference between the return resulting from buying shares and the cost of borrowing money (relatively low-interest rates). Therefore, increasing demand for shares through individuals rushing to buy, assuming the supply of shares is fixed, will lead to an increase in share prices. The opposite happens in the case of high-interest rates, as individuals do not want to borrow from banks, and this leads to a decrease in demand for stocks, which leads to a decrease in their prices. The impact of interest rate changes can be studied for both stocks and bonds.

Fourth: **The Effect of the Exchange Rate on Financial Market Indicators**

The effect of the exchange rate on market indicators may be direct or indirect. The direct effect is through a decrease in the value of the local currency while other factors remain constant. It will lead to an increase in the incomes of these companies in foreign currency in exchange for converting them to the local currency, meaning that a decrease in the value of the local currency leads to an improvement. The value of the security. On the other hand, the decline in the value of the local currency will push local investors, who hold local money, to get rid of it and move towards other financial assets (such as stocks), thus increasing the demand for these assets and increasing their prices (Al-Zoghbi, 2000).

Fifth: **The Role of Financial Policy in the Performance of the Iraqi Stock Exchange**

In the event of a deficit, the government will have to borrow sufficient funds to cover this deficit, as the government borrows either from the central bank, from commercial banks, or individuals, by issuing government bonds of various types and putting them on the financial market for trading. This policy has helped. Most developed economies follow the existence and development of the government securities market, as this market is one of the main outlets for financing government expenditures, especially when public revenues are unable to cover those expenditures, which enables the government to issue many securities (government bonds) with different maturities (Al-Sayed Ali and Saad El-Din, 2004).

The fiscal deficit policy has very important effects on the economy in the financial and monetary systems, especially (the money supply), as the deficit policy has become one of the most prominent means used by the financial authority to restore economic balance and raise economic growth rates. It has also been used very effectively in resolving crises and economic turmoil in economies. developed, and this deficit has become an inherent characteristic of capitalist economies, this policy exerts its influence in the financial market by increasing the supply of government bonds or by influencing the structure of interest rates, and issuing government bonds as a means of financing the deficit for subscription through the financial market will be reflected in an increase in the supply of government bonds and then a decrease in their prices, which in turn constitutes an incentive for investors

and speculators to acquire them, because this type of investment is less risky in the investor's opinion, as it is often called any Government bonds are zero-risk bonds. (Hindi, Modern Thought in Investment, 2004).

As for adopting a deficit policy in the market through the structure of interest rates, the government's continued pumping of large quantities of government bonds into the market will be reflected in a decrease in their prices, and since the relationship between the bond price and the interest rate is an inverse relationship, this will lead to a rise in interest in the market, which in turn It exerts its influence on the overall financial market operations through its impact on securities prices and trading volume, and the effect of this change can be transmitted to the cost and volume of credit and bank borrowing, as well as to the process of adapting the investment portfolio and the process of redistributing it (Kharyoush et al., 1999).

The Second Topic

Analysis of the Reality of Monetary Policy and the Iraqi Stock Market for the Period 2004-2022

First: **Analysis of the Reality of Monetary Policy in Iraq for the Period 2004-2022**

Table (1) shows that the nominal interest rate rose from (6%) in 2004 to (20%) in 2007, and the real interest rate also rose due to the increase in demand for foreign currency (the US dollar). This was the result of the increase in imports and the coverage of daily commercial transactions, which increased. Continuously with the entry of various goods and merchandise into the country. As for the period from 2008 to 2010, the nominal interest rate decreased from (15%) in 2008 to (6.25%) in 2010, but the real rate fell less than the nominal during the same period. From Table 22, we note that the Central Bank contributed to stabilizing the interest rate (6%) annually from 2011 to 2015 to achieve monetary stability, raising economic growth rates, and increasing commercial banks' stock of capital to finance economic development projects, but it decreased in 2016 to reach (4.3%) In line with the directives of monetary policy and its high flexibility currently adopted in supporting the economic development process, the nominal and real interest rates continued to decline for the years 2017 and 2022 by (4%). The table below shows the changes in the growth of the nominal and real rediscount rates (Central Bank of Iraq, 2019).

As for the broad money supply, it is noted that in 2014, the annual growth rate of the money supply M2 decreased, and the reason for the decline was the decline in oil prices and the deterioration of the security situation during the aforementioned year. In 2014 and 2015, the money supply M2 decreased 2015 by (-10%), the reason for the decrease in M2. It is the result of several bank branches being out of banking service due to their seizure and plunder by ISIS terrorist gangs (Central Bank of Iraq, 2014). In 2016, M2 increased by (8.2%) due to the increase in the tight money supply and other deposits. The money supply M2 continued to grow during the period (2017-2022), as the money supply in the narrow sense of M2 witnessed a noticeable gradual increase, and the reason for the rise in M2 was the growth of the two components of the narrow money supply and other deposits.

As for inflation in the Iraqi economy, it reached about (27%) in 2004, and in 2005 it rose to reach its highest level, reaching about (37%), and in 2006 it reached about (31.7%).

The inflation rate recorded a negative value of about (0.1%), and this is due to the decrease in the volume of government spending during that period resulting from the political shock that Iraq witnessed due to the October Uprising demanding improved services in 2019, and its impact on economic activity as a result of the recession that struck the Iraqi economy. However, it recorded a noticeable increase in 2021 to reach about (6.4%), and it decreased in 2022 to reach about (5%).

Table 1 Monetary Policy Indicators in the Iraqi Economy for the Period 2004-2022

Years	Nominal Interest Rate %	Real Interest Rate %	Money Supply (M2)	Inflation Rate
2004	**6**	**6**	**12254.0**	**27**
2005	**7**	**7**	**14683.6**	**37**
2006	**16**	**16**	**21080.2**	**31.7**
2007	**20**	**23.3**	**87679.5**	**19.3**
2008	**15**	**23.3**	**34919.7**	**13**
2009	**9**	**13.4**	**45437.9**	**7.1**
2010	**6.25**	**12.4**	**60386.1**	**2.9**
2011	**6**	**8.4**	**72177.9**	**6.5**
2012	**6**	**9.2**	**75466.4**	**5.6**
2013	**6**	**13.39**	**87679.5**	**2.4**
2014	**6**	**12.6**	**90727.8**	**1.6**
2015	**6**	**12.29**	**82595.5**	**1.7**
2016	**4.3**	**12.38**	**88067.2**	**1.5**
2017	**4**	**12.57**	**89441.3**	**0.6**
2018	**4**	**12.34**	**95390.7**	**0.2**
2019	**4**	**12.28**	**103441.0**	**-0.1**
2020	**4**	**12.2**	**119906.0**	**1**
2021	**4**	**12.5**	**139567.0**	**6.4**
2022	**4**	**12.10**	**168202.0**	**5**

Source: Central Bank of Iraq, General Directorate of Statistics and Research, for the period 2004-2022.

Second: **Analysis of the Reality of the Iraqi Stock Market for the Period 2004-2022**

Through the development of the work of the Iraq Stock Exchange from its inception in the year (2004) until the year (2022), a set of indicators were available that represent the development of market activity:

First: The General Market Index:

Table (2) shows that the general index of the Iraqi Stock Exchange rose from (24.7) points in (2004) to (58.63) points in (2008), and the reason for this is due to the rise in most of the sectorial index indicators, then it returned and continued to rise. During the period (2009-2012), it then returned and decreased during the years (2013) and (2014) to record (113.15) and (92) points respectively. This decline is attributed to the decline of most of the sectorial index indicators, and these indicators are the ones that are calculated to measure changes that occur in the stock prices of listed companies for each sector, as well as due to the deteriorating security situation in Iraq. After that, it continued to fluctuate between rise and fall, as the year 2020 reached (444.90) points, and in terms of annual growth rates, the highest annual growth rate was during the years (2005) (85%), then in (2009) (72.82%), It was followed by 2008 (68.72%), then 2007 (42.40%), followed by 2011 (34.83%), then 2022 (15.27%), then 2021 (10.98%), and then 2010 (0.03), while the lowest annual growth rate was a negative amount during the years 2006 (-46.78%), followed by 2015 (-20.65), as in 2015 the calculation basis was changed from (100) to (1000), followed by 2014 (-18.96%), and followed by 2018 (-12.13%), then 2016 (-11.10%), followed by 2017 (-10.61%), then 2020 (-9.90%), followed by 2013 (-9.49%), then 2012 (-8.09%)), followed by 2019 (-3.21%).

The total trading volume in the Iraqi Stock Exchange decreased from (3515.14) million dinars in (2004) to (2455.99) million dinars in (2008), and the reason for this decline is

attributed to high rates of unemployment and inflation, and then returns and records an increase during the period. (2009-2013) The reason for this increase is due to the implementation of electronic trading activity in 2009, as well as the result of improved economic conditions and an increase in the number of companies trading in the market, as well as due to the relative improvement in the security conditions, which reflected positively on the trading volume in the Iraqi Stock Exchange, but it decreased during The period (2018-2020) reached (661.22) million dinars in the year (2020). In terms of annual growth rates, the highest annual growth rate was reached during the year (2013) (212%), followed by the year (2011) (123%). Then the year (2007) (122%), followed by the year (2005) (105%), then the year (2017) (73%), followed by the year (2009) (37%), then the year (2016) (6%), While the lowest annual growth rate was a negative amount during the years (2006) (-74%), followed by the year (2014) (-69%), then the year (2020) (61%), followed by the years (2015, 2018). It reached (-50%) for each year, followed by (2008) (-43%), then (2019) (-41%), followed by (2012) (-10%), then (2010) (5 -%). The reason for the increase in trading volume is the improvement in economic conditions and the increase in the number of traded companies, as well as the relative improvement in the security and economic conditions, which had a positive impact on the development of trading volume in the Iraqi Stock Exchange. (Iraqi Stock Exchange, 2006) The reason for the decline in the indicators of the Iraqi Stock Exchange in general is due to the market indicators being affected by the economic and security conditions that the country is going through. As happened in the year (2014) and the subsequent deterioration of the security situation represented by terrorist attacks, and the financial crisis that occurred as a result of the decline in crude oil prices, and also in the year (2020) when the Iraqi economy was affected in general due to the occurrence of the (Corona pandemic), (Iraqi Stock Exchange Finance, 2008).

We note that the market value decreased from (45224.26) million dinars in (2004) to (19178.02) million dinars in (2008) and then returned to rising during the period (2009-2013). The reason for this increase is attributed to a group of factors, the most important of which is: the improvement of the security situation. The country and the application of the investment law that encouraged the entry of foreign companies, as well as the implementation of electronic trading activity and the activation of the database in the market, all of these reasons led to this increase in the amount of market value, and it then returns to fluctuation between rise and fall, as it reached in (2022) (15887.161) million dinars, in terms of annual growth rates, the highest annual growth rate of market values was during the year (2013) (111%), followed by the year (2005) (44%), followed by the year (2009) (53%), followed by the year 2011 (35%).), then the year (2020) (20%), and the year 2017 (15%), followed by the year 2021 (13%), and the year (2018) (6%), followed by the year (2012) (2%), while the lowest rate was Annual growth of the market value, which was a negative amount during the years (2006) (-61%), followed by the year (2014) (-88%), then the year (2007) (17%), followed by the year (2008) (10%), followed by 2010 (-6%), then 2015 (-3%), followed by 2022 (-2%).

The number of shares traded in the Iraq Stock Exchange increased from (14,393.6) million shares in 2004, to (1,508,531) million shares in 2008, then the number of shares index increased during the period 2008-2012 to reach (6,256,399) million shares in 2008. (2012), the increase in the number of shares traded in the market is due to a group of reasons, the most important of which is the increase in the number of traded companies and the increase in the volume of subscriptions resulting from awareness and financial development and the large profits it achieves for companies, then it increased again during the period (2012-2016) to reach (2012). 10,382,297) million shares in 2016, but it decreased during the period (2018-2020) to reach (72729.6) million shares in (2020), and the reason for this decrease is attributed to the occurrence of social unrest that Iraq witnessed during the year (2019) and the accompanying security events that affected the Iraqi economy in general. It continued until the year 2020 when these events were accompanied by (what is

known as the Corona pandemic), as the global economy in general and the Iraqi economy in particular witnessed a widespread economic recession and a major financial crisis.

Table 2 Iraqi Stock Exchange Indicators for the Period 2004-2022

Year		General Market Index (points)	Annual growth rate %	Total Trading Volume (million dinars)	Annual Growth Rate of Trading Volume (%)	Market value (million dinars)	Annual Growth Rate %
2004		**24.67**	***	**3515.14**	***	**45224.26**	**-**
2005		**45.64**	**85**	**7350.88**	**109**	**65067.39**	**44**
2006		**25.29**	**-46.78**	**1922.66**	**-74**	**25657.13**	**-61**
2007		**34.59**	**42.40**	**4273.68**	**122**	**21421.69**	**-17**
2008		**58.63**	**68.72**	**2455.99**	**-43**	**19178.02**	**-10**
2009		**100.86**	**72.82**	**3373.70**	**37**	**29330.04**	**35**
2010		**100.89**	**0.03**	**3200.32**	**-5**	**27676.06**	**-6**
2011		**136.03**	**34.83**	**7124.89**	**123**	**37322.65**	**35**
2012		**125.02**	**-8.09**	**6379.91**	**-10**	**38025.35**	**2**
2013		**113.15**	**-9.49**	**19904.02**	**212**	**80252.00**	**111**
2014		**92.00**	**-18.69**	**6157.07**	**-69**	**9548.876**	**-88**
2015		**73.00**	**20.65-**	**3082.55**	**-50**	**9264.815**	**-3**
2016		**649.48**	**-11.10**	**3270.86**	**6**	**9354.696**	**1**
2017		**580.54**	**-10.61**	**5646.34**	**73**	**10721.116**	**15**
2018		**510.12**	**-12.13**	**2830.55**	**-50**	**11350.365**	**6**
2019		**493.76**	**-3.21**	**1680.60**	**-41**	**11661.912**	**3**
2020		**444.90**	**-9.90**	**661.22**	**-61**	**14033.415**	**20**
2021		**493.76**	**10.98**	**812.38**	**23**	**15872.906**	**13**
2022		**569.20**	**15.27**	**521.51**	**-35**	**15587.161**	**-2**

Source: Annual reports of the Iraqi Stock Exchange for the period 2004-2022.

Third: Analysis of the Reality of the General Budget Surplus (and deficit) in Iraq for the Period 2004-2022

It is clear to us from Table (3) that the general budget achieved financial surpluses for the period 2004-2008, recording a budget surplus amounting to (7882, 1961, 1080, 1407, 2496) billion dinars, respectively. This is a result of the increase in oil revenues, as well as the modest implementation rates for expenditures. Investment, turning into an added financing factor within the annual expansion of current expenditures for the coming year. In 2009, the budget achieved a deficit amounting to (-2463) billion dinars, and this is attributed to the global financial crisis and its effects on international markets, including the oil market. After that, the budget began achieving financial surpluses that reached (4467) billion dinars in 2012. In the years 2013-2014, the budget achieved a deficit of (-1574), and (-1278) billion dinars, respectively, then the deficit continued to reach (-15773) in 2016, this is due to the circumstances that the Iraqi economy went through in terms of a decline in oil revenues, and this was reflected by the growing deficit in the general budget and a sharp decline in revenues. Public expenditures to cover the increase in military spending to confront terrorism, as well as the increase in some aspects of excessive and irrational consumer spending. (Ministry of Finance, 2017), then the budget surplus increased during the years 2017 and 2018 to reach (25,696) billion dinars in 2018, after that the budget deficit began to appear in recent years, reaching at the end of the period the year 2020 is approximately (-12.882) due to the economic conditions that the world witnessed as a result

of the COVID-19 virus. However, the improvement in crude oil prices in global markets led to an increase in the general revenues of the Iraqi economy, which achieved a surplus in the general budget to reach about (6231.4) billion dinars in 2021, and about (44737.9) billion dinars in 2022. As shown in Table (3).

Table 3 General Budget Surplus and Deficit in Iraq for the Period 2004 - 2022 Billion Dinars

Year	Public Revenues	Total Public Expenditures	Surplus or Deficit, General Budget
2004	**32905.7**	**32117.5**	**788.2**
2005	**45989.4**	**26375.2**	**19614.2**
2006	**49612.8**	**38806.7**	**10806.1**
2007	**53110.6**	**39031.2**	**14079.4**
2008	**84363.7**	**59403.4**	**24960.3**
2009	**53126.2**	**55589.7**	**-2463.5**
2010	**63324.9**	**70134.2**	**-6809.3**
2011	**92671.4**	**78757.7**	**13913.7**
2012	**109607.1**	**105139.6**	**4467.5**
2013	**103377.9**	**119127.6**	**-15749.7**
2014	**99402.2**	**112192.1**	**-12789.9**
2015	**68176.6**	**70417.5**	**-2240.9**
2016	**57797.7**	**73571.0**	**-15773.3**
2017	**77335.9**	**75490.1**	**1845.8**
2018	**106569.8**	**80873.2**	**25696.6**
2019	**107567.0**	**111723.6**	**-4156.6**
2020	**63199.7**	**76082.4**	**-12882.7**
2021	**109081.0**	**102849.6**	**6231.4**
2022	**161697.4**	**116959.5**	**44737.9**

Source: Central Bank of Iraq, General Directorate of Statistics and Research, Annual Bulletins 2004-2022.

The Third Section: **Measuring the Relationship between Financial and Monetary Policy Variables and some Stock Market Indicators in Iraq for the Period (2004-2022)**
First: **The Study Variables**
Table (4) shows all the study variables during the study period 2004-2022, as in the following table.

Table 4 Study Variables

Variable Name	Coding Variable Type	Study Variables
Stock Prices	**y1**	**Dependent**
Market Value	**Y2**	**Dependent**
Trading Volume	**Y3**	**Dependent**
Net General Budget	**X1**	**Independent**
Broad Money Supply	**X2**	**Independent**
Inflation Rate	**X3**	**Independent**
Deposit Interest Rate	**X4**	**Independent**

Second: **Testing the Stability of the Data (Staticity) for the Study Variables**
The stability of time series is one of the important topics for many statistical applications that depend on the time series of economic and financial data of a specific period. It is a topic of importance for econometric analysis, as inferences about unstable variables give misleading results, that is, the results between the variables are unstable and not real, and

this is what is called false or misleading regression. There are many statistical methods used to test stability, and we will adopt one of them. To test the stability of time series and determine their degree of integration, we will use the expanded Dickey-Fuller test.

-Expanded Dickey-Fuller test

The test result can be judged. If the P-value is less than 5%, this means that the parameter and the series are significant. However, if the P-value is greater than 5%, this means that the parameter and the series are not significant. Stable, or we compare the calculated (F) value with the tabulated (F) value. If the calculated (F) value is greater than the tabulated value, then we reject the null hypothesis (Ho) and accept the alternative hypothesis (H1), meaning that the series is stable, but if it is the opposite, this means that the series is unstable and it is necessary to take the first difference and then take the second difference and so on until a stable time series is obtained.

Table 5 Unit Root Test Results for the Study Variables

Prob.	Statistic	Variable
0.003	**-4.560**	**Y1**
0.000	**-6.208**	**Y2**
0.000	**-6.276**	**Y3**
0.001	**-5.053**	**X1**
0.000	**-5.918**	**X2**
0.044	**-2.028**	**X3**
0.035	**-3.260**	**X4**

Table (5) shows the results of the stability test of the study data, using the expanded Dickey-Fuller test. It also shows that all-time series data used in the study are stable over time because all probability values of the variables are less than (0.05), which indicates that there is no unit root and the time series is stable.

The First Model: **related to testing the first sub-hypothesis of the main hypotheses (1-4)**

$Y1= \beta_0 +\beta_1 X1+\beta_2 X2+\beta_3$

Contrast Inflation Factor (VIF)

Variance inflation factor (VIF) test for the first model, and the results were as in the following table:

Table 6 Variance inflation factor (VIF) test results for the first study model

Variables	Variance Inflation Factor VIF
X1	**1.242**
X2	**4.539**
X3	**3.940**
X4	**1.225**

Table (5) indicates that all values of the variance inflation factor (VIF) are less than (10), which indicates that there is no problem with the linear correlation between the variables of the first model.

Testing the First Sub-hypothesis of the Main Hypotheses (1-4)

The first sub-hypothesis of the first main hypothesis: The impact of fiscal policy (net general budget) on financial market performance indicators (stock prices).

The first sub-hypothesis of the second main hypothesis: The impact of monetary policy (broad money supply) on financial market performance indicators (stock prices).

The first sub-hypothesis of the third main hypothesis: The impact of monetary policy (inflation rate) on financial market performance indicators (stock prices).

The first sub-hypothesis of the fourth main hypothesis: The impact of monetary policy (deposit interest rates) on financial market performance indicators (stock prices).

Table 6 Testing the First Main Hypothesis

Prob.	t-Statistic	Std. Error	Coefficient	Variable
0.486	-0.718	2.883	-2.069	C
0.192	1.377	0.000	0.000	X1
0.006	3.314	0.256	0.849	X2
0.032	-2.402	0.142	-0.340	X3
0.045	-2.222	0.358	-0.795	X4
0.663	Adjusted R-squared		0.742	R-squared
0.001	Prob (F-statistic)		9.352	F-statistic
1.767			Durbin-Watson stat	

Through the results of the statistical analysis in the table above, it is clear that the model is significant, as the probability value (Prob) for the F-statistic test was less than (0.05), reaching (0.001). This indicates that the model is valid for testing and its results are reliable. It is also clear that The Durbin-Watson value was (1.767), which is greater than the (R-squared) value, which was (74%). This indicates the absence of autocorrelation and spurious regression in the model. It also turns out that the value of (R-squared) reached (0.742), which means that the explanatory power of the independent variable with the dependent variable is (74%). As for the value of (Adjusted R-squared), it reached (0.663), and this indicates that the independent variable affects the variable. Dependent (66%), while the remaining (34%) is due to other factors outside the model.

Interpretation of the Results of the First Sub-hypothesis of the First Main Hypothesis:

The results of the statistical analysis show that the value of (Prob) for the independent variable fiscal policy (net public budget) is higher than (0.05), reaching (0.192), which indicates that there is no significant impact of fiscal policy as measured by the net public budget on financial market performance indicators (stock prices).

Economic interpretation: The net budget in the sample countries has affected financial market performance indicators (stock prices) and the relationship is direct, meaning that the greater the general budget surplus, this leads to an increase in stock prices.

Interpretation of the Results of the First Sub-hypothesis of the Second Main Hypothesis:

The results of the statistical analysis show that the value of (Prob) for the independent variable monetary policy (broad money supply) is less than (0.05), reaching (0.006), which indicates the presence of a significant impact of monetary policy as measured by the broad money supply on financial market performance indicators (stock prices).

The economic explanation is that the direct effect occurs through the central bank increasing the money supply by a greater percentage than usual, so individuals find themselves facing a large amount of liquidity, which is more than what they need for transaction purposes, so they spend part of this surplus currency to buy securities (stocks), and since it is a demand If stocks remain stable in the short term, the increasing demand for

stocks will generate a large trading volume that will be reflected in an increase in stock prices and value.

Interpretation of the Results of the First Sub-hypothesis of the Third Main Hypothesis:

The results of the statistical analysis show that the value of (Prob) for the independent variable monetary policy (inflation rate) is less than (0.05), reaching (0.032), which indicates the presence of a significant impact of monetary policy measured by the inflation rate on financial market performance indicators (stock prices).

The economic interpretation is that stocks are a protection against inflation because stocks represent ownership of physical capital, meaning they represent a real value independent of inflation. That is, any change in the inflation rate will lead to an increase in the value of the stock and an increase in the general level of prices will also be accompanied by an increase in the level of inflation. The products of the company issuing the shares, generate profits for the companies issuing those shares, as well as increasing the demand for the shares. The increase in demand and purchases for those shares will increase the trading volume, increase their prices, and increase their market value, which will reflect positively on the performance of the company's activity as well as its reflection on the financial market activity.

Interpretation of the Results of the First Sub-hypothesis of the Fourth Main Hypothesis:

The results of the statistical analysis show that the value of (Prob) for the independent variable monetary policy (interest rates on deposits) is less than (0.05), reaching (0.045), which indicates the presence of a significant impact of monetary policy as measured by interest rates on deposits on financial market performance indicators (prices stocks).

The economic interpretation is that the inverse relationship represents that changes in interest rates have an impact on stock price movements, and since the interest rate represents the cost of an investment opportunity in the stock market. The rise in interest rates negatively affects stock prices. When interest rates rise, this rise represents bad news for stock investors, because investors see stocks as alternatives, so high interest rates make investors tend to liquidate their investment positions and invest their money as bank deposits.

The Second Model: related to testing the second sub-hypothesis of the main hypotheses (1-4).

$Y2= \beta\_0 +\beta\_1 X1+\beta\_2 X2+\beta\_3 X3+\beta\_4 X4+\varepsilon$

Contrast Inflation Factor (VIF)

Variance Inflation Factor (VIF) test for the second model, and the results were as in the following table:

Table 7 Variance Inflation Factor (VIF) Test Results for the First Study Model

Variables	Variance Inflation Factor VIF
X1	**1.856**
X2	**2.702**
X3	**2.355**
X4	**1.469**

Table (7) indicates that all values of the variance inflation factor (VIF) are less than (10), which indicates that there is no problem with the linear correlation between the variables of the second model

.

Testing the second sub-hypothesis of the main hypotheses (1-4)

The second sub-hypothesis of the first main hypothesis: The impact of financial policy (net general budget) on financial market performance indicators (market value).

The second sub-hypothesis of the second main hypothesis: The impact of monetary policy (broad money supply) on financial market performance indicators (market value).

The second sub-hypothesis of the third main hypothesis: The impact of monetary policy (inflation rate) on financial market performance indicators (market value).

Table 8 Testing the Second Main Hypothesis and its Sub-hypotheses

Prob.	t-Statistic	Std. Error	Coefficient	Variable
0.009	3.087	59.365	183.278	C
0.994	0.007	0.000	0.000	X1
0.113	1.709	0.255	0.436	X2
0.006	3.357	0.050	0.169	X3
0.000	-6.113	0.145	-0.885	X4
0.391	Adjusted R-squared		0.570	R-squared
0.046	Prob (F-statistic)		3.186	F-statistic
2.119			Durbin-Watson stat	

Through the results of the statistical analysis in the table above, it is clear that the model is significant, as the probability value (Prob) for the F-statistic test was less than (0.05), reaching (0.046). This indicates that the model is valid for testing and its results are reliable. It also appears that the Durbin-Watson value reached (2.119), which is greater than the R-squared value, which reached (57%). This indicates the absence of autocorrelation and a spurious regression in the model. It also turns out that the value of (R-squared) reached (0.570), which means that the explanatory power of the independent variable with the dependent variable is 57%). As for the value of (Adjusted R-squared), it reached (0.391), and this indicates that the independent variable affects the variable. Dependent (39%), while the remaining (61%) is due to other factors outside the model.

Interpretation of the Result of the Second Sub-hypothesis of the First Main Hypothesis:

The results of the statistical analysis show that the value of (Prob) for the independent variable, fiscal policy (net public budget), is higher than (0.05), reaching (0.994), which indicates that there is no significant impact of fiscal policy, as measured by the net public budget, on financial market performance indicators (market value).

Economic interpretation: The net budget in the sample countries has affected the performance indicators of the financial markets (market value) and the relationship is direct, meaning that the greater the general budget surplus, this leads to increase in the market value.

Interpretation of the Result of the Second Sub-hypothesis of the Second Main Hypothesis:

The results of the statistical analysis show that the value of (Prob) for the independent variable monetary policy (broad money supply) is higher than (0.05), reaching (0.113), which indicates that there is no significant effect of monetary policy as measured by the broad money supply on financial market performance indicators (market value).

The economic explanation is that the direct effect occurs through the central bank increasing the money supply by a greater percentage than usual, so individuals find

themselves facing a large amount of liquidity, which is more than what they need for transaction purposes, so they spend part of this surplus currency to buy securities (stocks), and since it is a demand If stocks remain stable in the short term, the increasing demand for stocks will generate a large trading volume that will be reflected in an increase in stock prices and value.

Interpretation of the Results of the Second Sub-hypothesis of the Third Main Hypothesis:

The results of the statistical analysis show that the value of (Prob) for the independent variable monetary policy (inflation rate) is less than (0.05), reaching (0.006), which indicates the presence of a significant impact of monetary policy as measured by the inflation rate on financial market performance indicators (market value).

Economic interpretation: Increasing the money supply at a rate greater than usual leads to an increase in inflation rates. Therefore, individuals find themselves facing a large amount of liquidity, which is more than what they need for transaction purposes, so they spend part of this surplus currency to buy securities (shares) since there is a fixed demand for shares. In the short term, the increasing demand for stocks will generate a large trading volume that will be reflected in an increase in stock prices, value, and trading volume.

Interpretation of the Results of the Second Sub-hypothesis of the Fourth Main Hypothesis:

The results of the statistical analysis show that the value (Prob) of the independent variable monetary policy (interest rates on deposits) is less than (0.05), reaching (0.000), which indicates the presence of a significant impact of monetary policy measured by interest rates on deposits on financial market performance indicators (value vulnerabilities).

The economic interpretation is that the inverse relationship represents that changes in interest rates have an impact on stock price movements, and since the interest rate represents the cost of an investment opportunity in the stock market, the rise in interest rates negatively affects stock prices. When interest rates rise, this rise represents news. Bad for stock investors, because investors see stocks as alternatives, and high interest rates make investors tend to liquidate their investment positions and invest their money as bank deposits.

The Third Model: related to testing the third sub-hypothesis of the main hypotheses (1-4)

$$Y3= \beta\_0 +\beta\_1 X1+\beta\_2 X2+\beta\_3 X3+\beta\_4 X4+\varepsilon$$

Contrast Inflation Factor (VIF)

Variance Inflation Factor (VIF) test for the third model, and the results were as in the following table:

Table 9 Results of the Variance Inflation Factor (VIF) Test for the First Study Model

Variables	Variance Inflation Factor VIF
X1	**1.143**
X2	**2.370**
X3	**2.061**
X4	**1.243**

Table (9) indicates that all values of the variance inflation factor (VIF) are less than (10), which indicates that there is no problem with the linear correlation between the variables of the third model.

Testing the Third Sub-hypothesis of the Main Hypotheses (1-4)

The third sub-hypothesis of the first main hypothesis: The impact of fiscal policy (net general budget) on financial market performance indicators (trading volume).

The third sub-hypothesis of the second main hypothesis: The impact of monetary policy (broad money supply) on financial market performance indicators (trading volume).

The third sub-hypothesis of the third main hypothesis: The impact of monetary policy (inflation rate) on financial market performance indicators (trading volume).

The third sub-hypothesis of the fourth main hypothesis: The impact of monetary policy (deposit interest rates) on financial market performance indicators (trading volume).

Table 9 Testing the First Sub-hypothesis of the Second Main Hypothesis

Prob.	t-Statistic	Std. Error	Coefficient	Variable
0.001	4.738	112.302	532.036	C
0.644	-0.474	0.000	0.000	X1
0.014	2.877	0.364	1.049	X2
0.003	-3.812	0.097	-0.370	X3
0.008	-3.194	0.308	-0.985	X4
0.499	Adjusted R-squared		0.647	R-squared
0.017	Prob (F-statistic)		4.393	F-statistic
1.903			Durbin-Watson stat	

Through the results of the statistical analysis in the table above, it is clear that the model is significant, as the probability value (Prob) for the F-statistic test was less than (0.05), reaching (0.017). This indicates that the model is valid for testing and its results are reliable. It also appears that the Durbin-Watson value reached (1.903), which is greater than the (R-squared) value, which reached (65%), and this indicates the absence of autocorrelation and a spurious regression in the model. It also turns out that the value of (R-squared) reached (0.647), which means that the explanatory power of the independent variable with the dependent variable is 65%). As for the value of (Adjusted R-squared), it reached (0.499), and this indicates that the independent variable affects the variable. The dependent percentage is 50%), while the remaining 50% is due to other factors outside the model.

Interpretation of the Result of the Third Sub-hypothesis of the First Main Hypothesis:

The results of the statistical analysis show that the value of (Prob) for the independent variable fiscal policy (net public budget) is higher than (0.05), reaching (0.644), which indicates that there is no significant impact of fiscal policy as measured by the net public budget on financial market performance indicators (trading volume.

Economic interpretation: The net budget in Iraq has affected the performance indicators of the financial markets (trading volume), and the relationship is direct, meaning that the greater the general budget surplus, this leads to increase in trading volume.

Interpretation of the Result of the Third Sub-hypothesis of the Second Main Hypothesis:

The results of the statistical analysis show that the value of (Prob) for the independent variable monetary policy (broad money supply) is less than (0.05), reaching (0.014), which indicates the presence of a significant effect of monetary policy as measured by the broad money supply on financial market performance indicators (trading volume).

The economic explanation is that the direct effect occurs through the central bank increasing the money supply by a greater percentage than usual, so individuals find themselves facing a large amount of liquidity, which is more than what they need for transaction purposes, so they spend part of this surplus currency to buy securities (stocks), and since it is a demand If stocks remain stable in the short term, the increasing demand for stocks will generate a large trading volume that will be reflected in an increase in stock prices and value.

Interpretation of the Result of the Third Sub-hypothesis of the Third Main Hypothesis:

The results of the statistical analysis show that the value of (Prob) for the independent variable monetary policy (inflation rate) is less than (0.05), reaching (0.003), which indicates the presence of a significant impact of monetary policy as measured by the inflation rate on financial market performance indicators (trading volume).

The economic explanation is that investing in fixed-return securities, such as bonds, carries with it great risks in times of inflation, because the discount rate will rise when the inflation rate rises, so the real value of the investment will decrease due to its current value decreasing. It is always advised not to invest in bonds during times of inflation, as it will be affected by it. The risk that the value of cash will change, due to the stability of the return achieved from the bond.

Interpretation of the Result of the Third Sub-hypothesis of the Fourth Main Hypothesis:

The results of the statistical analysis show that the value of (Prob) for the independent variable monetary policy (interest rates on deposits) is less than (0.05), reaching (0.008), which indicates the presence of a significant impact of monetary policy measured by interest rates on deposits on financial market performance indicators (size trading).

The economic interpretation is that the inverse relationship represents that changes in interest rates have an impact on stock price movements, and since the interest rate represents the cost of an investment opportunity in the stock market, a rise in interest rates negatively affects stock prices. When interest rates rise. This rise represents bad news for stock investors because investors see stocks as alternatives, so high-interest rates make investors tend to liquidate their investment positions and invest their money as bank deposits.

Conclusions:

1. Financial markets represent one of the important channels for accumulating, managing and directing wealth, and the most important financial institution with an influence on the economy of countries up and down, and the mirror that reflects the reality of the economic situation of the country, and an effective indicator of the extent of the achievements achieved and the expected performance of the companies that fall within its entity.
2. Identifying a set of indicators that express the performance of financial markets and considering them as a criterion for the success or failure of managing any market, in addition to the information that will be available in light of the indicators and their trends will help prepare many different economic forecasts and help investors rationalize the investment decision-making process.
3. Monetary policy and financial policy are external factors affecting the investment climate in financial markets through a set of tools and indicators for both policies and can be classified as part of the regular risks to which financial markets are exposed.

4. The efficiency and development of the stock market enhances its importance and role in economic activity, which opens a wide scope for governments to provide the necessary liquidity to finance the fiscal deficit.
5. The impact of monetary and fiscal policies on the performance of financial markets in the economies of Malaysia, Jordan, and Iraq varied depending on the variation in the policies followed by these economies, as well as the nature of each market and the degree of investors' response to changes in monetary policy and fiscal policy.
6. The Iraqi Stock Exchange represents a modern market and an emerging market that is in the process of development and growth. It remains in need of efficient management and activating the role of information and transparency. The financial and monetary policies have had a prominent impact on the performance of this market.

Recommendations:

Based on the results of the analysis and the results related to the research topic, the following recommendations were prepared:

1. Investing in financial markets involves many risks if not built on correct foundations, which justifies the importance of analyzing variables related to monetary policy (exchange rate, inflation, money supply, and interest rate), as well as other factors that lead to a sound evaluation. For various stocks, which helps investors make the right decision to invest at the appropriate time.
2. It is necessary to study the financial policy affecting the performance of the financial markets, through variables (public spending and public revenue), so that the behavior of traders in the financial markets can be tracked and the extent of their response to these policies can be tracked to help explain the phenomena of high financial market performance.
3. At the level of the Iraqi economy, it is necessary to work on finding new directions for financial and monetary policies that work to find diverse sources of financial return and achieve price stability through the exchange rate signal and through currency auctions conducted by the Central Bank to target the gross domestic product.
4. Work to develop appropriate strategies and plans to enhance the impact of the Iraqi Stock Exchange in the process of economic development. This is done through qualification and training programs, developing human capabilities, and attracting foreign investors due to their role in strengthening and expanding the market, as well as the possibilities of transferring successful global experiences, especially countries that are close to the reality of the Iraqi economy.
5. Developing and strengthening the specialized intermediary institutions operating in the Iraqi Stock Exchange will prevent the market from entering into speculation led by unqualified intermediaries whose goal is quick profits and immediate gains, which ultimately serves the investor because if the previous procedures are implemented and applied practically in the market, This will lead to market stability, and will show the efficiency of the companies issuing these shares and the actual percentage of their profits, which will help the investor to make the right investment decision at the right time.

References:

Abdel Moneim El-Sayed Ali, and Nizar Saad El-Din. (2004). Money, banking and financial markets. Amman: Dar Hamed for Publishing and Distribution.

Bashir Al-Zoghbi. (2000). The impact of macroeconomic factors on the general index of stock prices in the Amman Financial Market. Journal of Administrative Science Studies, University of Jordan, Volume 27, Issue.

Fayez Ibrahim Al-Habib. (2000). Principles of macroeconomics (Volume IV). Riyadh.

Ghaleb Awad Al-Rifai, and Abdel Hafeez Belarabi. (2002). The economics of money and banking (1st edition). Amman: Dar Wael for Publishing and Distribution.

Hussein Ali Kharyoush, and others. (1999). Investment portfolio management. Amman: Dar Zahran for Publishing and Distribution.

Muhammad Ibrahim Al-Shibli, and Tariq Ibrahim Al-Shibli. (2000). Introduction to financial and monetary markets.

Munir Ibrahim Hindi. (2004). Modern thought in investment (Volume II). Alexandria: Dar Al-Maaref for Publishing and Distribution.

..... (2010). Fundamentals of investment securities analysis (Volume II). Alexandria: University Knowledge House.