



INVESTIGATING THE IMPACT OF STOCK MARKET TRADING ACTIVITY ON THE PREDICTION OF STAGNATION

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ABSTRACT

The stock market is an important part of the economy as a whole, with a strong link between the stock market and the economy. According to the effective market hypothesis, stock prices are a random step so that the underlying variables are not able to predict the total stock price index in the short run. In contrast to the current stock price index in a functional market, it is a leading variable and fully reflects all the information available on the future trend of economic variables. Therefore, due to the importance of stock market activity in the recession forecast, the effect of stock market activity on predicting recessions in accepted companies Examine the Tehran Stock Exchange. The present study is categorized according to the purpose of the applied research type. The purpose of the applied research is the development of applied knowledge in a particular context. Also, the present research is correlated in terms of method and nature of research type. Which were selected on a sample of 405 companies from Tehran Stock Exchange companies during the years 88-95, using simple stratified random sampling method, done. The required information was collected through a researcher-made questionnaire. Normal distribution of data was determined by Kolmogorov-Smirnov test and for data analysis and hypothesis testing, descriptive statistics and Pearson correlation coefficient were used and in the inferential level, simple linear regression analysis was used. The results of the study confirmed the stock market activity, stock market liquidity, stock market returns, and stock market stability to predict the recession.

Keywords: Stock Market, Prediction, Stagnation

INTRODUCTION

Short-term planning in various fields to continue the survival, progress and position of all economic units, as well as to make effective decisions on investment and financing by managers. Investors, creditors and others. Planning provides the opportunity to exploit the existing opportunities and can be used to deal with unfavorable economic events, Revealed appropriate responses.

In the same vein, in order to increase the effectiveness of planning, it must also improve the ability to accurately and continuously predict what is needed. In this way, past data are analyzed to provide a generalizable model for the future. For this reason, accounting research has also been used to predict financial outcomes such as corporate profits and, finally, the beneficial use of them will be used for prediction purposes. The focus of this research is anticipation. Forecasting is important in this regard, which is a fundamental and key element in the decision-making process of both in-company and outsourced users. Accordingly, the ultimate effectiveness and effectiveness of each decision depends on the outcome of the events that follows each decision. So, it is a good and effective decision that the predictions made on the basis of it

are correct. Based on economic theory, the stock price index should reflect the economic expectations of future corporate performance. While corporate profits reflect the level of economic activity. If the stock price index accurately reflects the information on the future trend of the underlying variables, then it can be used as a leading variable to predict fluctuations in economic activity. Therefore, causal relationships and dynamic interactions between macroeconomic variables and stock price index are very important in formulating macroeconomic policies of a country. In fact, using stock prices as a leading variable to predict fluctuations in macro variables in particular, gross domestic product is a very important subject in the trade literature. In this research, we try to examine existing stock market stagnation models with stock market liquidity as another predictor variable.

For this purpose, this chapter first addresses the issue of research, and then the objectives pursued by this research will be presented. Further questions and research hypotheses will be presented. Then, by introducing the research domain and research method, the key words are defined.

Research hypotheses

- *The main hypothesis:*

Stock market trading activity is predicted to slow down.

- *Hypotheses:*

1. The liquidity of the stock market is affected by the forecast of the recession.
2. Return on the stock market is expected to affect the recession.
3. The stability of the stock market is predicted by the downturn.

Conceptual model of research

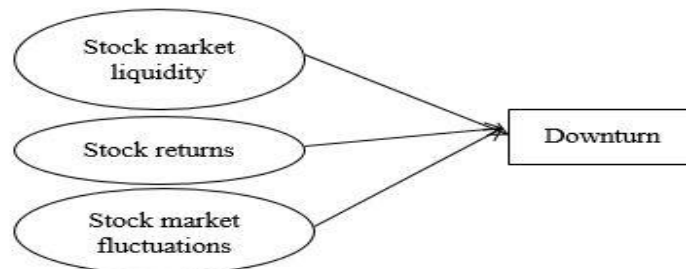


Figure 1: Conceptual model of research

Stock Market Trading Activities

Any activity aimed at the main purpose of acquiring profits that are performed by equity holders, investing and financing (Pierangelo and Rosati, 2014).

Stock market

A type of financial market in which long-term bonds and stocks are traded. The capital market is divided into two groups of initial and secondary securities markets (Kurdistan, 2004).

Depression

A temporary decline in business activity for more than a few months, which generally results in a reduction of more than two consecutive seasons of gross national product. The recession is two successive consecutive years of negative economic growth, measured by gross domestic product (Claessens & Kose, 2009).

Stock market liquidity

Means the ability of the market to buy or sell an asset without making any acute changes in the price of the asset (Thomas Leirvik, 2016).

Stock Market Returns

It's called the earnings that investors get through the stock market they can in the form of profit from stock trading or profits provided by the company to the shareholders in certain time periods (Gilbert V. Nartea, 2016).

Stock market instability

Means a statistical measure to measure the distribution of stock returns or market indicators. Which is measured by standard deviation or variance between the returns of the same stock or the market index (Shouwei Li, 2016).

Benefits of Stock Exchanges:

From the macro perspective:

From a macroeconomic point of view, the stock exchange is mainly used to implement monetary and economic policies.

- The management of small savings in order to buy and sell, thereby helping to expand public ownership and creating a ground for public participation in economic activities
- Supplying small savings in production
- Control the volume of money and liquidity of the community
- Financing of the government or other securities issuing institutions
- Cash to hold the capital and wealth of the people
- Helping maintain the economic balance of the country
- Providing a fair distribution of wealth through the extension of public ownership
- Curb inflation and increase national production (Website of the Stock Exchange).



Table 1: Pearson's Analysis Test for The first hypothesis

Significance level	Coefficient of relationship	The coefficient of determination	The first hypothesis variable
0.01	0.45	0.21	Market liquidity
			Forecast stagnation

The coefficient of the relationship between the two liquidity variables of the stock market and the forecasted stagnation of 0.45 is thus rejected with zero confidence assurance of 0.99% and it can be confirmed that the liquidity of the stock market is affected by the forecast of the recession. The determination coefficient obtained for this the ratio is equal to 0.21, which means that 21% of the variance of the prediction variable is due to the stock market liquidity variance.

Table 2: Pearson's Analysis Test for The second hypothesis

Significance level	Coefficient of relationship	The coefficient of determination	The second hypothesis variable
0.01	0.39	0.19	Stock market returns
			Forecast stagnation

The coefficient of the relationship between the two variables of stock market returns and the prediction of a stagnation of 0.39 is thus rejected by zero confidence assurance of 0.99% and it

can be confirmed that the stock market returns in the prediction of the recession. The determination coefficient obtained for this equation is equal to 0.19, which means that 19% of the variance of the predicted slump is due to the stock market return variance.

Table 3: Pearson's Analysis Test for The third hypothesis

Significance level	Coefficient of relationship	The coefficient of determination	The third hypothesis variable
0.01	0.29	0.14	Stock market stability
			Forecast stagnation

The coefficient of the relationship between the two stock market stability variables and the forecasted stagnation of 0.29 is thus rejected by zero confidence assurance of 0.99 and it can be verified that the stability of the stock market is affected by the forecast of the recession. The coefficient of determination for this relationship is equal to 0.14, which means that 14% of the variance of the predicted slump is due to the stock market stability variance.

Total resulting:

Undoubtedly, investing in the stock market is an important part of the country's economy, and undoubtedly the largest amount of capital is traded through equity markets around the world and the national economy is heavily influenced by stock market performance. It is also available to both professional investors and the general public as an investment tool.

The stock is affected by macroeconomic and non-economic parameters and many other variables, the multiple factors affecting the capital markets and their unknowns have caused uncertainty in the field of investment.

Part of the variables affecting the stock market are the financial information of the economic units that are extracted from the accounting system of these units, the impact of this information is very complex and somewhat unknown. In addition to predicting future stock returns by historical time series data, identifying key indicators for future stock returns and creating a pattern is also one of the mainstream in financial research. In the financial literature, these indicators are called "risk factors". Today, the theory of predictability of stock returns in financial management is accepted as a hypothesis. One of the goals of accounting information is to help users predict future inflow cash flows to the entity and, consequently, to predict the return on investment. Part of the variables affecting the stock returns of companies in the stock market is the financial information provided through the accounting network. The impact of this information is very complex and somewhat unknown. The economic environment includes all factors affecting users, Accounting and Capital Markets Network. In this environment, all components are interconnected and mutually exclusive. This study examines the effect of stock market trading activities on the prediction of recessions in companies admitted to the stock market, which are the results of research on stock market activities, Stock market liquidity, stock market returns and stock market stability confirmed the prediction of a recession.

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