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THE INFLUENCE OF GLOBALISATION AND MONETARY POLICY ON THE STOCK MARKET PERFORMANCE IN SOUTH AFRICA

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ABSTRACT

Purpose: This study examines the impact of globalisation and monetary policy on stock market performance in South Africa from 1975 to 2024.
Design/Methodology/Approach: Using annual time series data, the Autoregressive Distributed Lag (ARDL) bounds testing approach is applied to capture both short- and long-run dynamics. Diagnostic tests revealed that money supply and exchange rate were highly volatile, while globalisation was relatively stable. The unit root and bounds test results confirmed long-run cointegration among the variables.
Findings: The short-run estimates showed that money supply and globalisation positively influenced market capitalisation, whereas exchange rate volatility exerted a negative effect. Interest rate changes were insignificant, indicating limited short-term transmission. In the long run, money supply remained a key driver of stock market performance, while persistent exchange rate depreciation reduced market growth. Globalisation exhibited mixed effects: negative in the baseline model but strongly positive when interacting with monetary policy, highlighting the conditional benefits of integration
Implications/Originality/Value: The study recommends that policymakers strengthen institutions and safeguard the stock market from external shocks, while the South African Reserve Bank manages money supply expansion to support growth without fueling inflation or capital flight. Ensuring exchange rate stability and monitoring the interaction between globalisation and monetary policy are also crucial, as the effectiveness of liquidity expansion in driving stock market outcomes depends on the extent of international integration.

Keywords: Globalisation, Monetary Policy, Stock Market Performance, Emerging Economies