

## Descriptive statistics of the variables

Variable	Mean	Std Dev	min	Max	Skewness	Kurtosis
Inflation	0.007	0.013	-0.030	0.045	0.231	4.398
Money demand	362677.7	52771.15	304342.7	474849.6	0.548	1.898
Interest rate	0.187	0.059	0.052	0.262	-0.984	2.627
Exchange Rate	77.449	2.039	71.607	81.204	-0.598	3.001
<b>DEPENDENT VARIABLES</b>						
NIC	0.0041	0.0553	-0.1013	0.1602	0.6845	3.7230
Stanchart	0.0055	0.0490	-0.1512	0.1419	-0.4008	2.9494
BBK	0.0060	0.0432	-0.1243	0.1635	0.4007	3.5362
KenAir	0.0146	0.0483	-0.0905	0.1756	0.8670	4.7764
NMG	0.0044	0.0524	-0.1833	0.1693	0.0066	1.4982
BAT	0.0063	0.0475	-0.1652	0.1542	-0.0617	3.3028
Total	-0.0025	0.1390	-0.4386	0.4353	-0.0711	3.0197

*NOTE: The dependent variables are the returns from different companies from the different sectors. NIC, stanchart (Standard Chartered) and BBK (Barclays Bank of Kenya) are all companies from the finance and investment sector. Kenair (Kenya Airways) and NMG (Nation Media Group) from the commercial and services sector whereas BAT (British American Tobacco) and Total are from the industrial and allied sectors.*

## Summary of the correlation Results

Variables	Inflation	Money demand	Interest rate	Exchange rate
NIC	-0.108	0.080	-0.177	
Stanchart	-0.013	-0.011	-0.130	
BBK	-0.015	0.062	-0.151	
Kenair	0.025	0.388	-0.151	
NMG	-0.139	0.069	-0.199	
BAT	-0.089	0.032	-0.244	
Total	0.070	0.109	-0.129	-0.109
Inflation	1.000	0.077	-0.043	-0.137
Money demand		1.000	-0.455	-0.218
Interest rate			1.000	0.003
Exchange rate				1.000

*NOTE: The names of the companies represent the dependent variables which are the returns from different companies from the different sectors. NIC, stanchart (Standard Chartered) and BBK (Barclays Bank of Kenya) are all companies from the finance and investment sector. Kenair (Kenya Airways) and NMG (Nation Media Group) from the commercial and services sector whereas BAT (British American Tobacco) and Total are from the industrial and allied sectors.*

## Unit root results

Independent Variables	ADF	Order of integration
Inflation	-5.2277	I(0)
Money demand	-8.0961	I(1)
Interest rate	-5.3589	I(1)
Exchange rate	-7.0889	I(1)
Risk Premium	-6.3191	I(0)
Dependent Variables (Stock Returns)		
NIC	-9.8879	I(0)
Stanchart	-9.5643	I(0)
BBK	-8.6022	I(0)
Kenair	-7.3272	I(0)
NMG	-7.5711	I(0)
BAT	-7.5674	I(0)
Total	-8.0547	I(0)
Critical Values: 5%	-2.9029	
1%	-3.5253	

*NOTE: The names of the companies represent the dependent variables which are the returns from different companies from the different sectors. NIC, stanchart (Standard Chartered) and BBK (Barclays Bank of Kenya) are all companies from the finance and investment sector. Kenair (Kenya Airways) and NMG (Nation Media Group) from the commercial and services sector whereas BAT (British American Tobacco) and Total are from the industrial and allied sectors.*

## Summary of the regression results

Variable	NIC	Stanchart	BBK	Kenair	NMG	BAT	Total
Constant	0.102 (0.000)	0.093 (0.000)	0.084 (0.000)	0.096 (0.000)	0.098 (0.000)	0.092 (0.000)	0.166 (0.000)
Inflation	-0.434 (0.219)	-0.203 (0.532)	-0.233 (0.437)	-0.152 (0.645)	-0.486 (0.152)	-0.339 (0.262)	-0.314 (0.529)
Money demand	-2.31 (0.040)	-3.45 (0.001)	-2.87 (0.003)	-2.45 (0.020)	-2.100 (0.042)	-2.770 (0.004)	-3.860 (0.015)
Interest rate	0.191 (0.541)	0.012 (0.966)	0.297 (266)	0.331 (0.259)	0.164 (0.583)	-0.044 (0.869)	0.002 (0.996)
Exchange rate							-0.827 (0.046)
Risk premium	0.488 (0.000)	0.429 (0.000)	0.383 (0.000)	0.430 (0.000)	0.465 (0.000)	0.427 (0.000)	0.828 (0.000)
R-squared	0.596	0.562	0.520	0.537	0.587	0.598	0.878
Adjusted R-Squared	0.571	0.536	0.491	0.509	0.561	0.573	0.869
F-statistic	24.297	21.215	17.906	19.132	23.405	24.518	93.500
Prob > f	0.000	0.000	0.000	0.000	0.000	0.000	0.000

*NOTE: The names of the companies represent the dependent variables which are the returns from different companies from the different sectors. NIC, stanchart (Standard Chartered) and BBK (Barclays Bank of Kenya) are all companies from the finance and investment sector. Kenair (Kenya Airways) and NMG (Nation Media Group) from the commercial and services sector whereas BAT (British American Tobacco) and Total are from the industrial and allied sectors.*

Table 1: Summary of the neutrality test results

Company	$R^2$	$R_m - R_f$	Constant
NIC	0.7600	1.0865 (0.0000)	0.0167 (0.2533)
Stanchart	0.7400	0.9955 (0.0000)	0.0014 (0.9234)
BBK	0.8238	1.0093 (0.0000)	0.0042 (0.7029)
Kenair	0.7180	0.9840 (0.0000)	0.0083 (0.5699)
NMG	0.6950	1.0232 (0.0000)	0.0053 (0.7426)
BAT	0.7717	1.0522 (0.0000)	0.0126 (0.3571)
Total	0.3947	1.4071 (0.0000)	0.0691 (0.0989)

*NOTE: The dependent variables are the excess returns from different companies from the different sectors. NIC, stanchart (Standard Chartered) and BBK (Barclays Bank of Kenya) are all companies from the finance and investment sector. Kenair (Kenya Airways) and NMG (Nation Media Group) from the commercial and services sector whereas BAT (British American Tobacco) and Total are from the industrial and allied sectors.*