EUROPEAN SCIENTIFIC JOURNAL
by European Scientific Institute ESI
10 YEARS

Paper: **“The Role of Macroeconomic Variables in Forecasting Equity Market Volatility in the East African Community Using Garch-Midas Model”**

Submitted: 03 January 2024
Accepted: 29 January 2024
Published: 29 February 2024

Corresponding Author: Jade Mutebi

Doi: /10.19044/esj.2024.v20n4p1

Peer review:

Reviewer 1: Faical Lakhchen
Ibn Zohr University, Morocco

Reviewer 2: Takafumi Mizuno
Meijo University, Japan

Reviewer C:
Recommendation: Accept Submission

The TITLE is clear and it is adequate to the content of the article.

Please consider the necessity of a keyword 'using GARCH-MIDAS model.'

The ABSTRACT clearly presents objects, methods, and results.

It is enough.

There are a few grammatical errors and spelling mistakes in this article.

I cannot find mistakes.

The study METHODS are explained clearly.

The authors use four variables: short-term interest rate, crude oil, exchange rate, and CPI.
In section 3, it is better to mention why the four variables are picked up in the paper. (Why do the authors not use other major macroeconomic variables such as GDP or population.)

The body of the paper is clear and does not contain errors.

I did not find any logical errors in the paper.
I want a few comments on why Kenya differs from other countries.
What mechanism of the country affects it?

The CONCLUSION or summary is accurate and supported by the content.

Please describe whether or not the authors' approach can forecast markets of other regions.

The list of REFERENCES is comprehensive and appropriate.

It is enough.

Please rate the TITLE of this paper.

[Poor] **1-5** [Excellent]

3

Please rate the ABSTRACT of this paper.

[Poor] **1-5** [Excellent]

4

Please rate the LANGUAGE of this paper.

[Poor] **1-5** [Excellent]

5

Please rate the METHODS of this paper.

[Poor] **1-5** [Excellent]

3

Please rate the BODY of this paper.

[Poor] **1-5** [Excellent]

3

Please rate the CONCLUSION of this paper.

[Poor] **1-5** [Excellent]

3

Please rate the REFERENCES of this paper.

[Poor] **1-5** [Excellent]

4

Overall Recommendation!!!

Accepted, minor revision needed

Comments and Suggestions to the Author(s):

Reviewer E:
Recommendation: Accept Submission

The TITLE is clear and it is adequate to the content of the article.

The title provides a good overview of the research topic and the scope of the study.

The ABSTRACT clearly presents objects, methods, and results.

Yes, the abstract provides a clear overview of the key elements of the study, including the objects (macroeconomic variables and equity market volatility in the East African Community), methods (use of the Generalized Autoregressive Conditional Heteroskedasticity (GARCH) model with the Mixed Data Sampling (MIDAS) approach), and results.

There are a few grammatical errors and spelling mistakes in this article.

Introduction: Paragraph 1:
"It includes six-member countries" Correction "It includes six member countries."
"However, for Kenya" Correction "However, in Kenya"

Introduction: Paragraph 4:
While existing literature has delved into studying" Correction "While existing literature has delved into the study of"
"none of the current studies has harnessed the potential" Correction "none of the current studies have harnessed the potential"
"By employing the GARCH MIDAS model" Correction "By employing the GARCH-MIDAS model"

Introduction: Paragraphe 5:
"The GARCH-MIDAS model is an extension" Correction "The GARCH-MIDAS model is an extension of"

Introduction: Paragraph 6:
"The study holds significant implications" Correction "The study has significant implications"
"Moreover, it contributes to financial literature" Correction "Moreover, it contributes

to the financial literature"
"it contributes to emerging markets research" Correction "it contributes to research on emerging markets"

Introduction: Paragraph 7:
"The structure of the paper is laid out as follows." Correction "The structure of the paper is as follows:"
"Section 2 delves into existing literature" Correction "Section 2 delves into the existing literature"

Also some citations are not dated

The study METHODS are explained clearly.

The explanation of the method is generally clear, but there are a few areas where you might consider providing more details or rephrasing for clarity:
For example, It's essential to emphasize why the inclusion of macroeconomic variables in the GARCH-MIDAS model is significant. How do these variables contribute to the model, and why is this approach preferable for the study?

The body of the paper is clear and does not contain errors.

No comment

The CONCLUSION or summary is accurate and supported by the content.

Positive Aspects:

Clarity of Findings: The conclusion clearly presents the findings of the research, summarizing the impact of macroeconomic variables on stock market volatility in Uganda and Kenya.

Methodology Recap: It briefly recaps the methodology used, including the GARCH-MIDAS approach, the macroeconomic variables considered, and the rolling window approach for estimation.

Comparison of Model Specifications: The conclusion highlights the comparison between different specifications of the GARCH-MIDAS model, including one with only realized volatility and another with additional macroeconomic variables.

Country-Specific Insights: It provides country-specific insights, noting the significant impact of macroeconomic variables on Uganda's stock market volatility and the mixed results for Kenya.

Practical Implications: The conclusion offers practical implications for finance industry practitioners and regulators, advising them to recognize the country-specific nature of macroeconomic variables and incorporate them into decision-making processes.

Suggestions for Improvement:

Clarity on Mixed Results for Kenya: It mentions mixed results for Kenya without specifying which macroeconomic variables showed significant relationships and which did not. Consider providing a bit more detail on this to enhance clarity.

Quantify Improvement in Forecasting: While it mentions that incorporating macroeconomic variables improved the prediction ability of the GARCH-MIDAS model for Uganda, it might be helpful to provide some quantitative information or statistical measures to support this statement.

Consider Adding Limitations: It could be beneficial to briefly mention any limitations of the study or areas where further research could provide additional insights.

Reiterate Recommendations: The conclusion mentions advising finance industry practitioners and regulators but consider reiterating the specific recommendations in a concise form for emphasis.

The list of REFERENCES is comprehensive and appropriate.

The references seems to be generated by a Software so it's OK.

Please rate the TITLE of this paper.

[Poor] **1-5** [Excellent]

4

Please rate the ABSTRACT of this paper.

[Poor] **1-5** [Excellent]

4

Please rate the LANGUAGE of this paper.

[Poor] **1-5** [Excellent]

3

Please rate the METHODS of this paper.

[Poor] **1-5** [Excellent]

5

Please rate the BODY of this paper.

[Poor] **1-5** [Excellent]

4

Please rate the CONCLUSION of this paper.

[Poor] **1-5** [Excellent]

4

Please rate the REFERENCES of this paper.

[Poor] **1-5** [Excellent]

5

Overall Recommendation!!!

Accepted, minor revision needed

Comments and Suggestions to the Author(s):
