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Channels of Transmissing Monetary Policy on Baghdad Soft Drinks Company's Stock Prices Between (2007-2021)

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Abstract

Monetary policy occupies basic role in influencing economic activity, depending on the nature of the economic system, its advancement level, the central bank independency, and the used monetary tools. Due to the various nature of the Iraqi economic policies, this research obtained Tobin's theory of investment, on the channels of transmission of monetary policy represented by the channels of (money supply, exchange rate, interest rate, and inflation rate) through investment spending on the stock prices of Baghdad Soft Drinks Company for the period (2007-2021). The research adopted the inductive approach. The modern statistical programs (Eviews12, Stata15) were used to analyze the quantitative data and to analyze the channels of transmission of monetary policy on Baghdad Soft Drinks Company's stock prices. The SEM model and path analysis were used. Results showed that there is a significant effect rate of inflation, interest rate, and money supply on Baghdad Soft Drinks Company's stock prices, while there was no significant effect of exchange rate. The research recommends paying attention to the rules of transmission channels of monetary policy because the impact of monetary policy cannot reach economic activity except through those channels.

Keywords: *Baghdad Soft Drinks, Channels, Monetary Policy, Stock Prices.*

Introduction

Monetary policy is considered fundamental economic policies that countries used with different economic systems, due to its ability to confront economic crises and regulate the imbalances that occur in the monetary and financial market. Financial markets have received attention from decision-makers in various countries around the world. They provide a good space for implementing monetary policies. Tobin theory, coined by Nobel awarded James Tobin, shows the role that monetary policy can play in influencing economic activity by affecting fluctuations in stock prices. The Tobin's (1969) theory states the availability of causal relationship between fluctuations and investment in market value of stock prices resulting from changes in monetary policy.

Research Importance

This research is important due to its discussion to channels of transmission of the impact of monetary policy on the stock prices of Baghdad Soft Drinks Company.

Research Objectives

The research aims to:

1. Identify the monetary variables that affect the stock prices of Baghdad Soft Drinks Company, according to the Tobin theory;

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2. Determine the nature and strength of the impact of these variables on the stock prices of Baghdad Soft Drinks Company.

Research Questions

1. Do the monetary policies followed in the Iraqi economy have an effective in the financial markets?
2. According to the Tobin theory, how did the monetary authorities use the investment variable to influence the stock prices of Baghdad Soft Drinks Company?
3. What are the monetary tools used by the monetary authorities to transmit their policies on financial markets?

Research Hypothesis

The monetary authorities were unable to sufficiently influence the stock prices of Baghdad Soft Drinks Company using their multiple tools, and channels of transmission of the impact of monetary policy were not effective enough to influence stock prices in the Iraqi securities market.

Literature Review

Monetary Policy

Monetary policy constitutes fundamental economic policies used alongside other policies to influence the level of economic activity in order to address economic problems and achieve economic stability. The concept of monetary policy has undergone many updates in terms of its functions and objectives. According to the development of monetary theories, there are two types of monetary policies: Expansionary monetary policy involves a set of measures taken by central banks in the case of economic contraction by increasing the money supply. Following this policy leads to an increase in investment demand and achieving full employment (Mazarchi, 2018). Contractionary Monetary Policy is resorted to when there is generally a rise in price level. It involves reducing the money supply by raising the discount rate or entering as a seller in the securities market or working to raise the legal reserve ratio (Abdel Rahim, 2007).

Monetary Policy Objectives

1. Achieving price stability is one of the most important objectives of monetary policy. Every country seeks to reduce inflation, limit the general level of prices, and achieve economic activity balance) Al-Rubaie, 2010).
2. Achieving full employment: There is a consensus among economists that ensuring a high level of employment is an aim that monetary policy works to achieve. This means that monetary authorities seek to make the economic activity stable at the employment highest possible level of natural and human resources (Al-Douri & Al-Samarrai, 2006).
3. Achieving high rates of economic growth: Economic growth refers for permanent increase in the real gross domestic product of the country at a rate higher than the population growth rate (Al-Khazraji, 2010).
4. Achieving balance in payments: The balance of payments reflects the position of the national economy towards other economies. In case of imbalance (deficit), it leads to an increase in the country's debt, forcing it to live beyond its means on the one hand, and to the deterioration of its currency value on the other hand (Slimani & Mazri, 2022).

Financial Markets

The financial market borrowed the general market concept to establish its terminology (Kesri, 2016). The financial market is defined as the strategy which trade the use to financial assets are bought and sold. This mechanism enables the efficient transfer of financial resources from sectors with a surplus to sectors with a financial deficit (Andrews, 2006).

Tobin's Theory

James Tobin developed the (Tobin's q) theory for profitable investment, which won the Nobel Prize in 1969. The theory focuses on the stock market, which determines a specific value for the unpaid share of the company (Cecchetti et al., 2006).

This theory explains how the effects of monetary policy are transmitted to economic variables through their impact on stock values. The theory states that there is a causal relationship between investment and fluctuations in market value of stock prices resulting from changes in monetary policy. Based on this ratio, Tobin called it (q) factor. It is perceived as the value of the company in the marke. It is divided by the cost of capital replacement for companies (Caporale et al., 2017). The basic discussion links between investment spending and (Tobin's q). But how does monetary policy have an impact of stock prices? Simply put, when monetary policy is expansionary, the public want to spend money in one place, which is public spending in the stock market, increasing demand for stocks and thus their prices rise (Mishkin, 2012).

Estimating And Analyzing the Standard Model

We have four independent variables, namely (money supply M1, interest rate R, exchange rate EX, and inflation rate UN), which have an effect on intervening variable (investment spending IG). The intervening variable in turn affects the dependent variable (market price P3). In this case, we will have four models through which to analyze the direct and indirect relationships between the model's variables as follows:

1. The effect of the independent variables (M1, R, Ex and UN) on IG (intervening variable) ,
2. The effect of the IG (intervening variable) on P3 (dependent variables),
3. The effect of M1, R, Ex and Un (independent variables) on P3 (dependent variables).
4. The effect of (M1, R, Ex and Un) independent variables and (IG) the intervening variable on (P3) dependent variables.

Methodology

The research adopted the inductive approach to process the study at hand. Quarterly annual data for the period (2007-2021) was used after taking logarithms of money supply and investment spending data.

Table 1: Original Data.

Year	Money Supply (Million Dinars)	interest rate(%)	Exchange rate (Dinars)	Inflation rate (%)	Investment spending (billion dinars)	Market price (Dinars)
2007	21,721,167	20	1217	-	6589	1.200
2008	28,189,934	16.75	1172	12.6	14976	1.200
2009	37,300,030	8.83	1170	8.5	13091	1.300
2010	51,743,489	6.25	1170	2.4	19472	1.100
2011	62,473,929	6	1170	5.5	13623	1.540
2012	63,735,871	6	1166	6.0	20756	1.490
2013	73,830,964	6	1166	1.5	34647	2.990
2014	72,692,448	6	1166	2.6	24931	2.260
2015	65,435,425	6	1190	1.4	18565	2.940
2016	70,733,027	4.33	1190	0.1	15894	2.500
2017	76,986,584	4	1190	0.2	16464	2.680
2018	77,828,984	4	1190	0.4	13820	3.590
2019	86,771,000	4	1182	-0.2	24423	3.290
2020	103,353,556	4	1304	0.6	3209	4.150
2021	119,944,017	4	1450	6.1	13323	4.300

The researchers depended on the following sources for collection the data:

1. Annual reports of the Central Bank of Iraq for the period (2007-2021)
2. Annual reports of the Iraq Stock Exchange for the period (2007-2021)
3. Republic of Iraq, Ministry of Planning, Central Statistical Organization, Report on Consumer Price Index for the year 2021, Statistical Numbers Department. Statistical tests

Testing time series stationarity by applying the Phillips-Perron (PP) unit root test, and after conducting the test, we obtained the results shown in Table 2.

Table 2: Phillips-Perron (PP) Test

Variable	Test statistic	Critical value			Prob	Level	1st difference	2nd difference
		1%	5%	10%				
EX	-7.462544	-3.557472	-2.916566	-2.596116	0.0000			*
UN	-3.363694	-3.555023	-2.915522	-2.595565	0.0167		*	
M1	-2.929204	-3.552666	-2.914517	-2.595033	0.0483	*		
R	-5.187743	-3.552666	-2.914517	-2.595033	0.0001	*		
IG	-5.125665	-3.555023	-2.915522	-2.595565	0.0001		*	
P3	-3.732859	-3.555023	-2.915522	-2.595565	0.0061		*	

Table 2 shows that the time series for money supply M1 and interest rate (R) have stabilized at level I(0) at a significant level of (1%, 5%, 10%). However, the inflation rate (UN), investment spending (IG), and market price of Baghdad Soft Drinks Company (P3) have stabilized at first difference I(1) and at a significant level of (1%, 5%, 10%). As for the exchange rate (EX), it has stabilized at second difference I(2) and at a significant level of (1%, 5%, 10%).

Autocorrelation Test for the effect of independent variables on the intermediate variable
Table 3 indicates that the p-value is (0.8842), which is greater than (0.05). Therefore, the first model does not suffer from autocorrelation problem.

Table 3: Autocorrelation Test for the First Model of Baghdad Soft Drinks Company.

Hypothesis:	Correlation LM Tests						
	Lag	LRE* stat	df	Sig.	Rao F-stat	Df	Sig.
No correlation at lag h	1	16.9696	25	0.8829	0.662745	(25, 131.5)	0.8842
	2	10.84312	25	0.9937	0.414359	(25, 131.5)	0.9938
No correlation at lags 1 to h	1	16.9696	25	0.8829	0.662745	(25, 131.5)	0.8842
	2	46.87324	50	0.5996	0.926383	(50, 140.2)	0.6135

Autocorrelation test for the effect of the intervening variable on the dependent variables

Table 4 displays that the p-value is (0.4815), which is greater than (0.05). Therefore, the second model does not suffer from autocorrelation problem.

Table 4: Autocorrelation Test for the Second Model of Baghdad Soft Drinks Company

Hypothesis:	Correlation LM Tests						
	Lag	LRE* stat	df	Sig.	Rao F-stat	Df	Sig.
No correlation at lag h	1	3.476677	4	0.4814	0.875951	(4, 94.0)	0.4815
	2	0.631674	4	0.9595	0.156777	(4, 94.0)	0.9595
No correlation at lags 1 to h	1	3.476677	4	0.4814	0.875951	(4, 94.0)	0.4815
	2	10.01244	8	0.2642	1.278784	(8, 90.0)	0.2646

Autocorrelation test for the effect of independent variables on dependent variables

Table 5 shows find that the p-value is greater than (0.05); it reaches (0.9863), Therefore, the third model

does not suffer from autocorrelation problem.

Table 5: Autocorrelation Test for the Third Model of Baghdad Soft Drinks Company

Hypothesis:	**Correlation LM Tests**						
	Lag	LRE* stat	df	Sig.	Rao F-stat	Df	Sig.
No correlation at lag h	1	12.05731	25	0.9861	0.462744	(25, 131.5)	0.9863
	2	5.969041	25	1	0.22421	(25, 131.5)	1
No correlation at lags 1 to h	1	12.05731	25	0.9861	0.462744	(25, 131.5)	0.9863
	2	31.55951	50	0.9807	0.594205	(50, 140.2)	0.9819

Autocorrelation test for the effect of independent variables and the intervening variable on dependent variables

Table 6 shows that fourth model does not suffer from autocorrelation problem because the p-value is (0.9087).

Table 6: Autocorrelation Test for the Fourth Model of Baghdad Soft Drinks Company.

Hypothesis:	**Correlation LM Tests**						
	Lag	LRE* stat	df	Sig.	Rao F-stat	Df	Sig.
No correlation at lag h	1	25.39141	36	0.9064	0.682474	(36, 138.9)	0.9087
	2	13.46965	36	0.9998	0.348181	(36, 138.9)	0.9998
No correlation at lags 1 to h	1	25.39141	36	0.9064	0.682474	(36, 138.9)	0.9087
	2	65.65143	72	0.6877	0.885592	(72, 141.8)	0.7143

Joint integration test for effect of M1, R, Ex and UN on IG

Table 7results shows that there is more than one cointegrating vector between the variables of the first model. This is evident from both the trace test and the maximum eigenvalue test, as their values were greater than the critical values. In addition, the probability value (Prob) is less than (0.05). Therefore, we conclude that there is a long-term equilibrium relationship between the variables of the model.

Table 7: Joint Integration Test for the First Model of Baghdad Soft Drinks Company

	Linear deterministic trend				
Series: IG EX M1 R UN					
Lags interval (in first differences): 1 to 2					
	Hypothesized		Trace	0.05	
	No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
Rank Test (Trace)	None *	0.605849	100.1068	69.81889	0
	At most 1	0.368865	49.83161	47.85613	0.0322
	At most 2	0.245096	24.97892	29.79707	0.1622
	At most 3	0.164121	9.796043	15.49471	0.2968
	At most 4	0.002134	0.115385	3.841465	0.7341
Rank Test (Maximum	None *	0.605849	50.27516	33.87687	0.0003
	At most 1	0.368865	24.85269	27.58434	0.1076
	At most 2	0.245096	15.18288	21.13162	0.2763
	At most 3	0.164121	9.680658	14.2646	0.2337
	At most 4	0.002134	0.115385	3.841465	0.7341

Joint integration test for the effect of IG variable on P3 variables

The results in Table 8 of the joint integration test shows that there is no cointegration between the variables of the second model. This is evident from the probability value (Prob) for the tau-statistic being greater than (0.05), as well as the probability value (Prob) for the z-statistic being greater than (0.05). Therefore, we conclude that there is no long-term equilibrium relationship between the variables of the model.

Table 8: Joint Integration Test for the Second Model of Baghdad Soft Drinks Company

	Date: 04/07/23 Time: 05:03			
	Series: P3 IG			
Automatic lags specification based on Schwarz criterion (maxlag=2)				
Dependent	tau-statistic	Prob.*	z-statistic	Prob.*
P3	-0.79218	0.96	-2.14703	0.9634
IG	-3.16607	0.102	-18.2121	0.0694
	*MacKinnon (1996) p-values.			

Joint integration test for the effect of independent variables on the dependent variables

Table 9 of the cointegration test shows that there is a cointegrating vector between the variables of the third model. This is evident from both the trace test and the maximum eigenvalue test, as their values are greater than the critical values, and the p-value (Prob) is less than (0.05). Therefore, we can conclude that there is a long-run equilibrium relationship between the variables of the model.

Table 9: Cointegration Test for the Third Model of Baghdad Soft Drinks Company

	Linear deterministic trend				
Series: P3 EX M1 R UN					
Lags interval (in first differences): 1 to 2					
	Hypothesized		Trace	0.05	
	No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
Rank Test (Trace)	None *	0.5484	88.97309	69.81889	0.0007
	At most 1	0.333241	46.04535	47.85613	0.0733
	At most 2	0.261456	24.15769	29.79707	0.1939
	At most 3	0.133744	7.791698	15.49471	0.4879
	At most 4	0.000715	0.038628	3.841465	0.8442
Rank Test (Maximum	None *	0.5484	42.92774	33.87687	0.0032
	At most 1	0.333241	21.88765	27.58434	0.2262
	At most 2	0.261456	16.366	21.13162	0.2042
	At most 3	0.133744	7.75307	14.2646	0.4044
	At most 4	0.000715	0.038628	3.841465	0.8442

Joint integration test for the effect of independent and intervening variables on the dependent variables

The results of the cointegration test in Table 10, shows that there are multiple cointegrating vectors between the variables of the fourth model. This is evident from both the trace test and the maximum eigenvalue test, as their values are greater than the critical values, and the p-value (Prob) is less than (0.05). Therefore, we can conclude that there is a long-run equilibrium relationship between the variables of the model.

Table 10: Cointegration Test for the fourth model of Baghdad Soft Drinks Company

Linear deterministic trend
Series: P3 EX IG M1 R UN

Lags interval (in first differences): 1 to 2					
	Hypothesized		Trace	0.05	
	No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
Rank Test (Trace)	None *	0.637607	146.9174	95.75366	0
	At most 1	0.570496	92.10595	69.81889	0.0003
	At most 2	0.322141	46.46927	47.85613	0.0671
	At most 3	0.273481	25.47321	29.79707	0.1452
	At most 4	0.132474	8.220721	15.49471	0.4421
	At most 5	0.010075	0.54679	3.841465	0.4596
Rank Test (Maximum	None *	0.637607	54.81144	40.07757	0.0006
	At most 1	0.570496	45.63667	33.87687	0.0013
	At most 2	0.322141	20.99606	27.58434	0.2765
	At most 3	0.273481	17.25249	21.13162	0.1604
	At most 4	0.132474	7.673931	14.2646	0.4128
	At most 5	0.010075	0.54679	3.841465	0.4596

Linearity Test

Table 11 indicates to the linearity test (Linktest) to determine the linearity relationship between the variables. It is noticeable that the p-value for (hatsq-) is (0.028), which is less than 5%. This indicates that there is a linear relationship between the variables of the model.

Table 11: Linearity Test for Baghdad Soft Drinks Company

Source	**SS**	**df**	**MS Number of obs =**	**57**
		F(2, 54) =	206.68	
Model	50.3573505	2	25.1786753 Prob > F =	0.0000
Residual	6.57846278	54	.121823385 R-squared =	0.8845
		Adj R-squared	=0.8802	
Total	56.9358133	56	1.01671095 Root MSE =	.34903
p3	Coef.	Std. Err.	t P>t [95% Conf.	Interval]
_hat	.6617126	.202048	3.28 0.00 2 .2566307	1.066795
_hatsq	.0684674	.0396541	1.73 0.009 -.0110343	.1479691
_cons	.3576221	.2435023	1.47 0.148 -.1305706	.8458148

Results and Discussion

Effect of Independent Variables on Intervening Variable

Probability: Table 12 shows that the variables (M1, EX, UN) are significant in explaining the intermediate variable (IG), as their p-values are less than 5%. On the other hand, the variable (R) is not significant in explaining the intervening variable (IG), as its p-value is greater than 5%.

Estimated Equation1

IG=-2.800666+1.295723M1+5.516132R-0.0070487EX+3.772206UN

The estimated equation1 shows that a unit increase in the montery supply (independent) variable (M1) leads to an increase in the investment spending (interening) variable (IG) by (1.295723). Similarly, a unit increase in the interest rate (independent) variable (R) leads to an increase in the investment spending (intervening) variable (IG) by (5.516132). On the contrary, a unit decrease in the exchange rate (independent) variable (EX) leads to an increase in the intervening variable (IG) by (0.0070487). Moreover, a unit increase in the inflation rate (independent) variable (UN) leads to an increase in the mediator variable (IG) by (3.772206). It is evident from the estimated equation that the relationship between the independent variables (M1, R, UN) and the intervening variable (IG) is a positive relationship, while the relationship between the independent variable (EX) and the intervening variable (IG) is a negative relationship.

Economic Analysis

The equation 1 indicates that both the money supply (M1) and inflation rate (UN) have a negative relationship with investment spending (IG), which is consistent with the economic theory. Moreover, there is a negative relationship between the exchange rate (EX) and investment spending (IG), which also agrees with the economic theory. However, the interest rate (R) has a positive relationship with investment spending (IG), which does not align with the economic theory. The reason for this may be due to the weakness of central bank tools, especially interest rate policy. Even when there is a general trend towards increased investment and inflation, the central bank raising interest rates may not be sufficient to affect investment spending due to several factors, including low interest rates that do not encourage individuals and economic units to invest in bank interest, decreased confidence in the banking system, and any increase in interest rates may not affect economic variables, especially investment spending. Additionally, an increase in investment opportunities and profit margins resulting from investment may lead to any attempt by the central bank to raise interest rates to withdraw some of the money supply, resulting in an increase in investment as long as the return on investment is higher than the bank interest rate.

The Effect Of Intervening Variables On Dependent Variables

Probability: Table 12 indicates that the variables (M1, EX, UN) are significant in explaining the intervening variable (IG), as their p-values are less than 5%. On the other hand, the variable (R) is not significant in explaining the intermediate variable (IG), as its p-value is greater than 5%.

Estimated Equation2

P3=-98.76225-0.161521IG

Through the estimated equation2 of the second model, we find that a unit decrease in the (intervening) investment spending variable (IG) leads to an increase in the dependent variable (P3) by (0.161521). It is evident from the estimated equation 2 that the relationship between the intervening variable, investment spending (IG), and the dependent variable, market price (P3), is inverse. This does not align with the principle of economic theory. The reason for this relationship could be that the real rate of return on investment is higher than the profits generated by stocks. Therefore, any increase in investment spending will be directed towards real investment, leading to a decrease in demand for the stocks of this company and consequently a decrease in their prices.

Effect of Independent Variables on Dependent Variables

Probability: Table 12 indicates that the independent variables (R, EX, M1) were significant in explaining the (dependent variable) market price (P3), as their p-values are less than 5%. On the other hand, the independent variable exchange rate (EX) is not significant in explaining the market price (P3), as its p-value is greater than 5%.

Estimated Equation3

P3=-98.76225+3.228026M1+17.13363R+0.0021643EX-7.026698UN

The estimated equation 3 indicates that a one-unit increase in the independent (montry supply) variable (M1) leads to an increase in the (interest rate) dependent variable (P3) by 3.228026. Also, a one-unit increase in the independent variable (R) leads to an increase in the dependent variable (P3) by (17.13363), and a one-unit increase in the independent (exchange rate) variable (EX) leads to an increase in the dependent variable (P3) by 0.0021643. Moreover, a one-unit decrease in the (inflation rate) independent variable (UN) leads to an increase in the dependent variable (P3) by 7.026698. It is confimred by the estimated equation 3 that the relationship between the independent variables (M1, R, EX) and the

dependent variable (P3) is a positive relationship, while the relationship between the independent variable (UN) and the dependent variable (P3) is an inverse relationship.

Economic Analysis

The estimated equation 3 evidently shows that the money supply (M1) has a positive relationship with the market price (P3), which aligns with economic theory. However, the interest rate and exchange rate (R, EX) have a positive relationship with the market price (P3), which does not align with economic theory. Moreover, the inflation rate (UN) has an inverse relationship with the market price (P3), which also does not align with economic theory. An increase in the inflation rate and the exchange rate of foreign currencies against local currencies will lead to an increase in the cost of raw materials used in the products of this company, resulting in an increase in their prices and a decrease in demand for them. This leads to a decrease in the company's profits and consequently a decrease in its stock prices in the financial market.

Effect of Independent Variables and intervening variable on the dependent variables

Estimated Equation 4

P3=-98.76225+3.228026M1+17.13363R+0.0021643EX-7.026698UN-0.161521IG

The estimated equation 4 displays that a one-unit increase in the independent variable (M1) leads to an increase in the dependent variable (P3) by (3.228026). Also, a one-unit increase in the (intesrest rate) independent variable (R) leads to an increase in the dependent variable (P3) by 17.13363. Furthermore, a one-unit increase in the (exchange rate) independent variable (EX) leads to an increase in the dependent variable (P3) by (0.0021643). Moreover, a one-unit decrease in the independent variable (UN) leads to an increase in the dependent variable (P3) by (7.026698), and a one-unit decrease in the independent variable (IG) leads to an increase in the (market price) dependent variable (P3) by 0.161521. It is evident from the estimated equation that the relationship between the independent variables (M1, R, EX) and the dependent variable (P3) is a positive relationship, while the relationship between the independent variables (UN, IG) and the dependent variable (P3) is an inverse relationship.

Table 12: Results of the outputs of the four models for Baghdad Soft Drinks Company

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Structural equation model                       Number of obs     =         57
Estimation method  = ml
Log likelihood     = -62.056494

------------------------------------------------------------------------------
             |                 OIM
             |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
Structural   |
  ig         |
          m1 |   1.295723   .3772946     3.43   0.001     .5562395    2.035207
           r |   5.516132   3.155573     1.75   0.080    -.6686769    11.70094
          un |   3.772206   1.485871     2.54   0.011     .8599518     6.68446
          ex |  -.0070487   .0009635    -7.32   0.000    -.0089372   -.0051603
       _cons |  -2.800666   11.34299    -0.25   0.805    -25.03251    19.43118
-------------+----------------------------------------------------------------
  p3         |
          ig |   -.161521   .1680576    -0.96   0.336    -.4909078    .1678658
          m1 |   3.228026   .5259134     6.14   0.000     2.197255    4.258797
           r |   17.13363   4.109732     4.17   0.000     9.078705    25.18856
          un |  -7.026698   1.989016    -3.53   0.000     -10.9251   -3.128299
          ex |   .0021643   .0017023     1.27   0.204    -.0011721    .0055007
       _cons |  -98.76225   14.39976    -6.86   0.000    -126.9853   -70.53925
-------------+----------------------------------------------------------------
    var(e.ig)|   .0756478   .0141701                      .0524025    .1092046
    var(e.p3)|   .1217832   .0228121                      .0843612    .1758053
------------------------------------------------------------------------------
LR test of model vs. saturated: chi2(0)   =      0.00, Prob > chi2 =      .

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Conclusions

1. It is notable that monetary policy measures do not show their effects on economic activity until they pass through specific rules, channels, or mechanisms of monetary policy.
2. The success of monetary policy in achieving its objectives depends on the stability of fiscal policy, particularly government spending.
3. Tobin's (q) theory essentially provides a mechanism for linking stock prices and investment spending.
4. The Iraqi stock market is an independent economic entity with financial and administrative independence not linked to any particular entity.
5. Government investment spending is of great importance, and its exposure to fluctuations for any reason leads to several fluctuations in the economy. According to James Tobin's theory, investment spending is an intervening variable that transfers the impact of monetary policy channels to stock prices.
6. Statistical analysis indicates that there is a significant effect of the inflation rate, interest rate, and money supply on the stocks of Baghdad Soft Drinks Company, while the exchange rate did not have a significant effect. Therefore, we reject the research hypothesis that the transmission channels of monetary policy are not effective enough to affect stock prices in the Iraqi stock market.

Recommendations

1. It is necessary to develop and highlight the rules, mechanisms, and channels of transmission of the effects of monetary policy. The impact of monetary policy cannot reach economic activity except through these channels.
2. Enacting laws and regulations that ensure legal protection for local and foreign investors, and thus protecting their investments, creates confidence within financial markets and increases their efficiency.
3. It is necessary to focus on developing and expanding the communication and information network within financial markets, especially emerging markets, as it is the backbone of creating a successful and stable financial market.
4. Conducting more applied scientific studies and research on the subject of the transmission channels of monetary policy to achieve optimal efficiency of monetary policy.
5. Achieving a sufficient level of economic, political, and security stability within countries that seek to develop their financial capabilities.
6. To ensure long-term investment benefits in the stock market, investors, market analysts, and fund managers should focus on companies with strong fundamentals and sustainable growth opportunities.

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