

The main purpose of this research is to explore the relationship of stock prices with macro economic factors and financial ratios. Macro economic factors and financial ratio includes four variables in this study that influence the stock prices are inflation, exchange rate, interest rate and earning per share. The financial ratio earning per share (EPS) is taken from 100 companies which are listed in Karachi Stock Exchange (KSE) and these are mainly KSE 100 index companies.

For comparison purpose and further analysis the sample is divided into bank and non-bank groups. Correlation and regression analysis is used to analyze the relationship between above mentioned variables. The result revealed that all the variables are correlated with each other some are less and some are more but three factors (inflation rate, exchange rate and EPS) are strongly correlated with each other. Regression analysis showed powerful impact of EPS on stock prices. For all the research models of this study the results indicate that the EPS has significantly positive relationship with share prices. The findings are discussed and recommendations for further research are also addressed.