The Purpose of this study is to explore the relationship between stock returns and exchange rates while interest rate and inflation used as control variables in SAARC economies; namely India, Bangladesh, Pakistan, Sri Lanka, Bhutan, Maldives, Afghanistan. Panel unit root applied to check the stationary between exchange rate and stock return ADF technique has been applied for this purpose and Error Correction Model used to check the short run relationship between exchange rate and stock return while panel ARDL applied to check the long run relationship between exchange rate and stock return and among all other variables. Unit root results indicated that exchange rate and inflation on level while interest rate and stock return on 1st difference and VECM results indicated that short relationship exist among all dependent and independent variables.

Results of Panel ARDL showed that interest rate and inflation have significant long run relationship while exchange rate have insignificant long run relationship with stock return. The descriptive statistics performed for temporal properties of data and showed that the data not normally distributed.

The findings of fixed effect models showed that all the three macroeconomic variables like exchange rate, interest rate and CPI have significantly positive impact on the SAARC stock markets. While the implication is that the local and foreign investors should to thoughtfully judge the macroeconomic forces to make rational investment decisions and the government and the policy maker should keep in mind the effect of these macroeconomic variables during a monetary policy structure process and also useful to determine either by these three macroeconomic variables the risk is diversified in these SAARC stock markets.

The similar research can be repeated by adding new variables and by changing the nature of study into exploratory research.