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Does inflation affect sensitivity of investment to stock prices?
Evidence from emerging markets

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Highlights

- Examination of the relationship between inflation and sensitivity of investment to stock prices.
- Data used from 37 emerging markets.
- Investment of firms headquartered in countries with higher inflation is significantly less sensitive to their stock prices than that of firms headquartered in countries with lower inflation.
- Main reason behind the result is that stock prices are less informative in countries with high inflation.

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