INDIAN STOCK MARKET- A STUDY ON INVESTMENT VOLATILITY

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ABSTRACT

Human development to reach everyone, growth has to be inclusive, with four mutually supporting pillars formulating an enhancing "financial inclusion", investing in human development priorities; employment-led growth strategy and undertaking high impact multidimensional Interventions, when the present government took over, the underlying them of countless expectations was good investments. The expectations included burning issues like inflation and price rice, corruption in day-to-day transactions and crony capitalism. It is in this perspective that one has to analyze India's growth trajectory in the last few years. What defines growth? Is our growth inclusive and equitable? Do we need to rework our growth strategy to make it more holistic and comprehensive? Clearly, much depends on the quality and direction of Public Investments.

KEY WORDS: **Indian Stock Market, NES, BSE, Volatility**

INTRODUCTION:

The concept of stock markets came to India in 1875, when Bombay Stock Exchange (BSE) was established as 'the native share and stockbrokers association' a voluntary non-profit making association. Stock market is one of the most versatile sectors in the financial system and stock market plays an important role in economic development. Stock market is a hub where facilities are provided to the investors to purchase and sell their Shares, Bonds and Debenture etc. in other words stock market is a platform for trading various securities and derivatives without any barriers. As a part of the process of economic liberalization, the stock market has been assigned an important place in financing the Indian corporate sector. Besides enabling mobilizing resources for investment directly from the investors, providing liquidity for the investors and monitoring and Discipline Company management are the principle functions of the sock markets. At already stated, the Indian Stock Markets have played a significant role in the early attempts at industrialization in India in the late nineteenth and early twentieth century's. The early textile mills and the first steel plants were funded in the stock market. Some of these Capital raising exercises were large in relation to the size of the financial sector in those days. Beginning in the late fifties, the country embarked on an inward looking socialistic model of development that sought to put the commanding heights of the economy in the hands of the public sector. The state took control of the allocation of resources in the economy as the banks and insurance companies were nationalized and development financial institutions grew in importance. A regime of financial repression came into being and the stock market stagnated.

REVIEW OF LITERATURE:

"Juhi Ahuja" (2012) presents a review of Indian capital market and its structure. In last decade or so, it has been observed that there has been a paradigm shift in Indian Capital Market. The application of many reforms and development in Indian Capital Market has made the Indian Capital Market comparable with the international capital markets. Now the market features a developed regulatory mechanism and a modern market infrastructure with growing market capitalization, market liquidity, and mobilization of resources. However, the market has witnessed its worst time with the recent global financial crisis that originated from the US sub-prime mortgage market and spread over to the entire world as a contagion. The capital market of India delivered a sluggish performance. **"Nath and Verma" (2003)** examine the interdependence of the three major stock markets in South Asia Stock Market indices namely India **(NSE-NIFTY).** Talwan and Singapore by employing vicariate and multi variate co integration analysis to model the linkages among the stock markets, no co-integration was found for the entire period (daily data from January 1994 to November 2002)**. "Arun Jethmalani" (1999)** reviewed the existence and measurement of risk involved in investing in corporate securities of shares and debentures. He commended that risk is usually determined, based on the likely variance of returns. It is more difficult to compare 80 risks within the same class of investments. He is of the opinion that the investors accept the risk measurement made by the credit agencies, but it was questioned after the Asian Crisis. He concluded his article by commenting that risk is not measurable or quantifiable. But risk is calculated on the basis of historic volatility. **"Madhusudan" (1998)** found that BSE sensitivity and national indices did not follow random walk by using correlation analysis on monthly stock returns data over the period January 1981 to December 1992. **"Avijit Banerjee" (1998)** reviewed fundamental analysis and technical analysis to analyze the worthiness of portfolio construction. Technical Analysis detects the most appropriate time to buy or sell the stock. It aims to avoid the pitfalls of wrong timing in the investment decisions. He also stated that the modern portfolio literature suggests 'Beta' value P as the most acceptable measure of risk of scrip. The securities having low P should be selected for constructing a portfolio in order to minimize the risks.

OBJECTIVES OF THE STUDY:

The objectives of the study are.

To Study on Investment Volatility in Indian Stock Market.

- To study the various aspects of Indian Stock Markets in details.
- To study the Portfolio and strategies' investment decisions in Stock Markets.
- To study the measures have been adopted to control Volatility.
- To give conclusion revival strategy of prompted some investors.

Methodology:

The observed base of the study rests on the data collected from secondary sources. The required data was collected from India Stock Market, Bombay Stock Market, National Stock Market have been collected from various sources i.e. Publications from Ministry of Commerce, SEBI Handbooks of Statistics, Bulletins of Reserve Bank of India, Govt. of India, CNX Nifty data is down loaded from the websites of NSE, Daily closing index value are taken and averaged to get the index value for each year and news papers, journals.

INVESTMENT OPTIONS HELP COUNTER EQUITY VOLATILITY:

Systematic Investment Plan (SIP) allows one to invest a fixed amount for a fixed tenure at a fixed interval i.e., daily, weekly, monthly, etc. It also allows one to investments as small as Rs. 500 monthly making it a very convenient way to start investment even for a small investor. It thus breaks down the investment goals into smaller portions leading to potential long-term wealth creation. Despite knowing the capacity of equity to generate long-term wealth, it's difficult to remain invested especially during turbulent time. SIP addresses this concern of regularity and provides a disciplined approach to investing. While it ensures commitment, it plays critical role of averaging the cost as the money is invested across multiple levels of the market. Also, as the future income is diverted it investing, this also enhances the budgeting in an individual's personal finances. Now, there are many it elations to this simple and humble SIP. The flexi-SIP allows one to commit higher than the constant money during market falls and lower amounts during peak markets. Though this is technically superior, one needs to be aware of the irregular amounts that are contributed and so must be budgeted accordingly.

Another practical and useful tweak in the regular SIP is the top-up option. This feature allows one to increase the contribution of the SIP amount at a pre-defined percentage at a defined interval. For instance, if one were to opt for a SIP of Rs. 10000 per month with a top-up of 5 per cent every year then the SIP amount would be Rs. 10500 in the next year.

How a Systematic Transfer Plan (STP) differs from SIP is that it tackles the capital that is readily available to be invested unlike a SIP where the flows are of future. When there is a lump sum amount available and one is not sure of the current market condition, could opt to stagger the exposure to equity by opting a STP. In this, the available fund is placed in an ultra-short or a liquid fund and then moved on a regular interval to one or more desired equity funds.

For instance, if one were to have a corpus of Rs. One lakh but a lump sum exposure to equity is not suitable to their risk appetite then they could use STP to invest in equity in a staggered manner. Through STP, one could automate the amount of installment to be moved from the debt fund to equity at an interval of choice i.e., daily, weekly, monthly etc. and for a fixed number of period or installments. This thus achieves the rupee cost averaging of an equity investment.

CAUSES OF VOLATILITY IN INDIAN STOCK MARKET:

The stock market Volatility is usually caused by number of factors such as change in inflation rate, economic or policy factors, corporate earnings, including changes in other markets, financial leverage, interest rate hikes, and the fed's current monetary policy. Political instability and other global events, like a pandemic or a war, can also lead to market volatility. Public trends can help you track large-scale changes to the market and see which stocks are being bought and sold by other users. Volatility is driven by trading volume followed by arrival of new information regarding new floats, or any kind of private information that incorporate into market stock prices.

During periods of high market volatility, the federal government may put a market circuit breaker, or trading curb, in place. For a long time, the Indian financial markets were performing exceedingly well and then all of a sudden, the Dow Jones plunged by more than 1500 points in a single day. This was the biggest-ever point drop for the index in a single day. Here are the reasons why the Indian stock market has been experiencing major volatility i.e. US ripple effect, Budget proposals, Market correction, Rise in crude oil prices and Risk of fiscal slippage.

Amongst the literature of most relevance to the whole volatility issues is market volatility of Robert shiller. Shiller is a firm advocate of the popular model explanation of stock market volatility. The popular models are a qualitative explanation of price fluctuations. In short, it proposes that investor reactions, due to psychological or sociological beliefs, exert a great influence of the market than good economic sense arguments. Low volatility is prefer as it reduces unnecessary risk born by investors thus enables market traders to liquidate their assets without large price movements. Volatility of returns in financial markets can be a major stumbling block for attracting investment in small developing economies. High returns and low level of volatility is taken to be a symptom of a developed market.

There are a number of other things that cause volatility. Amongst other things that cause volatility is arbitrage. Arbitrage is the simultaneous or almost simultaneous buying and selling of an asset to profit from price discrepancies. Arbitrage causes markets to adjust prices quickly. This has the effect of causing information to be more quickly assimilated into market prices. This is a curious result because arbitrage requires no more information than the existence of a price discrepancy. Other reasons for markets volatility is speculation. Speculation is the act of trading in an asset or conducting a financial transaction, which carries significant risk of losing most or all of the initial outlay, in expectation of a substantial gain.

This involves buying and selling of financial instrument and make money from the anticipated price fluctuation. Speculation causes deviation of price form their intrinsic value.

BFSI SPACE MANY SUPPORT KEY INDICES:

National Stock Exchange (NSE) is indicating the down ward movement of open interest (OI) bases as the resistance level declined by 200 points to 17800CE and the support level further eased by 400 points to 17000PE. Derivatives space recorded another round of aggressive call writing at strikes ranging from 17000 to 17200 points amid weak trading. The 17000- 17200 range has significant call OI over 80 lakh shares each.

Derivatives analysts predict volatile trading this week amid central banks rate decisions. Considering significant high shorts prevailing in the BFSI space may lead the recovery if any. Also, outperformance is likely to be seen in the pharme space considering ongoing long accumulation in sect oral heavyweights.

NSE's banking index closed the week at 39,598.10 points, lower by 887.30 points or 2.19 per cent from the previous week's closing of 40485.40 points. The OI in bank nifty rose significantly by 22 per cent during the week along with the negative price action with the negative price action clearly indicating short additions. Bank Nifty managed to move below its support levels of 40000 points. Bank Nifty is likely to be volatile and any major short covering move is only expected above 40000 levels in the coming weeks.

Table 1: F&O TRADING

Product	Volume	Value (Rs/ Lakhs)	Open Interest (OI)	%
Stock Futures	9,00,588	58,80,970.25	30,62,187	--
Index Options	15,36,98,121	68,90,920.11	97,84,913	0.96
Stock Options	36,89,636	3,18,426.93	25,83,505	0.48
Index Futures	5,22,584	48,00,199.84	5,27,827	-

Source: NSE/as on Mar, 17, 2023

BSE Sensex closed the week ended march 17, 2023, at 57,989.90 points, a net loss of 1,145.23points or 1.93 per cent, from the previous week's closing of 59,135.13 points. NSE Nifty ended the week at 17100.05 points, a decline of 312.85 points or 1.79 per cent from 17,412.90 points a week ago. We expect markets to remain choppy in upcoming week and traders are advised to remain cautious if Nifty slips back below 17000 level once again, selling pressure may mount after a breakdown which could take Nifty towards 16800-16700 zone.

FIIs were aggressive and their net shorts in index futures at one of the highest levels. Such net shorts volume was seen during Covid time. Hence, post fed policy, in Nifty sustains above 17250, a considerable up move of another 400-500 points can be expected due to short covering.

CONCLUSION:

Globally the uncertainty has prompted some investors to add to assets typically seen as havens in times of volatility, such as government bonds and gold. Some investors are hopeful that the fallout from bank failures will lead the Federal Reserve to pause its recent flurry of interest-rate hikes at next meeting.

Interestingly, Bitcoin whose proponents some-times call it a form of Digital Gold-touched an intraday high of nearly Rs. 27,000. Its highest price so far this year. In energy markets, futures on benchmark brent crude oil tumbled 2.3 per cent to settle at 72.79 a barrel. Stock market is the physically existing institutionalized set up where instruments of security stock market like Shares, Debentures, Bonds, and Securities are traded. Stock market makes a floor available to the buyers and sellers of stocks and liquidity comes to the stocks. At this scenario the importance of investing in stock market is getting higher. The number of investors and the number of stock market out of which a majority are online markets, are increasing day to day. Currently investing in stock market and having an intraday trading is considered as best way to earn money. The analysis of the stock market cycles shows that in general over the reference period the bull phases are longer, the amplitude of bull phases is higher and the volatility in bull phases is also higher. The results of our analysis also show that the stock market cycles have dampened in the recent past. Volatility has declined in the post liberalization phase for both the bull and bear phase of the stock market cycle. The equity funds market has increased the wealth of Indian companies and investors. No doubt strong economic recovery, uptime in demand, improved market structure and other measures have also been the contributory driving forces. Even though Covid-19 pandemic has fall in India stock market, it recovered with huge hikes along with the economic recovery of the nation.

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