
EVALUATING THE IMPACT OF GLOBAL TRADE DYNAMICS ON THE INDIAN STOCK MARKET INDIABULLS SECURITIES LIMITED

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ABSTRACT

The Indian Stock Market plays a vital role in the economic development of the country by providing a platform for companies to raise capital and for investors to participate in wealth creation. It consists primarily of two major stock exchanges, namely the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE), where securities such as shares, bonds, mutual funds, and derivatives are traded. The stock market acts as an indicator of the country's economic performance and reflects investor confidence in various sectors of the economy.

With the advancement of technology, online trading platforms and digital financial services have increased market accessibility, enabling a larger number of retail investors to participate in stock market activities. Factors such as economic policies, interest rates, inflation, corporate performance, global market trends, and political stability significantly influence stock prices and market movements. The Indian stock market contributes to efficient capital allocation, promotes corporate growth, and supports overall economic expansion.

This study aims to understand the structure, functioning, significance, and performance of the Indian stock market, along with the factors affecting investor behavior and market trends. The research also examines the opportunities and challenges faced by investors in the dynamic and rapidly evolving Indian financial market. The findings provide valuable insights into investment decision-making and the role of the stock market in fostering economic growth and financial stability.

1. INTRODUCTION

INDIAN EQUITY MARKET:-

The Indian Equity Market is also known as Indian share market or Indian stock market. The Indian market of equities is transacted on the basis of two major stock indices, National Stock Exchange of India Ltd. (NSE) and The Bombay Stock Exchange (BSE).

Indian Equity Market at present is a lucrative field for the investors and investing in Indian stocks are profitable for not only the long and medium-term investors, but also the position traders, short-term swing traders and for intra-day traders. In terms of market capitalization, there are over 5000 companies in the BSE chart list. Generally the bigger companies are listed with the NSE and the BSE, but there is the OTCEI or the Over the Counter Exchange of India,

which lists the medium and small sized companies. There is the SEBI or the Securities and Exchange Board of India which supervises the functioning of the stock markets in India.

The growing financial capital markets of India being encouraged by domestic and foreign investments is becoming a profitable business more with each day. If all the economic parameters are unchanged Indian Equity Market will be conducive for the growth of private equities and this will lead to an overall improvement in the Indian economy.

NEED OF THE STUDY:

Derivatives a product created from equities, and the product when applying short positions when an investor has long positions in equity segment, where to make break even. And the major need to choose this topic to have a brief idea about arbitrage trading

system in two different market segments. One of the single best things you can do to further your education in trading commodities is to keep thorough records of your trades. Maintaining good records requires discipline, just like good trading. Unfortunately, many commodity traders don't take the time to track their trading history, which can offer a wealth of information to improve their odds of success most professional traders, and those who consistently make money from trading commodities, keep diligent records of their trading activity. The same cannot be said for the masses that consistently lose at trading.

SCOPE OF THE STUDY

- 'Investor can assess the company financial strength and factors that affect the company. Scope of the study is limited. We can say that 70% of the analysis is proved good for the investor, but the 30% depends upon market sentiment.
- The topic is selected to analyses the factors that affect the future EPS of a company based on fundamentals of the company.
- The market standing of the company studied in the order to give a better scope to the Analysis is helpful to the investors, share holders, creditors for the rating of the company.

Objective:

The objectives of the project can be mentioned as below:

- To study volatility in Indian stock market while taking **SENSEX** of Bombay stock exchange as a source of secondary data which broadly represent Indian stock market along with **NIFTY** of National Stock Exchange also the study of **Indiabulls stock broking limited**.
- To study the factors which are making Indian stock market volatile?
- Build understanding of central ideas of stock market.

- Develop familiarity with the analysis of stock market.
- Furnish institutional material relevant for understanding the environment in which trading decisions are taken.
- Understanding of **Bull Market** and **Bear Market**.

This project will be helpful to know volatility in Indian Stock Market and reasons for such high volatility and would be able to take decisions for investment in volatile stock market.

2. Methodology:

Methodology means the methods, processes or tools used in driving the project. At the very beginning, an overview of the stock market is given. The level of SENSEX at various points of time and causes for the same is given. Some graphs and tables also used here. Bull market and Bear market have been broadly described in the report. Volatility of Indian stock market is analysed through graph and table. The returns in bull and bear phase are also given. Hence an analysis has been made to know the volatility trend in the Indian stock market and the reasons for the bear and bull trend in the market.

Data Collection:

All the data are collected from secondary source, i.e., magazines, newspapers, websites etc. Data were collected from BSE Sensex and NSE Nifty. Sensex is a basket of 30 constituent stocks representing a sample of large, liquid and representative companies. Due to its wide acceptance amongst the Indian investors, sensex is regarded the pulse of the Indian stock market. Nifty is a well diversified 50 stock index accounting for 24 sectors of the economy. Hence these two indices were taken for the study.

Limitations:

- A period of 45 days was a very short period to understand the stock market.
- The project is based on secondary data collected from other sources magazines, newspaper and websites etc.

- Reliability of the sources could also be limitation for the project.
- Possibility of error in analysis of data.
- The analysis is based on the past performance and does not confirm the future performance.

3. STOCK MARKET:

The Stock Market is a market for the trading of company stocks. In other words, Stock Market refers to the business of buying and selling shares in companies and the place where this happens is known as stock exchange.

The Stock Market is distinct from a stock exchange, which can be said to be an entity, say a corporation or a mutual organization countenance within the business of bringing people and sellers of stocks and securities together.

Function and purpose

The stock market is one of the most important sources for companies to raise money. This allows businesses to be publicly traded, or raise additional capital for expansion by selling shares of ownership of the company in a public market. The liquidity that an exchange provides affords investors the ability to quickly and easily sell securities. This is an attractive feature of investing in stocks, compared to other less liquid investments such as real estate.

History has shown that the price of shares and other assets is an important part of the dynamics of economic activity, and can influence or be an indicator of social mood. An economy where the stock market is on the rise is considered to be an up and coming economy. In fact, the stock market is often considered the primary indicator of a country's economic strength and development. Rising share prices, for instance, tend to be associated with increased business investment and vice versa. Share prices also affect the wealth of households and their consumption. Therefore, central banks tend to keep an eye on the control and behavior of the stock market and, in general, on the smooth operation of financial system functions.

Exchanges also act as the clearinghouse for each transaction, meaning that they collect and deliver the shares, and guarantee payment to the seller of a security. This eliminates the risk to an individual buyer or seller that the counterparty could default on the transaction.

The smooth functioning of all these activities facilitates economic growth in that lower costs and enterprise risks promote the production of goods and services as well as employment. In this way the financial system contributes to increased prosperity.

4. Findings:

Factors responsible for Volatility:

Indian stocks are found to be highly volatile. Volatility is caused by a number of factors such as speculation, the trading and settlement system, the government, inflation, interest rates, announcement of corporate results, etc. All these factors directly or indirectly influence movement in share prices. Apart from these, the factors responsible for high volatility can be explained as follows:

- Inclusion of the new economy stocks, most of which were over-valued in the BSE index.
- Increased influence of international stock indices, especially the NASDAQ.
- Day trading increased which led to wild fluctuations in intra-day prices.
- Foreign Institutional Investors (FIIs), exit the markets at the slightest whiff of trouble. This increases volatility in the stock markets. Domestic investors follow FIIs and emulate their investment pattern. If, FIIs buy, everyone buys and if FIIs sell, everyone sells.
- Indian markets have high volume but they lack depth as the volumes are contributed by few institutional participants. Indian markets lack hedge funds and pension funds, which can take a long-term view of the markets.
- External factors such as world politics and disturbances, the IT revolution, the information boom by the business news

channels, rising oil prices and apprehensions of rise in international rates contributed to high volatility.

- The announcement in the Union Budget 2004-05 regarding imposition of the Securities Transaction Tax (STT) affected the market sentiments adversely.
- The inflation rate in India was last reported at 6.04 percent in January of 2016. From 1969 until 2010, the average inflation rate in India was 7.99 percent reaching an historical high of 34.68 percent in September of 1974 and a record low of -11.31 percent in May of 1976. Inflation rate refers to a general rise in prices measured against a standard level of purchasing power. The most well known measures of Inflation are the CPI which measures consumer prices, and the GDP deflator, which measures inflation in the whole of the domestic economy. This page includes: India Inflation Rate chart, historical data and news.
- When index rises with equity buying, it indicates actual growth, and the growth stands for long time. Speculation growth is more than actual growth in Indian stock market.
- The Indian Rupee exchange rate depreciated 1.25 percent against the US Dollar during the February 2016. During the last 12 months, the Indian Rupee exchange rate depreciated 1.20 percent against the US Dollar. Reaching an historical high of 66.38 in December of 2015. Within two months dollar recorded low of 68.94 in February 2016.
- IIP DATA also a factor for market volatility, increasing IIP numbers are positive impact and decreased negative impact.
- Changes in interest rates also a cause to fluctuate Indian stock market. Inflation and interest rates have positive correlation.

- Quarterly financial results of index weighted companies also a cause for index (market) fluctuations.
- When FII'S net sales increases it means they are in profit booking stage and when net purchases increases, it means they are accumulating.
- There are so many factors fluctuating Indian stock market, but it's not possible to measure the growth/fall with single factor. Because in intraday there are so many factors influencing the market.
- Every day common factors are international markets, dollar fluctuations, speculation.

These factors, in turn, are responsible for the development of the stock market in our country and making it comparable with the global markets.

SUGGESTIONS

This kind of volatility and sudden crash of the market is not a good indicator of sound financial markets. The following measures are suggested to remove the structural deficiencies of the market and improve the market mechanism:

- There is lack of depth in the market. The fear of FIIs pulling their money out of the market is always seen as a big threat. To avoid this, more institutional players such as pension funds are required to invest in the market and provide it the required depth.
- There is a need for a robust securities lending and short selling infrastructure. It will help the long term investors to earn on their investments and provide heterogeneity in the market.
- Securities and Exchange Board of India (SEBI) needs to keep a vigil on the sharp rise in any stock without a reasonable cause. It needs to keep track of the investors in such companies and trace the source of investment to avoid any type malpractices.

- There is inability of the banking system to turn around the funds quickly. When the Sensex was falling, the banking could not divert the funds to rescue the investors quickly which led to margin calls and sudden crash of the market.
- To control insider trading and manipulation of prices, strict regulatory and punitive measures should be adopted by the SEBI and stock exchanges.
- To stop operations in the unofficial and unregulated grey market, the publication of unofficial quotation in newspapers and magazines should be declared illegal and sale of shares before acquisition by buyers should be banned.
- To avoid confusion among the investors, there should be proper coordination among the stock exchanges in India. There should not be any overlapping in their areas of operations.
- Investors should take into consideration various things before investing into scripts such as:
 - ❖ Financial position of the company.
 - ❖ Liquidity position.
 - ❖ Past performance of company.
- Brokers should not exceed their trading limit in terms of upper and lower limit.
- Entry levels, the price should not historical highs while entering into that.

5. Conclusion:

The behavior of Stock Market and the prices of stocks depend greatly on the speculation of the investors. So, over-reactions and wrong speculation can give rise to irrational behavior of the Stock Market. Excessive optimistic speculation of future prospects can raise the prices of stocks to an extreme high and excessive pessimism on the part of the investors can result in extremely low prices.

So, it is extremely difficult to make predictions about the Stock Market and the inexperienced investors

who are not that much interested in financial analysis of stocks; rarely get the financial assistance from the Stock Market at the time of need.

The factors influencing the stock market affect the volatility of the market in which they are traded. These factors, in turn, are responsible for the development of the stock market in any country and making it comparable with the global markets. So, stock market development is a multi-dimensional concept.

Though many of the investors have lost life saving in the recent correction, there is life after the crash. The Indian growth story is intact with a forecast of over 9% growth for 2011-2012. The investment pipeline is estimated to be Rs.5, 85,000 crores. The government continues to spend heavily on the infrastructure projects. Domestic demand is still robust. Nevertheless, the Indian stocks will continue to be attractive. Moreover, the fear of recession in the US will force the global investors to look for alternative investment destinations and India will be the biggest beneficiary. The only thing to be kept in mind is that greed always leads to devastations. The investors should not aim for very high returns as the level of returns is always positively correlated to the level of risk.

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