

A Peer Reviewed Refereed Journal

A STUDY ON RECENT PERFORMANCE OF STOCK MARKET AND ITS IMPLICATIONS ON THE ECONOMY

***A PRASHANTH KUMAR, **MR. AYUSH G.K & ***MRS. SUMATHI**

**Assistant Professor, SDM PG centre for Management studies and Research, Mangalore
Email id- prashanth.kumar@sdmmba.ac.in*

***Department of Commerce and Management, Field Marshal Cariappa College, Madikeri
Email id- ayushkottary@gmail.com,*

****Assistant Professor, SDM PG centre for Management studies and Research, Mangalore
Email id- sumathi@sdmmba.ac.in*

ABSTRACT

Indian economy has been facing new challenges in the recent years. The changes in the financial policies in the beginning of the year has enabled the industries to accelerate operations to make India as a super power in the world. But covid-19 has slowdown the process. All the sectors across the globe were under pressure owing to the pandemic. This Paper Makes a study to find out the rise and fall of the Indian stock market in the recent past. Study is also makes an attempt to find out influence stock market in this rise and the fall of gold market. Whether stock market operators are influencing the gold prices? How the investors and traders are offsetting their losses through various alternatives of investments. The paper investigates the commodities market performance in the pandemic. Paper also evaluates the performance of the economy under the pandemic situation and its implications in the future of the nation.

Key words- Stock Market, Pandemic, Commodities Market, Gold Market, Investment Alternatives.

INTRODUCTION

2020 is a year to look back as the Covid-19 Pandemic effected the entire economy as there was lockdown resulting in shrinkage of economic activities. It is said by experts that global economy has moved 20 years back. It may take long time to overcome this situation. There are many startups which were shut down as it couldn't bear the losses. The Indian economy shrank 23.9% year-on-year in the second quarter of 2020, much worse than

market forecasts of an 18.3% drop. It is the biggest contraction on record, as India imposed a coronavirus lockdown in late March and extended it several times, halting most economic activities. Still, India remains the third worst-affected country in the world by the pandemic. Construction (-50.3%), hotels and transportation (-47%) and manufacturing (-39.3%) recorded the biggest falls. Mining and quarrying (-23.3%); finance, real estate and business services (-5.3%); and utilities (-7%) also declined while the farm sector grew 3.4%. On the expenditure side, gross fixed capital formation recorded the biggest decrease (-47.1%). Private spending shrank 26.7%, inventories fell 20.8%, exports went down 19.8% and imports sank 40.4%. In contrast, government consumption jumped 16.4% as the government implemented relief measures to help curb the impact of the pandemic.

It has also brought in series of changes in in the work culture of majority of IT Companies as some of them developed new model, where in workers can permanently work from home for unlimited number of days as it was devised by Tata steel for its employees. “This policy is a shift in mindset from monitoring to creating trust and outcome-based work culture. Flexible working not only portrays an organization’s intent to create a workplace for the upcoming generations but also solidifies its intent to cater to the needs of its diversified workforce across geographies,” says Suresh Dutt Tripathi, the vice president, Human Resource Management, Tata Steel. And few more companies have extended work from home till June. Some experts believe that around 30% of the workforce can work from any place and execute the work. Now the question is how it is going to affect the productivity of the work and GDP of the country.

The stock market on the other hand has shown a clear reflection of the situation index reaching to the level of 28440 in the month of the march end as there was complete lockdown. It has a shown a series of upward trend from may onwards once the lockdown was withdrawn and economic activities were resumed. Of course with the support of government economic incentives announced for various sectors the economy has made a quick revival resulting in Sensex moving towards the all-time high of 40723 points.

Apart from these we can all so see the influence of global political factors on the stock market operations. Initially Covid-19 has led to trade wars between USA and China, India and china border issues has led to banning of more than 50 mobile applications of China creating huge revenue loss to china and India has also changed FII and FDI regulations targeting China. USA election has given a new dimension to the global economic activities. Joe Biden has become the 46th US President and Indian-origin Kamala Harris has become his Vice President. Which has created Initial positive vibe in the Indian stock exchange leading the market towards a new high level.

In this paper the attempt has been made to compare and study the relationship between major markets Such as Nasdaq, Dowjones with BSE. Research aims at finding the answers to the questions like, whether global market is influencing the stock market operations in India? Study is made on What is role of US dollar and its influence on BSE, whether the price of the gold in India is moving independently or it is influenced by futures, forwards, options in the Indian market? How much Indian stock market is interdependent on the global market or to what extent Indian stock market is independent when compared with the global market?

OBJECTIVE OF STUDY

The objective of this study is to find out the significant relation between the Stock markets, Gold and Major currencies

SCOPE OF STUDY

This study will help us to know the importance of global markets and its impact on BSE . The study will help us to give valuable recommendations to the investors to frame suitable investments strategies to maximise their returns.

RESEARCH METHODOLOGY

- The data has been collected for the past 10 months from the BSE Sensex relating to 2020 January to 2020 November.
- The Study has used statistical tools such as and Correlation Analysis, Standard Deviation and Average for data of the past 10months to find out the relationship between SENSEX, Gold, Nasdaq, Dowjones, FTSE 100 (UK),Dollar Price, Euro Price movement.
- The sources of secondary data are Money Control, Value Research, NSE, BSE, NSDL reports, news articles of Business Line, Economic Times and few books and Publications

LIMITATIONS OF STUDY

- The study is undertaken by analysing data relating to a particular time period only, that is January 2020 to November 2020 (For period of 10 months).
- Exhaustive study was not possible because of limited time.
- The entire study is based on only Secondary data.

DATA ANALYSIS AND INTERPRETATION

Table-1
Comparison of performance of FTSE 100 (UK) Index with BSE Sensex

Month	FTSE 100 (UK)	BSE Sensex
Nov-20	6,432.17	44,034.58
Oct-20	5,577.27	39,614.07
Sep-20	5,866.10	38,067.93
Aug-20	5,963.57	38,628.29
Jul-20	5,897.76	37,606.89
Jun-20	6,169.74	34,915.80
May-20	6,076.60	32,424.10
Apr-20	5,901.21	31,743.08
Mar-20	5,671.96	28,440.32
Feb-20	6,580.61	38,297.29
Jan-20	7,286.01	40,723.49
Correlation		0.47
Standard Deviation of FTSE 100 (UK) Index		462.6
Standard Deviation of BSE Sensex		4,281
Mean of FTSE 100 (UK) Index		6,129.36
Mean of BSE Sensex		36,772

Chart-1.1

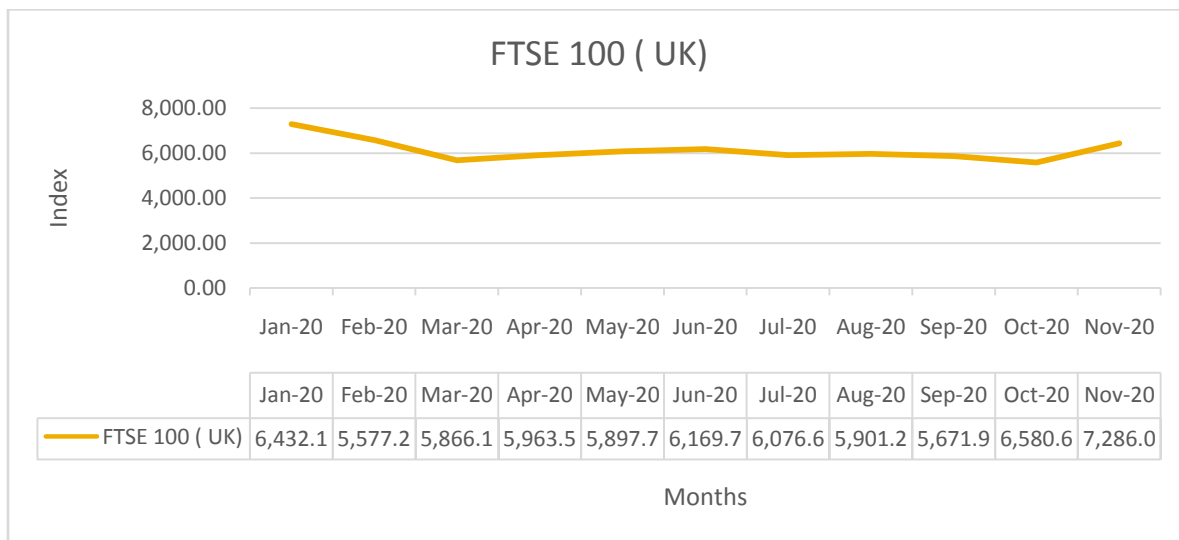
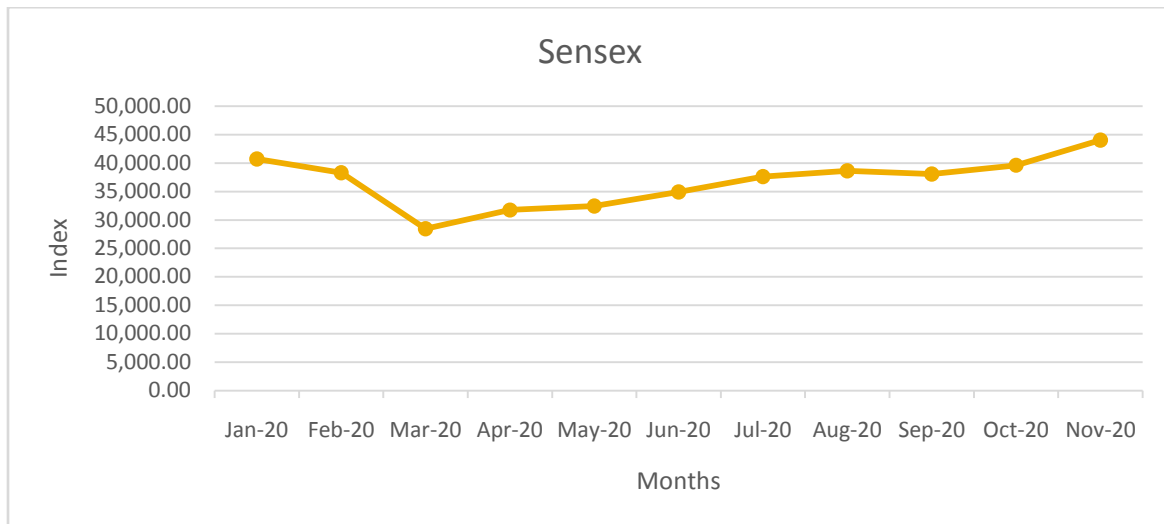


Chart- 1.2



Interpretation

It is found from the study that there is slight relationship between FTSE 100 (UK) Index and Sensex movement. The correlation between them is only 0.47. But when we observe the S.D, the deviation of BSE Sensex is more when compared with that of London Exchange Index. It is found that London Stock exchange was performing well till January 2020, after that there were series of corrections. This is due to lockdown imposed which has led to slowdown of economic activities. In the month of October 2020 it has reached lowest levels of 5577points, as there is possibility of 2nd round of lockdown in U. K in anticipation of 2nd wave of Covid-19. On the other hand, when we observe BSE Sensex has shown a steady recovery. of course In the month of November 2020 it has reached the highest level 44034 points which shows the quick recovery of the market when compared with London Stock exchange. The main reason for the same is FII and DII investments in Indian market. Whenever there was a steep fall, the DII and FII’s have invested and helped in stabilisation of the market. Indian Stock exchanges are always considered as preferred exchanges for FII’s, as they give them lot of opportunities in spite of volatility.

Table no-2
Comparison of performance- Nasdaq Index with BSE Sensex

Month	Nasdaq Index	BSE Sensex
Nov-20	11,899.34	44,034.58
Oct-20	10,911.59	39,614.07
Sep-20	11,167.51	38,067.93
Aug-20	11,775.46	38,628.29
Jul-20	10,745.28	37,606.89
Jun-20	10,058.76	34,915.80
May-20	9,489.87	32,424.10
Apr-20	8,889.55	31,743.08
Mar-20	7,700.10	28,440.32
Feb-20	8,567.37	38,297.29
Jan-20	9,150.94	40,723.49
Correlation		0.70
Standard Deviation of Nasdaq Index		1316.2
Standard Deviation of BSE Sensex		4,281
Mean of Nasdaq Index		10,032.34
Mean of BSE Sensex		36,772

Chart-2.1

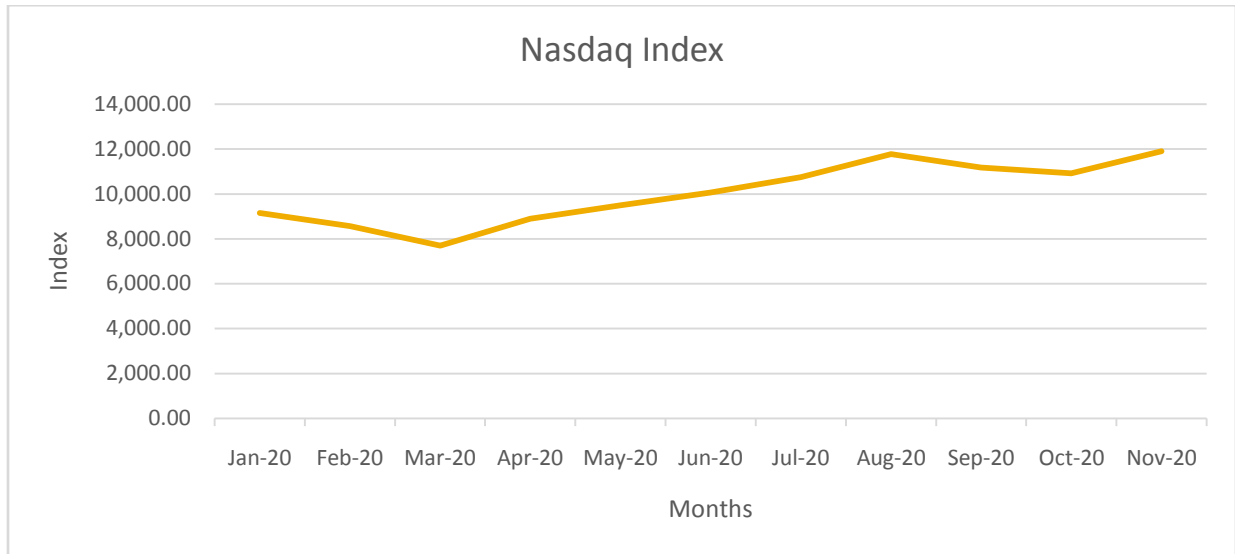
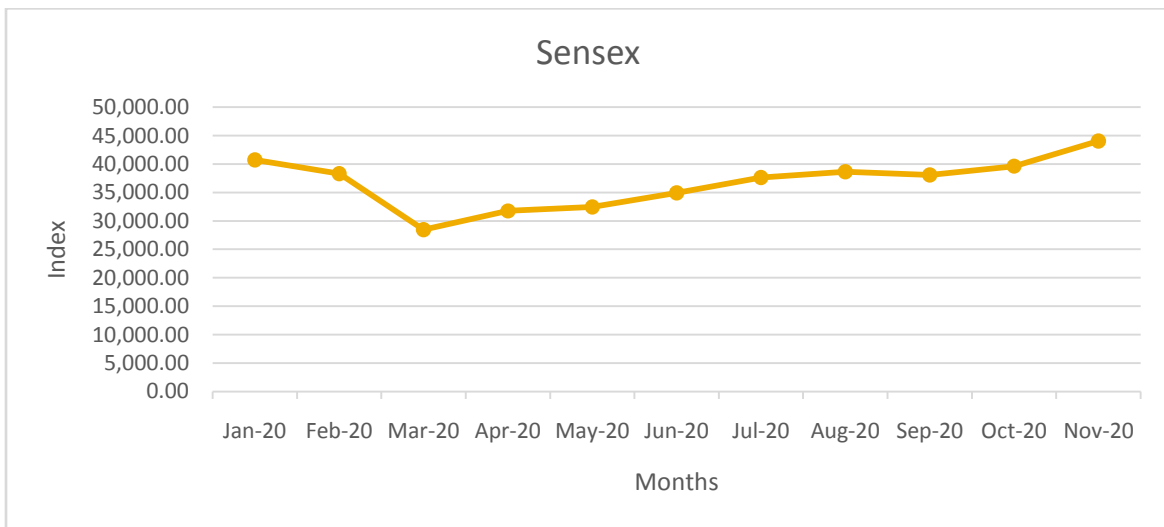


Chart no-2.2



Interpretation

When we observe the correlation between the movement of BSE Sensex and Nasdaq Index there is very close relationship. The correlation is positive to the extent of 0.7. which shows the influence of US market on BSE in India. Even Nasdaq recorded lowest, with 7700 points in the month of march similar trends were observed in the Indian BSE Sensex. Of course Covid-19 has affected the all the major economies globally. But after that Indian BSE Sensex shown a similar recovery and growth rate (57%) when compared with Nasdaq, which has recorded 54% (from 7700 points in March to 11,899 points in November 2020). Which shows the Impact of global economy on the Indian Stock Market. The reason for this may be FII inflow. The average movements of both

BSE Sensex and Nasdaq is also similar indicating a strong relationship between the markets. It advisable for the investors have a look into the global markets while making the investment and deciding duration of investment.

Table-3
Comparison of performance - Dowjones Index with BSE Sensex

Month	Dowjones Index	BSE Sensex
Nov-20	29,783.35	44,034.58
Oct-20	26,501.60	39,614.07
Sep-20	27,781.70	38,067.93
Aug-20	28,430.05	38,628.29
Jul-20	26,428.32	37,606.89
Jun-20	25,812.88	34,915.80
May-20	25,383.11	32,424.10
Apr-20	24,345.72	31,743.08
Mar-20	21,917.16	28,440.32
Feb-20	25,409.36	38,297.29
Jan-20	28,256.03	40,723.49
Correlation		0.91
Standard Deviation of Dowjones Index		2080.2
Standard Deviation of BSE Sensex		4,281
Mean of Dowjones Index		26,368.12
Mean of BSE Sensex		36,772

Chart no – 3.1

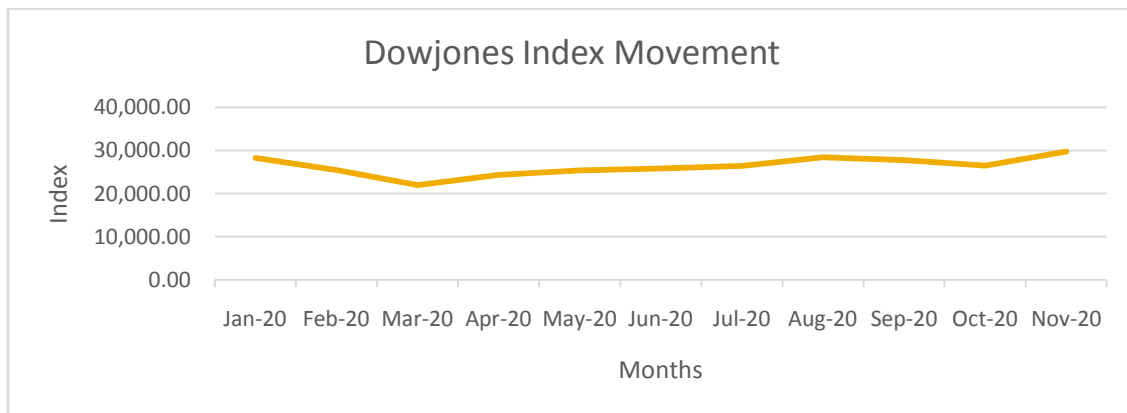
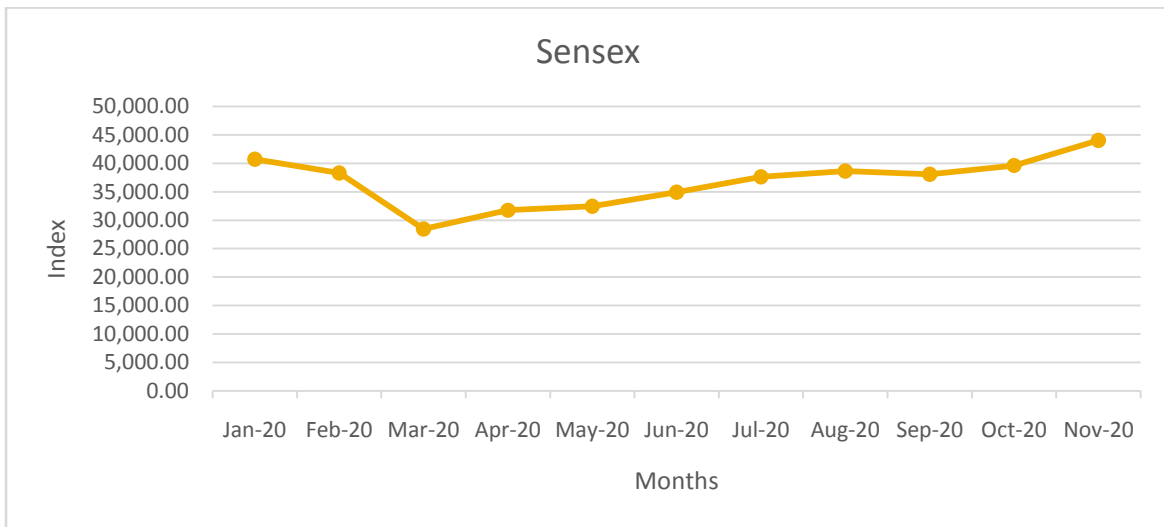


Chart no-3.2



Interpretation

When we observe the correlation between the movement of BSE Sensex and Dowjones Index there is very close relationship. The correlation is positive to the extent of 0.9, which shows the influence of US market on BSE in India. Even Dowjones recorded lowest, with 21917 points in the month of March similar trends were observed in the Indian BSE Sensex. Of course Covid-19 and lockdown was the reason for the same. But after that Indian BSE Sensex shown a Strong recovery and growth rate (57%) when compared with Dowjones, which has recorded 35% (from 21917 points in March to 29783 points in November 2020). The reason for this may be FII inflow and Results of US Elections at present it has created positive vibes in the Indian market. The average movements of both BSE Sensex and Dowjones is also similar indicating a strong relationship between the markets. It advisable for the investors have a look into the U.S market while making the investment and deciding duration of investment.

Table no-4
Comparison of performance - \$ with BSE Sensex

Date	Price of 1\$ in terms of Rupee	BSE Sensex
Nov-20	74.183	44,034. 58
Oct-20	74.554	39,614. 07
Sep-20	73.56	38,067. 93
Aug-20	73.254	38,628. 29
Jul-20	74.916	37,606. 89
Jun-20	75.54	34,915. 80
May-20	75.605	32,424. 10
Apr-20	75.08	31,743. 08
Mar-20	75.343	28,440. 32
Feb-20	72.539	38,297. 29
Jan-20	71.555	40,723. 49
Correlation		-1.232
Standard Deviation of \$		1.3
Standard Deviation of BSE Sensex		4,281
Mean of \$		74.19
Mean of BSE Sensex		36,772

Chart-4.1

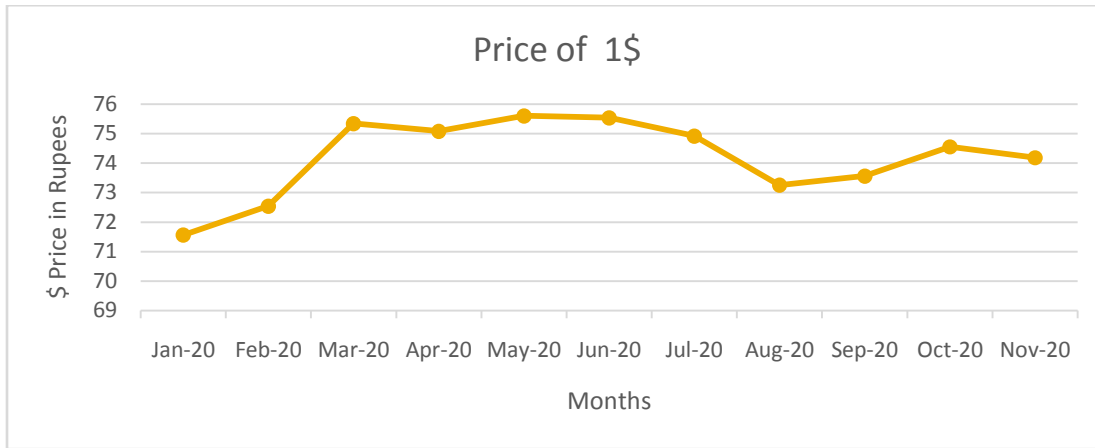
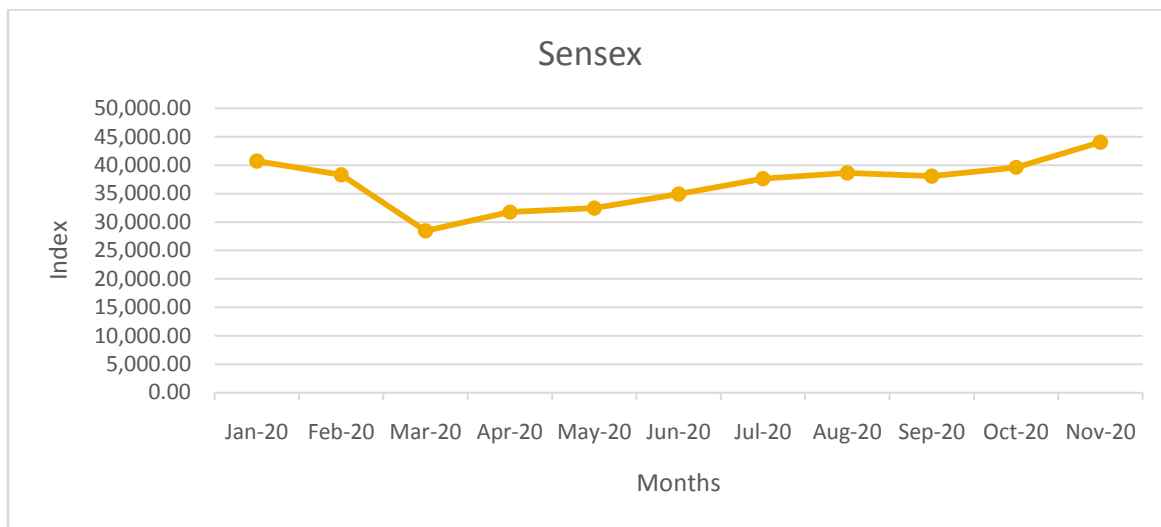


Chart no- 4.2



Interpretation

When we observe the movement of \$ and BSE Sensex we can observe a negative correlation. Which shows that whenever dollar depreciates the BSE Sensex has shown an upward trend. When we observe the negative correlation is to the extent of -1.3. which shows a great response of the Sensex even for a small movement of price of \$. Normally \$ will depreciate whenever demand decreases, in the global market forex transactions and import decreases. But there is no significant fall in the \$ even during the time of Covid-19. It is because \$ is the major currency and most widely traded currency around the globe. When we observe the S.D of \$ it is Showing a slight deviation not a significant deviation. The \$ has shown a steady growth over the years. The reason for the same is increasing imports payments and forex transactions. As there is significant relationship between the \$ and BSE Sensex it is better for the investors to observe the trends of the \$ movement as it may have an impact on the market.

Table no-5
Comparison of performance - Euro with BSE Sensex Movement

Month	Price of Euro in terms of Rupees	BSE Sensex
Nov-20	88.119	44,034.58
Oct-20	86.833	39,614.07
Sep-20	86.198	38,067.93
Aug-20	87.436	38,628.29
Jul-20	88.229	37,606.89
Jun-20	84.839	34,915.80
May-20	83.914	32,424.10
Apr-20	82.265	31,743.08
Mar-20	83.111	28,440.32
Feb-20	79.9855	38,297.29
Jan-20	79.383	40,723.49
Correlation		0.29
Standard Deviation of Euro		2.98
Standard Deviation of Gold Price		4,281.5
Mean of Euro		84.57
Mean of Gold Price		36,772

Chart no-5.1

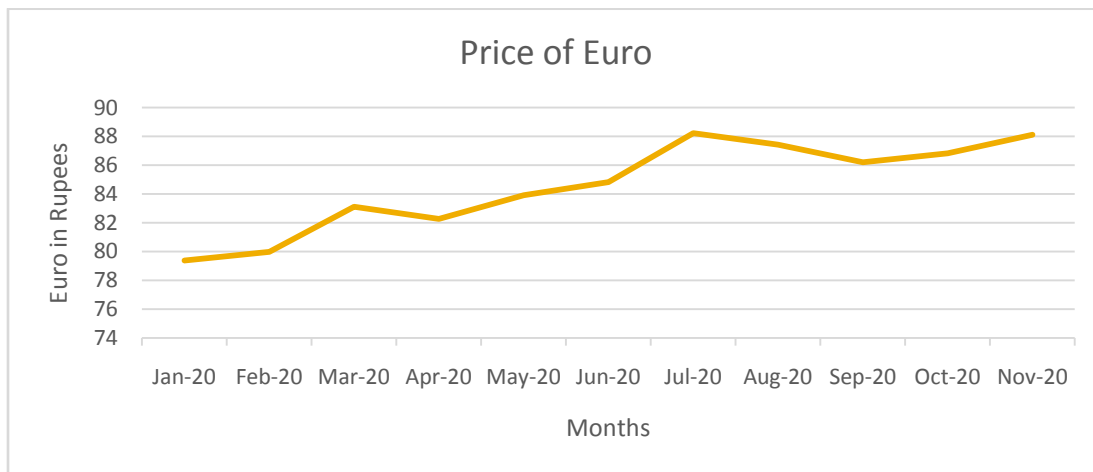
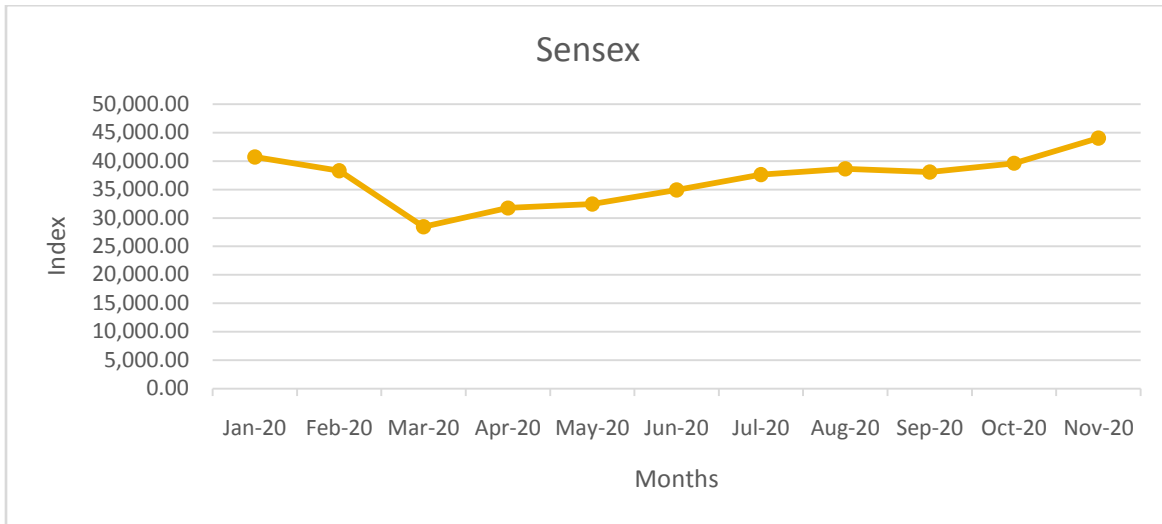


Chart no-5.2



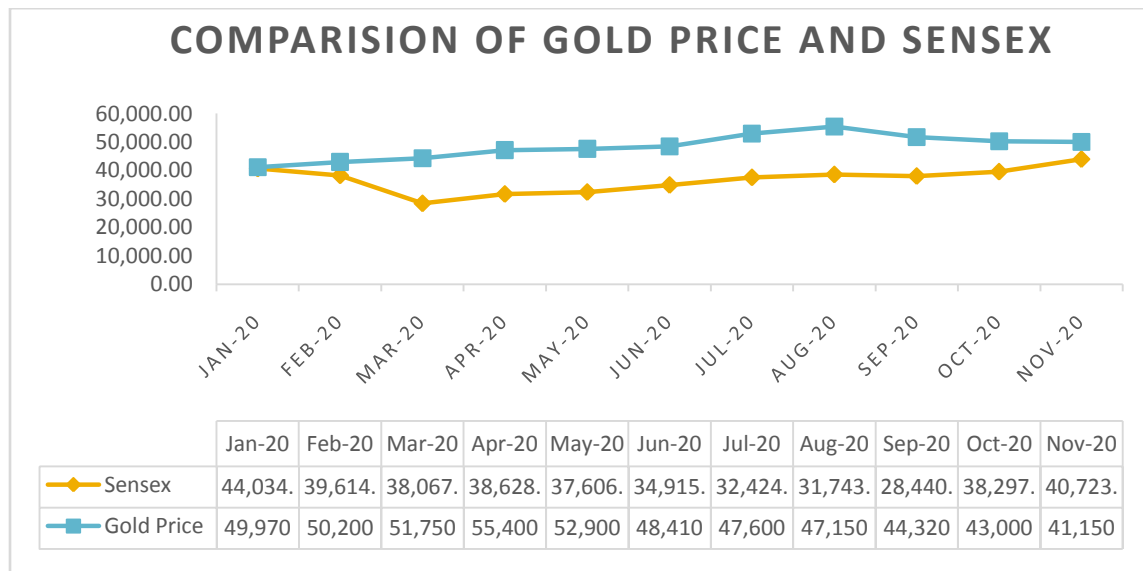
Interpretation

When we observe the movement of Euro and BSE Sensex we can observe a Positive correlation to that extent of 0.29. Which shows that the BSE Sensex has shown a small response whenever there is a movement of Euro Price. Of course the movement is in the same direction. But there is no significant fall in the Euro even during the time of Covid-19. But recently it has shown a downward trend as there is possibility of 2nd round of lockdown in U.K in anticipation of 2nd wave of Covid-19. Euro is also one of the major currency and most widely traded currency around the globe. When we observe the S.D of Euro it is Showing a significant deviation to the extent of Rs.2.98. The Euro has shown a steady growth over the years. The reason for the same is increasing imports payments and forex transactions. As there is no significant relationship between the Euro and BSE Sensex. This may be because majority of the import payments require \$, so Euro is not the first preferred currency for payment of Imports in India. India has highest imports of crude oil where in payments are demanded in \$, and not in Euro, this may be one of the reason for less responsiveness BSE Sensex against Euro.

Table-6
Comparison of performance - Sensex with Gold Price

Month	BSE Sensex	Gold Price [10 grams in Rs.]
Nov-20	44,034.58	49,970
Oct-20	39,614.07	50,200
Sep-20	38,067.93	51,750
Aug-20	38,628.29	55,400
Jul-20	37,606.89	52,900
Jun-20	34,915.80	48,410
May-20	32,424.10	47,600
Apr-20	31,743.08	47,150
Mar-20	28,440.32	44,320
Feb-20	38,297.29	43,000
Jan-20	40,723.49	41,150
Correlation		0.22915496
Sensex [S.D]		4281.483822
Gold Price [S.D]		4120.033098
Mean of Gold Price		48350
Mean Of Sensex		36772.35

Chart-6



Interpretation

It is found from the study that there is no significant relationship between gold price and Sensex movement. The correlation between them is only 0.2. But when we observe the S.D, both are very similar. The price of gold was steady when compared with that of Sensex which has been more volatile. In the month of march end, it has reached lowest levels of 28440 points, announcement of lockdown was the reason for the same since then Sensex has shown a steady recovery. of course In the month of November 2020 it has reached the highest level 44034 points which shows the volatility levels exiting in the stock market. If you are looking optimistically, within 9 months Sensex has shown an increase of 57% (from 28440 points in march to 44034 points) if the investors have chosen the right stocks and made the investments they would have earned best ever returns.

FINDINGS OF THE STUDY

We have observed following points from our study.

1. It is found from the study that there is slight relationship between FTSE 100 (UK) Index and Sensex movement. The correlation between them is only 0.47.
2. When we observe the correlation between the movement of BSE Sensex and Nasdaq Index there is very close relationship. The correlation is positive to the extent of 0.7. which shows the influence of US market on BSE in India. Nasdaq recorded lowest, with 7700 points in the month of march similar trends were observed in the Indian BSE Sensex.
3. Indian BSE Sensex has shown a recovery and growth rate (57% from 28440 points in march to 44034 points) when compared with Nasdaq, which has recorded 54% (from 7700 points in March to 11,899 points in November 2020).
4. When we observe the correlation between the movement of BSE Sensex and Dowjones Index there is very close relationship. The correlation is positive to the extent of 0.9. which shows the influence of US market on BSE in India.
5. When we observe the movement of \$ and BSE Sensex we can observe a negative correlation. Which shows that whenever dollar depreciates the BSE Sensex has shown an upward trend. When we observe, the negative correlation is to the extent of -1.3. which shows a great response of the Sensex even for a small movement of price of \$.
6. There is no significant fall in the \$ even during the time of Covid-19. It is because \$ is the major currency and most widely traded currency around the globe. When we observe the S.D of \$ it is Showing a slight

deviation not a significant deviation. The \$ has shown a steady growth over the years. The reason for the same is increasing imports payments and forex transactions.

7. When we observe the movement of Euro and BSE Sensex we can observe a Positive correlation to that extent of 0.29. Which shows that the BSE Sensex has shown a small response whenever there is a movement of Euro Price. Of course the movement is in the same direction.
8. It is found from the study that there is no significant relationship between gold price and Sensex movement. The correlation between them is only 0.2. But when we observe the S.D, both are very similar.

SUGGESTION & CONCLUSION

From the study it is observed that global factors are playing a major impact on the performance of the stock market in India. Indian Stock market is more influenced by the Nasdaq, Dowjones and \$ Price movement when compared with the other markets and currencies. It is advisable for the investors to make note of these points especially whenever they are investing in the markets and planning the duration of investment. Indian economy to a great extent a dependent economy especially on US Market. This is because majority of the FDI& FII inflows, are from the US market. India has made a mark in the US market especially in the field of IT, as we could find the dependency of the US on India for the services, of course it has created a lot of job opportunities for Indians, at the same time it has led to the domination of US on India may be terms of Currency, trade or future of the nation. It is advisable for the people to note these points whenever they are investing in the stock market. Even there is need to overcome this dependency as it may create a situation of crisis in future. India has already witnessing the same with china how it has captured the Indian market with its 'Low cost products' and increasing its revenues silently, which has already created lot of problems for the government necessitating them to change the FDI policy. Similar Domination has been observed by US based FII's in the stock market they have controlled the market and has given new direction to the Indian stock market. Of course when they do it with bullish view small investors may be happy as they can also make money but when these FII's are bearish there is possibility a common man may lose everything. There is need of Proper regulations as to the entry and exits of major players like FII's in the market in order to safeguard the interest of the common man.

REFERENCES

1. www.investing.com
2. www.moneycontrol.com
3. www.nseindia.com

4. www.bseindia.com
5. www.rbi.org.in
6. www.googreturns.in