

IMPACT OF GLOBAL ECONOMIC FACTOR TOWARDS STOCK MARKET INDICES MOVEMENT

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Abstract: *The history has shown that the price of shares and other financial assets are an important aspect of the dynamics of economic activity, performing a crucial role in the economy of any nation. Being one of the most important pillars of the country's economy, the stock market is carefully observed by governmental bodies, companies and investors. Further, many researchers have proved that the stock market plays an important role in economic prosperity, fostering capital formation and sustaining the economic growth of the economy. The stock market is one of the most vital components of a free-market economy, as it helps to arrange capital for the companies from shareholders in exchange for shares in ownership to the investors. Stock exchange provides businesses with the facility to raise capital by selling shares to the investor. Stock prices can be considered as an indicator of a country's economic status and social mood and are seen as a leading indicator of the real economic activity. Share prices also affect the wealth of households and their consumption; savings and investment decisions. Thus, it can be said that, the stock market is an integral part of the financial system of any economy, as it plays a significant role in channelizing funds, connecting savers and investors, which led to economic growth of the economy. Further, it is believed that there exist many factors to which the stock market reacts, factors like the economic, political and socio-cultural behavior of any country. Hence, investors carefully watch the performance of the stock markets by observing the composite market index, before investing funds. Especially the stock markets of emerging economies are likely to be sensitive to fundamental changes in global economic structure and policies, which plays an important role in achieving financial stability.*

Keywords: Indices Movement, Share Market, Gold price

STATEMENT OF PROBLEM

The development and growth of the capital market is crucial for investment, economic growth and development. As a result, studies have been undertaken to assess the relationship between macroeconomic variables and share prices. A lot of such studies focused on advanced economies. However, in recent years, huge amount of funds are flowing into emerging markets as a result of liberalization and increased liquidity. Thus, conducting a study to ascertain the possible association between macroeconomic factors and stock markets becomes more imperative.

OBJECTIVES

The present work is designed to address the linkage between macroeconomic variables and stock market development. Accordingly the objectives of the present study are set as follows:

- ❖ To analyze the relationship between BSE SENSEX to macro economic factors.
- ❖ To analyze the relationship between NIFTY 50 to macro economic factors.
- ❖ To find inter-relationship between the macro economic factors and stock market indices.

HYPOTHESIS

The hypothesis for this study has been stated below:

H1 : BSE SENSEX was directly influenced by other macroeconomic factors.

H2 : SENSEX was more dependent on the macro economic factors.

RESEARCH DESIGN

The study employed secondary data to explore how macroeconomic variables and share price index are related. Data gathered for the study were sourced from two main sources. Data covering stock price index on monthly basis. Data used for the study involved financial year from April 2006 to march 2016. Time series analysis techniques were employed. Data was sourced to examine the connection that exists between macroeconomic variables and share price.

TOOLS USED FOR ANALYSIS

1. Correlation analysis - ms excel

Correlation and regression analysis are related in the sense that both deal with relationships among variables. The correlation coefficient is a measure of linear association between two variables. Values of the correlation coefficient are always between -1 and +1. A correlation coefficient of +1 indicates that two variables are perfectly related in a positive linear sense, a correlation coefficient of -1 indicates that two variables are perfectly related in a negative linear sense, and a correlation coefficient of 0 indicates that there is no linear relationship between the two variables.

2. Regression analysis – eview software

Regression analysis involves identifying the relationship between a dependent variable and one or more independent variables. A model of the relationship is hypothesized, and estimates of the parameter values are used to develop an estimated regression equation. Various tests are then employed to determine if the model is satisfactory. If the model is deemed satisfactory, the estimated regression equation can be used to predict the value of the dependent variable given values for the independent variables.

$$\text{Formula: } E = \beta_0 + \beta_1 + \beta_2 + \beta_3 + \beta_4 + \beta_5 + \beta_6 + \beta_7 + \beta_8 + \varepsilon_i$$

FUTURE SCOPE

The study suggests further scope for the research to increase the understanding about the dynamic relationship between the macroeconomic variables and stock prices in India. Further research may either eliminate some of the limitations or expand the scope of relationship already done in the present thesis.

Future work might re-examined the issues addressed in this thesis using a relatively more comprehensive data set (i) including more recent share price data; and (ii) the data of major leading stock indices of developed economies can also be included. This research would be particularly valuable as a more recent time period and inclusion of share prices of developed economies will give a better insight to predict the movement of share prices by tracking the changes in leading share markets of the world.

The current thesis focuses exclusively on the time series data of Indian economy, but the further studies can be done by considering panel data incorporating similar macroeconomic variables. This would help in examining why various domestic and global factors are important in various countries of the region by performing a research on panel data.

The current thesis focuses on the relationship between macroeconomic variables and stock prices without considering the impact of any global financial crisis, which can give a better understanding of the global economic scenario with respect to major events occurred in the economy.

The research can be further extended by considering the impact of selected macroeconomic variables along with other important economic determinants like employment rate, education level, political conditions; which are not included in the analysis. Moreover, the research can also be extended to analyze the stock market volatility with the help of GARCH family model, by incorporating the set of macroeconomic variables used in the present study.

The present research focused on sectoral index and its relationship with respective sectoral GDP, but the research can further be extended by including some more sectors like infrastructure sector and agriculture sector.

This thesis used the same set of macroeconomic variables to test for the relationships on the Sector indices. It may be useful for future studies to include other economic variables that might affect each sector specifically. It is also recommended to work out research that compares results with other developing countries' under similar assessment and measurement.

Finally, the sectoral research can further be segmented to industry level, because the research at industry level may help the investors to understand the response of the shares of that industry due to the changes in external economic environment.

LIMITATIONS

Another important macroeconomic variable that are commonly used in research to explain changes in stock prices have been excluded from the present paper namely: Industrial Production. The exclusion of the Industrial Production was due to the lack of consistent data for the study period. However, the Foreign Exchange Reserves variable was negative and insignificant when included in the regression model and there was not previous research to attest to this finding of negative relationship between foreign exchange reserves and stock prices. Besides, this result can be explained by the fact that Sweden has a fluctuating exchange regime. Based on that, foreign exchange reserves variable was excluded from the model and its exclusion did not affect the regression.

REVIEW OF LITERATURE

Wongbangpo and Sharma (2002)¹ studied interdependence between the stockmarkets and fundamental macroeconomic factors for the five South East Asian countries – Indonesia, Malaysia, Philippines, Singapore and Thailand – on the basis of monthly data for GNP, consumer price index, money supply, interest rate and exchange rate for these countries. The results indicates that high inflation in Indonesia and Philippines influences the long-run negative relation between stock prices and money supply, whereas, the money growth in Malaysia, Singapore and Thailand imparts positive effect on their stock markets. The exchange rate is positively related to the stock prices in Indonesia, Malaysia and Philippines and negatively related for Singapore and Thailand.

Erdem, Arslan and Erdem (2005)² examined volatility spillover from inflation, exchange rate, M1 money supply and industrial production to Istanbul Stock Exchange's stock price indices including IMKB 100, financial, industrial and services indices using monthly data. EGARCH model captured significant unidirectional spillovers from inflation, interest rate to all stock price indices. There are negative volatility spillovers from inflation to stock price indices except the Service Index and positive spillover from interest rate to stock price indices except Service Index (negative spillovers). Spillovers from M1 money supply to the financial index and from exchange rate to both IMKB 100 and industrial indices were observed. There is no volatility spillover from industrial production to any index.

In Sri Lanka, **Menike (2006)**³ undertook a study to find out how macroeconomic variables impacted on the Colombian stock market in the short run. He gathered data on monthly basis from September 1991 to December 2002. The macroeconomic variables employed were money supply, exchange rate, inflation rate and interest rate. He employed the multiple regression model to do the analysis. The results showed that there was a strong relationship between macroeconomic variables and stock prices. Exchange rate, inflation rate and interest rate were found to be inversely related to stock prices whereas money supply was positively related to stock price in Sri Lanka.

Dua & Sen (2006)⁴ studied the relationship of real exchange rate, level of capital flows, volatility of the flows, fiscal and monetary policy indicators, and current account surplus for 1993 Q2-2004 Q1. It was found that the variables are cointegrated and each granger causes the real exchange rate. The generalized VDCs show that the determinants of the real exchange rate, in descending order of importance, include net capital inflows and volatility (jointly), government expenditure, current account surplus, and money supply.

Ratanapakorn and Sharma (2007)⁵ investigated long term and short-term relationship between the US stock price index (S & P 500) and six macro economic variables namely industrial production index, narrow money supply (M1), treasury bill rate, government bond rate, inflation rate, Yen /\$ exchange rate

and observed that the stock prices negatively relate to the long-term interest rates and every macroeconomic variable causes stock prices in the long run but not in the short-run.

Ahmed (2008)⁶ looked at the relationships from two different perspectives. First, the stock market as the most major benchmark of economic activity and second, how the stock market possibly impact on the total demand through the total expenditure and savings.

Kumar (2008)⁷ established and validate the long-term relationship of stock prices with exchange rate and inflation in Indian context. There were numerous studies on the relationship of stock indices with macroeconomic variables. This gave a strong subjective background to test the existence of any such relationship in India. The research primarily dealt with an empirical method by combining different statistical techniques to check the presence of co-integration between the stock index (Sensex) and other variables. Co-integration is a well accepted indicator of a long term relationship between more than one time series variables. The study took into consideration past ten years experience of Indian economy reflected into the stock index, wholesale price index and exchange rates. A causal relationship could not be established without the existence of co integration between the selected macroeconomic variable

ANALYSIS

TABLE SHOWS THE SENSEX – AVERAGE RATE

TABLE: 1

YEAR	SENSEX				
	OPEN(1.4)	CLOSE(31.3)	AVERAGE	HIGH	LOW
2006-07	12042.56	13072.37	12557.47	14090.92	10398.61
2007-08	13872.37	15644.44	14758.41	20286.99	13872.37
2008-09	17287.31	9708.61	13497.96	17287.31	8891.61
2009-10	11403.25	17527.77	14465.51	17527.77	14493.84
2010-11	17558.71	19445.22	18501.97	20509.09	16944.63
2011-12	19135.96	17404.2	18270.08	19135.96	15454.92
2012-13	17318.81	18835.77	18077.29	19894.98	16218.53
2013-14	19504.18	22386.27	20945.23	22386.27	18619.72
2014-15	22417.8	27957.49	25187.65	29361.5	22417.8
2015-16	27011.31	25341.86	26176.59	28114.56	23002

INTERPRETATION:

Data has been collected for financial year from 2006 to 2016. Opening price was increasing constantly but at the year of 2009 -10 there was a decrease and after one year SENSEX started to increase. Closing price also faces decrease in 2008-09; the average percentage rate at the end of March 2016 was 26176.59.so SENSEX rate was increasing day by day.

TABLE SHOWS THE NIFTY 50 AVERAGE RATE**TABLE: 2**

NIFTY 50					
YEAR	OPEN(1.4)	CLOSE(31.3)	AVERAGE	HIGH	LOW
2006-07	3557.6	3821.55	3689.575	4313.9	3071.05
2007-08	4087.9	4734.5	4411.2	6138.6	4087.9
2008-09	5165.9	3020.95	4093.425	5165.9	2755.1
2009-10	3473.95	5249.1	4361.525	5249.1	3473.95
2010-11	5278	5833.75	5555.875	6134.5	5086.3
2011-12	5749.5	5295.55	5522.525	5749.5	4624.3
2012-13	5248.15	5682.55	5465.35	6034.75	4924.25
2013-14	5930.2	6704.2	6317.2	6704.2	5471.8
2014-15	6696.4	8491	7593.7	8901.85	6696.4
2015-16	8181.5	7738.4	7959.95	8532.85	6987.05

INTERPRETATION:

Data has been collected for financial year from 2006 to 2016. Opening price was increasing constantly but at the year of 2009 -10 there was a decrease and after one year nifty started to increase. Closing price also faces decrease in 2008-09; the average percentage rate at the end of March 2016 was 7959.95. there was no big changes in nifty share price

TABLE SHOWS THE UK STOCK MARKET INDICES AVERAGE RATE**TABLE: 3**

FTSE100					
YEAR	OPEN(1.4)	CLOSE(31.3)	AVERAGE	HIGH	LOW
2006-07	6223.14	6308.03	6265.585	6223.14	5723.81
2007-08	6449.21	5702.11	6075.66	6621.45	5702.11
2008-09	6042.3	3926.14	4984.22	6042.3	3830.09
2009-10	4243.71	5679.64	4961.675	5679.64	4243.71
2010-11	5553.29	5908.76	5731.025	5994.01	4916.87

2011-12	6069.9	5768.45	5919.175	6672.28	5128.45
2012-13	5737.78	6360.81	6049.295	6411.74	5320.86
2013-14	6411.74	6598.37	6505.055	6809.7	6215.47
2014-15	6780.03	6773.04	6776.535	6844.51	6546.47
2015-16	6960.63	6174.9	6567.765	6984.43	6061.61

INTERPRETATION:

Data has been collected for financial year from 2006 to 2016. Opening price was increasing constantly but at the year of 2009 -10 there was a decrease and after one year it started to increase. Closing price also faces decrease in 2008-09; the average percentage rate at the end of March 2016 was 6567.76. In UK stock market there was no change. It remains constant.

TABLE SHOWS THE SSE COMPOSITE AVERAGE RATE**TABLE: 4**

YEAR	SSE COMPOSITE				
	OPEN(1.4)	CLOSE(31.3)	AVERAGE	HIGH	LOW
2006-07	1440.22	3183.98	2312.1	3841.27	1440.22
2007-08	3841.27	3472.71	3656.99	5954.77	3472.71
2008-09	3693.11	2373.21	3033.16	3693.11	1728.79
2009-10	2477.57	3109.11	2793.34	3412.06	2082.85
2010-11	2928.11	2928.11	2928.11	2978.83	2398.37
2011-12	2911.51	2262.79	2587.15	2911.51	2199.42
2012-13	2396.32	2236.62	2316.47	2396.32	1980.12
2013-14	2177.91	2033.31	2105.61	2300.59	1979.21
2014-15	2026.36	3747.9	2887.13	3749.9	2201.56
2015-16	4441.66	3003.92	3722.79	4611.74	2687.98

INTERPRETATION:

Data has been collected for financial year from 2006 to 2016. Opening price was increasing constantly but at the year of 2009 -10 there was a decrease and after one year it started to increase. Closing price also faces decrease in 2008-09; the average percentage rate at the end of March 2016 was 3722.79. China stock market was in developing stage.

CORRELATION ANALYSIS**TABLE SHOWING CORRELATION MATRIX BETWEEN VARIABLES**

TABLE: 1.1

Particulars	sensex	nifty	uk	China	Hongkong	japan	newyork	Singapore	gold	crude oil	us dollar	euro
Sensex	1	1	0.66	0.27	0.69	0.50	0.74	0.72	0.33	-0.09	0.72	0.56
Nifty	1.00	1	0.64	0.25	0.67	0.49	0.72	0.70	0.33	-0.10	0.73	0.56
Uk	0.66	0.64	1	0.25	0.70	0.73	0.94	0.84	0.06	0.17	0.40	0.34
China	0.27	0.25	0.25	1	0.62	0.40	0.33	0.49	-0.28	-0.13	-0.24	-0.35
Hongkong	0.69	0.67	0.70	0.62	1	0.42	0.70	0.90	0.19	0.14	0.14	0.19
Japan	0.50	0.49	0.73	0.40	0.42	1	0.83	0.52	-0.49	-0.34	0.37	0.12
Newyork	0.74	0.72	0.94	0.33	0.70	0.83	1	0.81	-0.05	0.06	0.49	0.40
Singapore	0.72	0.70	0.84	0.49	0.90	0.52	0.81	1	0.24	0.36	0.20	0.18
Gold	0.33	0.33	0.06	-0.28	0.19	-0.49	-0.05	0.24	1	0.39	0.30	0.43
crude oil	-0.09	-0.10	0.17	-0.13	0.14	-0.34	0.06	0.36	0.39	1	-0.28	0.18
us dollar	0.72	0.73	0.40	-0.24	0.14	0.37	0.49	0.20	0.30	-0.28	1	0.82
Euro	0.56	0.56	0.34	-0.35	0.19	0.12	0.40	0.18	0.43	0.18	0.82	1

INTERPRETATION:

SENSEX is compared with SENSEX, Nifty, UK, China, Hong Kong, Japan, New York, Singapore, Gold, Crude Oil, US dollar, Euro. When SENSEX compared to above data it starts from 1 for SENSEX and it was constantly decreasing it reaches negative in crude oil and again it was started to increase. When nifty is compared with above data it was a positive and again it reaches -0.1025 (negative)

UK stock price has been compared with SENSEX, Nifty, UK, China, Hong Kong, Japan, New York, Singapore, Gold, Crude oil, US dollar, Euro. It was constantly increasing it reaches negative in crude oil and again it was started to increase. China stock price has been compared with SENSEX, Nifty, UK, China, Hong Kong, Japan, New York, Singapore, Gold, Crude oil, US dollar, Euro. There was increase in market price when it compared with SENSEX is compared with SENSEX, nifty, UK, china, Hong Kong, Japan, New York, Singapore but when it compared with Singapore, gold, crude oil, us dollar, euro. There was negative result.

When Hong Kong stock market value was compared with above mentioned data there was no negative and increases it share price day by day. Japan compared with above data it has positive approach and when it compared with gold and crude oil price it reaches negative. Japan was still trying to improve in gold and crude oil.

New York stock market value was compared with above mentioned data and it should get developed in gold. When macroeconomic factor gold is compared with stock market and other macroeconomic factors .it gets a negative result when it compared to china, Japan and New York stock markets. When euro dollar is compared with other data it gets positive result except in china.

REGRESSION ANALYSIS:

The multiple regression models had been framed business performance parameter considered dependent variable and the other related variables were considered as independent. The linear regression model, with normal error terms, simply of X variables is shown in equation.

$$BSE\ SENSEX = \beta_0 + \beta_1 + \beta_2 + \beta_3 + \beta_4 + \beta_5 + \epsilon_i$$

Where		
Xi1	=	Nifty 50
Xi2	=	Gold Price
Xi3	=	Crude oil
Xi4	=	US Dollar
Xi5	=	Euro
ϵ_i	=	Error term

The underlying assumptions of linearity, normality, constant variation and independence of error terms must be satisfied in order to get a more valid model. The BSE SENSEX treated as dependent variable and nifty 50, gold price, crude oil, us dollar and euro are independent variables and the following hypothesis is being tested.

H: BSE SENSEX was directly influenced by other macroeconomic factors.

TABLE: 1.2
RESULT OF ANOVA TEST

Source	Sum of Squares	DF	Mean Square	F	Sig.
Regression	84.448	5	16.890	25.465	.000
Residual	8.622	13	.663		
Total	93.070	18	-		

Level of Significance: 5 per cent; Source: Computed Data.

TABLE: 1.3
RESULT OF REGRESSION ANALYSIS

Category	B	t value	Sig	R	R ²	Std. Error
(Constant)	3.677	1.879	.083	0.953	0.907	0.814
Nifty 50	-.052	-1.424	.178			
Gold price	-.139	-1.092	.295			
Crude oil	.079	1.918	.077			
Us doller	.414	5.500	.000			
Euro	.466	5.059	.000			

Level of Significance: 5 per cent; Source: Computed Data.

Regression fitted: $Y=3.677+(-0.052X_1)+(-0.139) X_2+.079 X_3+0.0414X_4+0.466 X_5$

It has been revealed from the above econometric analysis that F ratio (25.465) is statistically significant at 5 per cent level of significance. R² value depicts 91 per cent variations between the factors. In order to access the individual factors influences on the business performances 't' test had been conducted on the individual regression co-efficient (β). Therefore the hypothesis framed stood accepted. Hence it been concluded that the BSE SENSEX is directly influenced by macroeconomic factors such as nifty 50, gold price, crude oil, us dollar, euro.

Regression Analysis:

The linear regression model, with normal error terms, simply of X variables is shown in equation.

$$E = \beta_0 + \beta_1 + \beta_2 + \beta_3 + \beta_4 + \beta_5 + \beta_6 + \beta_7 + \beta_8 + \epsilon_i$$

Where

Xi1	=	nifty 50
Xi2	=	UK
Xi3	=	china
Xi4	=	Hong Kong
Xi5	=	Japan
Xi6	=	New York
Xi7	=	Singapore
ϵ_i	=	Error term

SENSEX treated as dependent variable and nifty 50, UK, china, Hong Kong, Japan, New York and, Singapore are independent variables and the following hypothesis is being tested.

H: SENSEX was more dependent on the macro economic factors.

TABLE: 1.4
RESULT OF ANOVA TEST

Source	Sum of Squares	DF	Mean Square	F	Sig.
Regression	53.078	7	7.583	3.812	.028
Residual	19.889	10	1.989		
Total	72.967	17	-		

Level of Significance: 5 per cent; Source: Computed Data.

TABLE: 1.5
RESULT OF REGRESSION ANALYSIS

Category	B	t value	Sig	R	R ²	Std. Error
(Constant)	6.965	3.305	.061	0.853	0.727	1.410
Nifty 50	.007	.008	.384			
UK	-.040	.047	.423			
China	.189	2.329	.937			
Hong Kong	-.553	2.087	.796			
Japan	-.169	2.395	.945			
New York	1.091	2.121	.618			
Singapore	.061	.109	.589			

Level of Significance: 5 per cent; Source: Computed Data.

Regression fitted: $Y=6.965+.007X_1+(-.040)X_2+.189X_3+(-.553)X_4-.169 X_5+1.091X_6+.061 X_7$

It been revealed from the above econometric analysis that F ratio (3.812) is statistically significant at 5 per cent level of significance. R² value depicts 72 per cent variations between the efficiency variables tested for these indices. In order to access the individual factors influences on the Efficiency 't' test had been conducted on the individual regression co-efficient (β). Therefore the hypothesis framed stood rejected. Hence it been concluded that there exists no direct relation between the SENSEX and nifty 50, UK, china, Hong Kong, Japan, New York and Singapore.

FINDINGS

CORRELATION ANALYSIS

- In correlation data of SENSEX nifty and some other global economic factors has used .there was both positive and negative.
- Mostly gold rate and crude oil price reaches negative and it don't relate to sensdex or other global economic factors.
- where we get a result that there is no influence of other countries share price with SENSEX

REGRESSION ANALYSIS

- Two regression analyses was made first where SENSEX and other countries stock market was compared and on the other hand SENSEX is compared with some macroeconomic factors.
- In regression the hypothesis (H1) framed stood rejected. Hence it been concluded that there exists no direct relation between the SENSEX and nifty 50, UK , china, Hong Kong, Japan, New York and Singapore.
- The hypothesis (H2) is framed stood accepted. Hence it been concluded that the BSE SENSEX is directly influenced by macroeconomic factors such as nifty 50, gold price, crude oil, us dollar, euro.

CONCLUSION

The relationship between macroeconomic variables and stock prices has been the focus of both theoretical and empirical research since early nineteenth century. Since then, there has been growing effort made by researchers to empirically estimate this relationship by using sophisticated econometric methods

Research are conducted by applying different methodologies, namely, correlation analysis, regression analysis .The studies are accomplished by using different frequency of data viz.

Last two decades has witnessed a dramatic change in the world financial markets particularly in the stock market due to globalization and financial sector reforms across the world market. These changes in the macro environment influence the stock prices of a single country. Indian stock market has developed in terms of the number of stock exchanges, number of listed stocks, market capitalization, trading volume, turnover of the stock exchanges, investor's population and price during these years. Since 1991, the Indian economy has experienced many major reforms policy initiatives in the financial system. The opening of capital market to foreign institutional investors, allowing Indian companies to issue equity abroad through Global Depository Receipts (GDRs), formation of new stock exchange NSE, liberalization and decontrolling crude oil price are few initiatives which are expected to have huge impact on the stock market volatility.

In the last two decades, numerous empirical studies have examined the dynamic relationships between stock market behavior and macroeconomic variables, particularly for developed economies. However, research on the above relationship in developing countries, such as china, Singapore, UK, and few countries are still at infant stage. With regard to the Indian economy, little work has been done in the dynamic relationship between stock market and macroeconomic variables. To the best of researcher's knowledge, there is no published work to link fiscal policy variables and stock market development and explore the link in a sectoral stock market perspective. Further, exploring the dynamic relationship between oil prices, gold price, along with other macroeconomic.

In particular, the study tries to examine the dynamic relationship and the direction of causality between stock market in India with different sets of domestic and international macroeconomic variables.

Thus, the estimated results of the study indicate that the Indian stock market is sensitive to changes in macroeconomic fundamentals in the long run. However, in the short run also few of the macroeconomic variables affect stock prices. Further, the stock prices are relatively exogenous in relation to most of the macroeconomic variables selected for the study, as major percentage of the variation in the forecast of the Indian stock prices is attributable to its own shocks. This may be due to the fact that speculative trading continues to dominate the Indian stock market. The results of the study suggest a positive impact of macroeconomic variables on the stock market development in India. Therefore, in order to facilitate economic growth, macroeconomic development is solely desirable in developing countries like India. Moreover, it is also true that the informed and sensible investor in India can attain super normal profit, by tracking the historical data of stock market and the change in macroeconomic variables. This may help the investors to formulate a profitable strategy to for trading and making profitable decisions.

Appendices

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