



A Study of Impacts of News on Indian Stock Market

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Abstracts:

Stock Market is the place where companies raise long term capital from public through Initial Public Offering (IPO). But now a day we see the lots of speculation in security market. Lots of transaction daily happens in the concern of purchases of securities. In primary market companies raise capital and in secondary market the shareholder buy and sales their holdings (shares). So the buying price is always be a higher than selling price, so that they can earn profit. This leads to the speculation in the market. The Financial and Non-financial news, it may be national or international that impacts on the prices of shares of company. So, the investor and speculator encash such opportunities. So, the price of the shares fluctuates and goes up and down with news. In this research paper researcher is going to study the impact of the news on the share prices.

Keywords: News, Stock Market, NES, BSE,

Introduction:

Finance is the key element of any economic development. it is like a blood in human body, without blood no can survive. The industrialization needs a huge financial resource. big project and heavy industries required long term own capital that can be used for the industrial activity. So, the security market has made in the keeping this view. Capital markets play a crucial role in the economic development of a country. They provide financial resources required for the long-term sustainable development of the economy. Development of viable capital markets is therefore considered an important element in the macro-financial policy toolkit, including for objectives such as financial stability and the transmission of monetary policy. (Dr. Viral V. Acharya, 2019). Where the entrepreneurs raise long term capital by public participation in primary market. In secondary market the share of the company is exchanged by the future higher prices. So, in the secondary market investors buy and sales the Security Market is one of the best tools in the hand of government through for economic



development for raising long term capital for public ventures and project in the interest of public.

Indian Security Market is on 5th position in the world India's equity market has broken into the world's top five club in terms of market capitalization for the first time. The country's total market cap stands at \$3.21 trillion, which is higher than that of the UK (\$3.19 trillion), Saudi Arabia (\$3.18 trillion), and Canada (\$3.18 trillion (Modak, 2022).

Generally, Buying and selling in a day of shares in secondary market called trading. This is generally for a day. This leads to speculation in market in the greed of earning easy money. Where investors hold the listed share for long term is called investment more than 12 months. So, the holding in shares for a specific period or a day is based on some assumptions. Such an assumption is predicted by a fundamental analysis, technical analysis and even and news-based analysis.

Here researcher has focused on the news-based share trading, where the trader or investor buy and sales share on news. Such news can be positive or negative. Of course, the positive news hikes the prices of share and negative news decreased the share prices. On the same time one bad news for particular industry will be positive for another industrial sector eg. In COVID19 pandemic all the industrial sector were in negative trauma, but same time insurance industries were boomed. So here impact of such news will be studied for last decades.

Research Methodology:

The present research paper is based on the secondary data, which is collected from the NSE and BSE and other websites. The last one decade is considered for the present study. As well as the data collected is represented in graphical form. The brokers trading software and website are used for the study and the graphical charts are extracted from the brokers' site.

Objectives:

1. To know the functioning of Primary and secondary market.
2. To Know Importance of the Capital market in the economic development.
3. Study the impact of news on Share prices of company.



Stock Markets:

Stock Market allows companies to trade publicly and generate capital. Which is regulated through regulatory mechanism i.e. NES, BSE and SEBI. Which allows companies to grow and expand their business. Automatically as companies grows and expands it creates employment opportunities. It is a mechanism for conversion of saving into the capital. Which leads to economic development, growth and prosperity of the country. The investors invest their shaving into the potential profit generating companies' securities. (Tan, 2020)

Importance Stock Market:

Money is the matter of economic development of any country. Industrialization is considered as the means and agent of economic development. Because the Industries not only produce goods that can fulfill the demand but also provided employment, tax to government, standardize the employees' living standards through fair wages and welfare activities, stabilize the economic conditions through supply of goods at fair prices.

So, if you want more industrialization government need to provide a fair means of financial resources. Without financial resources the country cannot attend the balanced economic development. Small and medium scale industrial activities are performed by the private entity. It is in their capacity but huge capital is required for the big and heavy industries. In this regard the public participation is required the promoters chalk outs the plan and call public participation in the industrial activity. So that the capital required for the big project is collected.

For this there is a NSE and BSE through the legal procedure one can call public participation through Primary Market. So, the Stock Markets play very vital role in the formation of capital for the big project. Later on, the securities listed in stock market can be traded in secondary market.

People purchase share of companies considering higher or fairer return on it. Some of them considered it as an investment. Some of people purchases it daily for gaining the return in short term and play it as a speculative instrument. So, they always in the search of news that can be encashed.



Stock Market and Wealth Creation:

Many of the billionaire in the world has created their wealth through investing in stock market. People also imitating these people to make easy many. People consider stock market as a great indicator of the economic development because stock market covers all industries across all the sectors of the economy. Stock market indicates the economic cycle of the industrial growth which indicates to overall growth of the economy. According the economic cycle people buy and sell share of the companies in stock market. Due to a performance and more than expected potential returns, sometime some shares became multi baggers. Which have made shares of companies most popular investment in recent time. (Tan, 2020)

News:

News are the specific & significant events which are happened or going to happen. Such events must have significance in the view of public interest then and then it can be a news. Otherwise, it is just events. As per the Cambridge Dictionary News is “information or reports about recent events” (Dictionary, 2022) there are hard and soft news, hard news covers serious issues like crime, natural calamities, deaths, accidents, digastours

To the present research paper, the researcher has going to study the impact of News on stock prices of shares of the listed companies so, the impact of news on NIFTY 50. Hence the News have been classified into Financial and Non-Financial nature. Because we are studying the impacts of news on the prices of share. So financial aspects have been studied.

Types of News

In the consideration of Share market news is classifies into the financial matter.

Financial News:

Financial news is which having the financial events like declaration of dividend, RBIs financial policies, decrease and increase in CRR, SLR, Bank Rate, recession, inflation, subsidies, prices of fuel etc..

Non-Financial News:

Non-Financial News is which have not any financial events like govt ban on the industries, natural calamities, Pandemic COVID-19, slow down, lockdown, employees stick etc..



Some Most Significant News/Events that impacted on Indian Stock Market:

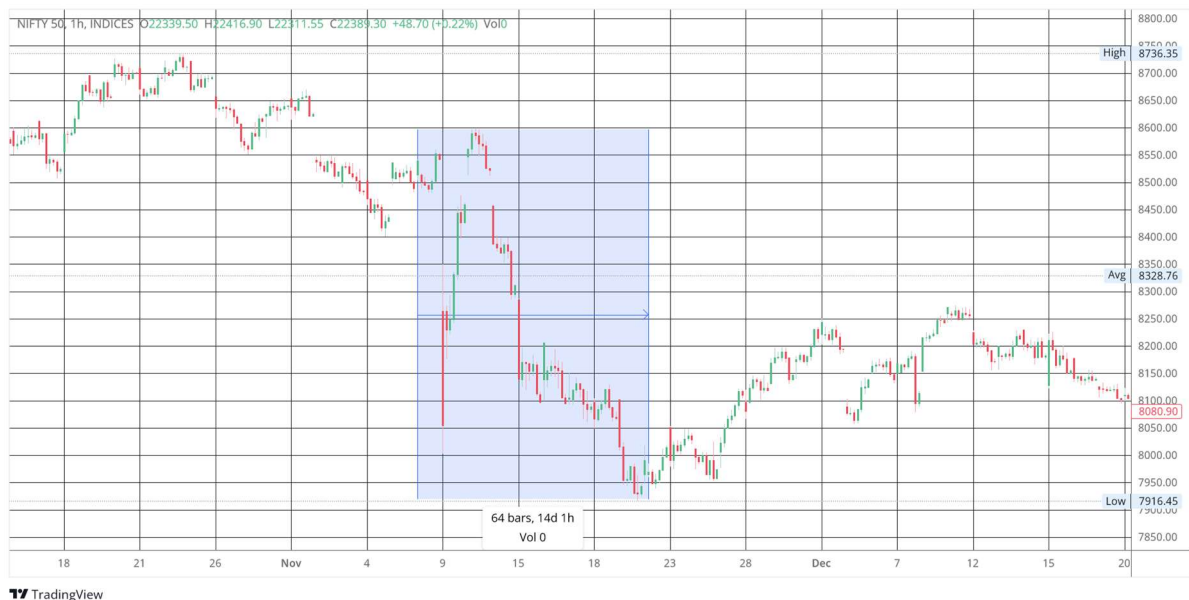
US Housing Bubble Burst, Subprime Mortgage Crisis, Technology Bubble Burst dot.com bubble burst, Corporate Tax Cut Of 2019, Demonetization, COVID-19, High Inflation and The Interest Rate Hikes That Followed, Russia invaded Ukraine in an escalation, Terrorist attack on US World Trade Centre etc. are some significant events has taken for the study. In this study the domestic and global events that have affected on the Indian Stock Market.

Domestic Events:

Demonetisation:

On the 8th November, 2016 the prime minister of India announced demonetization of legal tender of Rs. 500 and Rs. 1000 banknotes (Indian Currency Notes). the ban of currency notes of ₹500 and ₹1,000 was resulted 86% of Indian currency unusable overnight. The sudden ban of the banknotes was impacted on the purchasing power of people. It was panic situation for all the Indians who have the notes of Rs. 500 and Rs. 1000. It impacted negatively on Indian stock markets by 22nd November 2016, 2 weeks after demonetisation, NIFTY 50 had fallen 6.34%. (WealthDesk, Major Events That Moved The Indian Stock Market, 2022)

Figure 1 - Fall during Demonetisation



(Source: TradingView Charts)

The above chart indicated the sudden fall in stock markets after the demonetization.

Corporate Tax Cut Of 2019:

On 20th September, 2019 the Indian Government was announced massive cuts in corporate rates 22% from 30% and 15% from 25% for new manufacturing companies. It was expected that, it will attract the investment from across the globe by the Indian government to generate employment opportunities within a country. On the day the tax cuts were announced, the Nifty 50 rose by 5.32% (WealthDesk, 2022).

Figure 2 - Rise during Corporate Tax Cut Of 2019



(Source: TradingView Chart)

The above chart indicates the rise in the stock market due to the news of corporate tax cut.

High Inflation and The Interest Rate Hikes:

In 2022, economies worldwide have been dealing with high inflation. In India, [inflation](#) has stayed above RBI's target range of 2% to 6% in all months of 2022 so far. In the US, inflation reached a 41-year high in June 2022 at 9.1%. High inflation lowers the purchasing power of people and leads to lower consumption. To curb inflation, various central banks have announced interest rate hikes. But, in addition to lowering inflation, hiking interest rates also increases borrowing costs, lowers consumption and leads to lower growth. This is why inflation and interest rates are being closely followed by investors. Due to the above-mentioned events currently affecting the Indian stock market, NIFTY 50 fell by 9.07% in the first half of 2022.

Figure 3 - Fall during High Inflation and The Interest Rate Hikes



(Source: TradingView Charts)

Global Events:

Technology Bubble Burst dot.com bubble burst/ The dot-com bubble burst in March 2000:

On Friday March 10, 2000, the NASDAQ Composite stock market index peaked at 5,048.62. However, on March 13, 2000, news that Japan had once again entered a recession triggered a global sell off that disproportionately affected technology stocks.

Figure 7

Fall during Technology Bubble Burst dot.com bubble burst/ The dot-com bubble burst in March 2000:



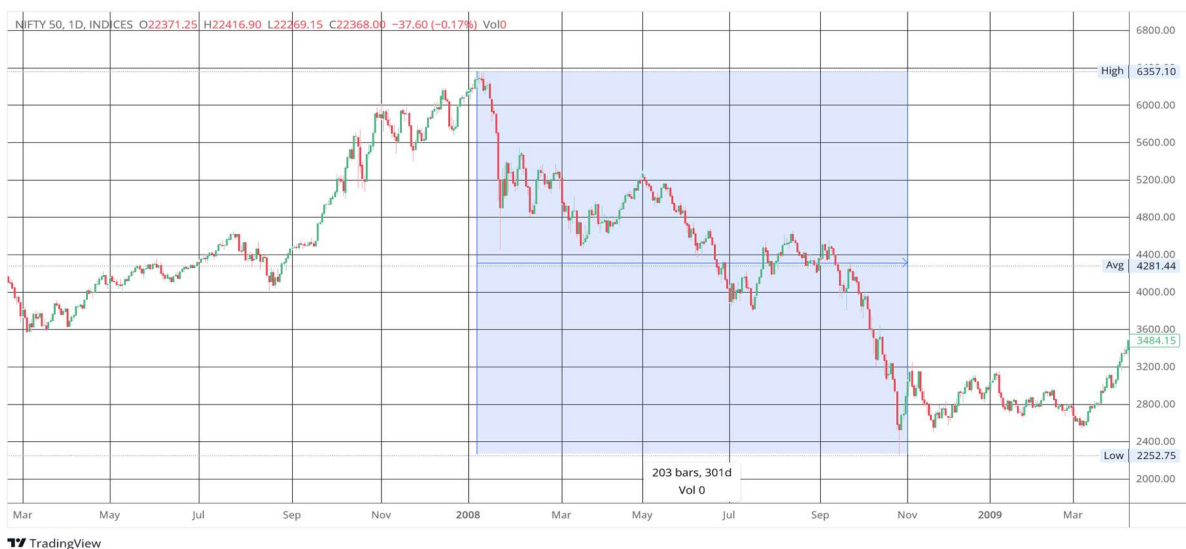
(Source: TradingView Charts)

US Housing Bubble Burst/ Subprime Mortgage Crisis (2007–2010):

This is one of the significant event happened in 2008 century. Root of this bubble was the borrowings by the high-risk borrowers with poor ratings. Banks were given a loan without considering the credit ratings and inadequate savings. On **December 30, 2008**, the Case–Shiller home price index reported the largest price drop in its history. The credit crisis resulting from the bursting of the housing bubble is an important cause of the Great Recession in the United States.

The expansion of mortgages to high-risk borrowers, coupled with rising house prices, contributed to a period of turmoil in financial markets that lasted from 2007 to 2010. The US housing bubble burst of 2008 is one of the most significant events of this century that led to a period of low growth we now know as the Global Financial Crisis. At the root of this bubble was a rise in mortgages to subprime borrowers, i.e. high-risk borrowers with poor credit ratings and inadequate savings, that began in 1999. When the housing [market bubble burst](#) in 2008, global financial markets felt ripples. Historically various events have affected the stock markets, but none might be as impactful as the US housing bubble burst of 2008. In September 2008, NIFTY fell by 10.06%. (WealthDesk, Stock Market Bubble: Causes and Crashes, 2022)

Figure 4 - Fall during US Housing Bubble Burst/ Subprime Mortgage Crisis (2007–2010):



(Source: TradingView)

The above chart showing the impact of the US Housing Bubble Burst on Indian Stock Market.

Terrorist attack on US World Trade Centre:

The September 11 attacks, commonly known as 9/11, were four coordinated Islamist suicide terrorist attacks carried out by Al-Qaeda against the United States on **September 11, 2001**. That morning, 19 terrorists hijacked four commercial airliners scheduled to travel from the East Coast to California. (WealthDesk, Major Events That Moved The Indian Stock Market, 2022)

Figure 8 - Fall during Terrorist attack on US World Trade Centre



(Source: TradingView Charts)

COVID-19:

This was a major event where all the world was stopped i.e. COVID-19. The virus was originated in Wuhan, China, in early December 2019. By March 2020, the disease had spread worldwide and reached pandemic status. The lockdowns resulting from COVID-19 affected production and supply chains worldwide. On 23rd March 2020, in the biggest crash yet, the Nifty 50 fell by 12.98% or 1,135.20 points to a 4-year low of 7,610.25 points. The crash of 23rd March 2020 is considered to be one of the major events in Indian stock market history.

Figure 5 - Fall during COVID-19



(Source: TradingView Charts)

The above chart indicates the falls during the COVID_19 Pandemic.

Russia-Ukraine Conflict:

Russia-Ukraine conflict that started on 24th February. Russia is one of the biggest exporters of oil and petroleum products. Western nations-imposed sanctions on Russia, which increased crude oil prices. Furthermore, Russia supplies 40% of the world's palladium while Ukraine produces 70% of the world's neon, 2 key elements in producing semiconductors (chips). Thus, the shortage of semiconductors was worsened by this conflict. Semiconductors are an essential component of electronic devices, which power almost everything from communication and healthcare. Fears of escalation to a nuclear war have also spooked the global markets. On 24 February 2022, Russia invaded Ukraine in an escalation of the Russo-Ukrainian War that started in 2014. (WealthDesk, Major Events That Moved The Indian Stock Market, 2022).

Figure 6 - Fall during Russia-Ukraine Conflict



(Source: TradingView Charts)

The above chart indicates the impact of Russia-Ukraine Conflict.

Conclusion:

The prices of the securities traded in stock market are always influenced by the factors such as economic conditions, geopolitical conditions, governments policies, Central Banks Policies, industrial performances and flow of the capital in the stock market etc. the news which influences such factors affect negatively or positively on the prices of the stock in stock market. It is observed and concluded that, the prices of the companies share fluctuates as per the news. Some news impact for long time and some are for short times. But the actual performances of the company impact heavily on the prices of the shares. It is observed that the company having a good performance can bear the negative news impact within a short period and recovers and vis-versa. It is recommended that, once should take news-based position in market for short period i.e. swing trading. For long period news-based trading can affect adversely on the capital of the trader.

It is also concluded that, the global news impacts on Indian Stock market i.e. negative or positive for a very short period. In pandemic COVID-19, It was heavy fall in the stock



market but it recovered within few months where all the world were stopped. It is also seen that; in such panic situations a good investor and traders take it as an opportunity and in boom situation they get very conscious.

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