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# EVALUATING THE IMPACT OF GLOBAL TRADE DYNAMICS ON THE INDIAN STOCK MARKET WITH REFERENCE TO KARVY

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**ABSTRACT**

The connection between global trade dynamics and local financial markets has grown more crucial in the age of economic globalization. This study investigates the influence of key global trade indicators—such as fluctuations in international commodity prices, currency exchange rate volatility, changes in global trade policies, and cross-border capital flows—on the performance of the Indian stock market, with a focused reference to Karvy, a prominent player in Indian financial services. Using a mixed-method approach, the study integrates quantitative analysis of historical market data with qualitative evaluations of policy and geopolitical changes between the years under consideration. The research explores how events such as trade wars, tariff adjustments, and disruptions in global supply chains have influenced investor mood, sectoral performance, and overall market indices in India. Specific attention is made on Karvy's market positioning, investment advising trends, and brokerage activities during moments of heightened global trade concern. Findings demonstrate that global trade fluctuations considerably affect foreign institutional investment (FII) flows, currency movements, and market volatility, which in turn influence the Indian stock market trajectory. This research contributes to the broader understanding of how interconnected global trade systems and domestic financial markets operate, offering strategic insights for policymakers, investors, and market intermediaries to mitigate risks and leverage emerging opportunities in a highly volatile economic environment.

**Keywords:** Global Trade Dynamics, Indian Stock Market, Karvy, Foreign Institutional Investment, Market Volatility, Commodity Prices, Exchange Rate Fluctuations.

## 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.

THE INDIAN CAPITAL MARKET:-

The function of the financial market is to facilitate the transfer of funds from surplus sectors (lenders) to deficit sectors (borrowers). Normally, households have investible funds or savings, which they lend to borrowers in the corporate and public sectors whose requirement of funds far exceeds their savings. A financial market consists of investors or buyers of securities, borrowers or sellers of securities, intermediaries and regulatory bodies. Financial market does not refer to a physical location. Formal trading rules, relationships and communication networks for originating and trading financial securities link the participants in the market.

**Primary market**

Primary market refers to the long term flow of funds from the surplus sector to the government and corporate sector (through primary issue) and to banks and non bank financial intermediaries (through secondary issues).Primary issues of the corporate sector lead to capital formation (creation of net fix asset and incremental change in inventories) thus primary market is again sub divided into:

- Public issue
- Right issue
- Private placement
- Professional allotment

**Secondary market**

Secondary market is a market for outstanding securities. An equity instrument, being an eternal fund, provides an all-time market while a debt instrument with a defined maturity period, is traded at the secondary market till maturity. Unlike primary issues in the primary market which result in capital formation, the secondary market facilities only liquidity
and marketability of outstanding debt and equity instruments. The secondary market contributes to economic growth by channelizing funds into the most efficient channel through the process of disinvestment to reinvestment. The secondary market also provide instant valuation of securities made possible by changes in the internal environment, that is , through companywide and industry wide factors. Such a valuation facilities the measurement of the cost of capital and rate of return of economic entities at the micro level.

For trading in issue of corporate and financial intermediaries, there are:

- Recognized stock exchanges,
- National stock exchange of India limited (NSE)

**Organized money market**

Indian financial system consists of money market and capital market. The money market has two components - the organized and the unorganized. The organized market is dominated by commercial banks. The other major participants are the Reserve Bank of India, Life Insurance Corporation, General Insurance Corporation, Unit Trust of India, Securities Trading Corporation of India Ltd. and Discount and Finance House of India, other primary dealers, commercial banks and mutual funds. The core of the money market is the inter-bank call money market whereby short-term money borrowing/lending is affected to manage temporary liquidity mismatches.

**Equity investments**

An equity investment generally refers to the buying and holding of shares of stock on a stock market by individuals and firms in anticipation of income from dividends and capital gains, as the value of the stock rises. It may also refer to the acquisition of equity (ownership) participation in a private (unlisted) company or a startup company. When the investment is in infant companies, it is referred to as venture capital investing and is generally understood to be higher risk than investment in listed going-concern situations.

**Un-organized money market**

Despite rapid expansion of the organized money market through a large network of banking institutions that have extended their reach even to the rural areas, there is still an active unorganized market. It consists of indigenous bankers and moneylenders. In the unorganized market, there is no clear demarcation between short-term and long-term finance and even between the purposes of finance.

Stock prices change every day in the market. Buyers and sellers cause prices to change as they decide how valuable each stock is. Basically, share prices change because of supply and demand. If more people want to buy a stock, then the price of that stock moves up. Conversely, if more people want to sell a stock, there would be more supply (sellers) than demand (buyers), the price would start to fall. In financial term, this is called as Volatility. Volatility is a symptom of a highly liquid stock market. Pricing of securities depends on volatility of each asset. An increase in stock market volatility brings a large stock price change of advances or declines. Investors interpret a raise in stock market volatility as an increase in the risk of equity investment and consequently they shift their funds to less risky assets. Technically, volatility is found by calculating the "standard deviation" of the daily change in price. If the price of an investment moves up and down by large percentage amounts, and in short periods of time, it has high volatility. If the price almost never changes, or only by very small amounts, then it has very low volatility.

**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 **Karvy 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.

**Methodology:**

Methodology means the methods, processes or tools used in driving the project. At the very biggining, 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.

## II. REVIEW OF LITERATURE

### 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.

**Stock market investment:**

Stock Market Investment refers to the investment in the market; where exchange of company stocks or collective shares of the companies and other kinds of securities and derivatives takes place. Stocks are traded in Stock Market by the help of Stock Exchange.

The Stock Exchange brings the sellers and buyers of stocks and securities under same roof. The available stocks are listed and traded in the Stock Exchange among the buyers and the sellers. Proper investment in Stock Market essentially requires detailed knowledge of Stock Market, its' participants, knowledge about the functioning, behavior and contribution of the stock market.

**Main Participants of the Stock market**

The main participants of Stock Market are the individual investors, banks, insurance companies, mutual funds and pension funds. Since, markets of today have turned more "institutionalized", the largest share of the market participation comes from the large institutions rather than individual rich investors.

**Functioning of the Stock Market**

The stock market functions through the Stock Exchanges. Stock Exchanges can be a physical entity and sometimes a virtual entity. In physical stock exchanges, transactions are made by auctioning. In this case, a buyer offers a specific price for a stock by verbal bid and the seller asks a specific price for the stock. When the buyer's bid price and seller's price match, exchange of stock takes place. In the presence of multiple buyers and sellers market operations are carried on a first come first served basis.

**Contribution of Stock Market**

Stock Market is the best medium of raising funds. Businesses which need financing for expansion or improvement can easily raise required capital by participating in Stock Market. On the other hand, for the investors; investing in stocks is a better option than investing in property or real estate as the stocks contain more liquidity than any other property. This means, stocks can be sold more easily and quickly than any other property and so, the investors can get their money back by selling the stocks anytime they need.

**Stock Market and Economic Growth:**

A country's economic growth is largely associated with the changing dynamics of its stock market. Since Independence, Indian stock market has been incessantly growing. Many government norms and regulations have been formulated so as to keep the market free from trickery and deception. In spite of all these norms and regulations, Indian Stock market could not be totally sterilized from scams; even through the performance was quite noticeable. But the market got a boost after the financial reforms which opened the doorway for FII inflow.

**Stock Market in India:**

The origin of the stock market in India dates back to the end of the eighteenth century when long-term negotiable securities were first issued. The real beginning, however, occurred in the middle of the eighteenth century, after the enactment of the companies Act in 1850 which introduced the feature of limited liability, and generated investor interest in corporate securities.

The stock market is also known as secondary market. In India, the secondary market consists of recognized stock exchanges operating under rules, by-laws and regulations duly approved by government. These stock exchanges constitute an organized market where securities issued by the central and state governments, public bodies, and joint stock companies are traded. A stock exchange is defined under Section 2(3) of the Securities Contracts (Regulation) Act, 1956, "as anybody of individual whether incorporated or not, constituted for the purpose of assisting, regulating or controlling the business of buying, selling or dealing in securities."

## III. DATA ANALYSIS AND INTERPRETATION

**Market Trend:**

Almost every day in the investing world, we used to hear the terms "bull" and "bear" to describe market conditions. As common as these terms are, however, defining and understanding what they mean is not so easy. Because the direction of the market is a major force affecting one's portfolio, it's important to know exactly what the terms bull and bear market actually signify, how they are characterized and how each affects.

Bull and Bear- these two terms are constantly buzzing around the investing world. At the same time, because the market is determined by investors' attitudes, these terms also denote how investors feel about the market and the ensuing trend.

Simply put, a bull market refers to a market that is on the rise. It is typified by a sustained increase in market share prices. In such times, investors have faith that the uptrend will continue in the long term. Typically, the country's economy is strong and employment levels are high.

On the other hand, a bear market is one that is in decline. Share prices are continuously dropping, resulting in a downward trend that investors believe will continue in the long run, which, in turn, perpetuates the spiral. During a bear market, the economy will typically slow down and unemployment will rise as companies begin lying off workers.

**Where Did the Terms Come from?**

The origins of the terms "bull" and "bear" are unclear, but here are two of the most common explanations:

1. The bear and bull markets are named after the way in which each animal attacks its victims. It is characteristic of the bull to drive its horns up into the air, while a bear, on the other hand, like the market that bears its name, will swipe its paws downward upon its unfortunate prey. Furthermore, bears and bulls were literally once fierce opponents when it was popular to put bulls and bears into the arena for a fight match. Matches using bulls and bears (whether together or gains other animals) took place in the Elizabethan era in London and were also a popular spectator sport in ancient Rome.
2. Historically, the middlemen who were involved in the sale of bearskins would sell skins that they had not yet received and, as such, these middlemen were the first short sellers. After promising their customers to deliver the paid-for bearskins, these middlemen would hope that the near-future purchase price of the skins from the trappers would decrease from the current market price. If the decrease occurred, the middlemen would make a personal profit from the spread between the price for which they had sold the skins and the price at which they later bought the skins from the trappers. These middlemen became known as bears, short for "bearskin jobbers", and the term stuck for describing a person who expects or hopes for a decrease in the market.

**Characteristics of a Bull and Bear Market:**

Although we know that a bull or bear market condition is marked by the direction of stock prices, there are some accompanying characteristics of the bull and bear markets that investors should be aware of. These can be mentioned as below:

- ***Supply and Demand for Securities***- In a bull market, we see strong demand and weak supply for securities. In other words, many investors are wishing to buy securities while few are willing to sell. As a result, share prices will rise as investors compete to obtain available

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equity. In a bear market, the opposite is true as more people are looking to sell than buy. The demand is significantly lower than supply and, as a result, share prices drop.

- ***Investor Psychology*** - Because the market's behavior is impacted and determined by how individuals perceive that behavior, investor psychology and sentiment are fundamental to whether the market will rise or fall. Stock market performance and investor psychology are mutually dependent. In a bull market, most everyone is interested in the market, willingly participating in the hope of obtaining a profit. During a bear market, on the other hand, market sentiment is negative as investors are beginning to move their money out of equities and into fixed-income securities until there is a positive move. In sum, the decline in stock market prices shakes investor confidence, which causes investors to keep their money out of the market - which, in turn, causes the decline in the stock market.
- ***Change in Economic Activity*** - Because the businesses whose stocks are trading on the exchanges are the participants of the greater economy, the stock market and the economy are strongly connected. A bear market is associated with a weak economy as most businesses are unable to record huge profits because consumers are not spending nearly enough. This decline in profits, of course, directly affects the way the market values stocks. In a bull market, the reverse occurs as people have more money to spend and are willing to spend it, which, in turn, drives and strengthens the economy.

**BULL MARKET:**

**Definition: A prolonged period in which investment prices rise faster than their historical average.**

A bull market refers to when the prices of stocks have gone up steadily over an extended time period. A bull market means a market that is going up instead of down. Normally during a bull market, the economy of the country is stable and strong, and unemployment is low. The assumption by the investors is usually that the market will continue the upward swing. The opposite of a bull market is a bear market. A bull market can be described by some characteristics that occur, and investors should watch these characteristics closely to determine what trades to make. It is a financial market of a group of securities in which prices are rising or are expected to rise. The term "bull market" is most often used to refer to the stock market, but can be applied to anything that is traded, such as bonds, currencies and commodities.

**Why is it called a Bull Market?**

The term "bull" is used to describe the market, because bulls attack by pushing their horns out and up. Hence the thrusting motion up resembles the upward move of the markets. Also, when bulls run together, they do so without looking back and go full steam ahead. This is also the mentality of the markets as traders and speculators trip over themselves attempting to jump on the band wagon for quick gains.

**Features of Bull market:**

A bull market is not simply stocks that are on the rise in price. There are some other factors that can affect the type of market and how trades are being done as well, and this is also true in a bear market or any other market type.

- One of these factors is **the level of supply and demand for securities for trading**. A bull market will exhibit signs of a strong demand for securities against a weak supply for them. Many traders and investors want to purchase securities, but most traders and investors do not want to sell, and this will cause the market price to go up in response. Because investors want securities but they are in short supply, the investors are willing to pay a higher price for them, and this is what causes the stock price to rise.

- Another factor concerning a bull market is the **psychology** involved. The psychology of the investors is an important factor, because the behavior of the market is based in part on the behavior and mindset of the investors. The performance of the stock market and the psychology of the investors are dependent on each other, and the thoughts and fears of investors will determine whether the market goes up or down. This is a fundamental principle, and the psychology of investors will determine how the market reacts.

**Existence Period of Bull market:**

No bull market can continue to exist for a very long period, as the prices can't raise infinitly. After a certain point prices has to go down. The Bull markets lasts generally for a few months and in these months high volume of trading takes place in bull markets. In the Bull market, Bull is the investor who expects price level to rise and buys a type of security or commodity in hope of earning high profit by reselling it in the future when the price rise will takes place.

**Factor responsible for Bull Market:**

There has been a sharp rise in the index in the last year as the sensex moved from a level of 15000 to 20000 in just four months. Again SENSEX, was in a bull run for almost five years from April 2003 to January 2008 as it increased from 3300 points to 21,000 points. Another notable and recent bull market was in the 1990s when the U.S. and many other global financial markets rose rapidly.

**FINDINGS**

- The volume on the same dates or days volumes are decreased. Because on this session **ITC LTD** value is raised i.e. percentage of 1.10%.
- The volume on the same dates or days volumes are increased. Because on this session MAHINDRA & MAHINDRA LTD value is raised i.e. percentage of 10.24%.
- The volume on the same dates or days volumes are decreased. Because on this session SYNDICATE BANK value is raised i.e. percentage of 2.59%.
- The volume on the same dates or days volumes are increased. Because totally this session TVS MOTOR COMPANY LTD. EPS value is increased i.e. percentage of 3.47 %.

**Recommendations:**

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 heterogenerity 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.

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- To stop operations in the unofficial and unregulated grey market, the publication of unofficial quotation in newspaers 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.

**CONCLUSION:**

The behavior of Stock Market and the pricing of stocks rely heavily on the speculation of the investors. So, over- responses and improper speculation might give birth to illogical behavior of the Stock Market. Excessive enthusiastic anticipation about future possibilities may boost the values of stocks to an extreme high and excessive pessimism on the part of the investors might result in exceptionally low prices.

So, it is incredibly difficult to make predictions about the Stock Market and the novice investors who are not that much engaged in financial analysis of stocks; seldom receive the financial support from the Stock Market at the time of need.

The variables impacting the stock market determine the volatility of the market in which they are traded. These elements, in turn, are responsible for the growth of the stock market in any nation and making it compareable with the global markets. So, stock market development is a multi-dimensional idea.

Though many of the investors have lost life saving in the current downturn, there is life after the disaster. The Indian economic narrative remains intact with a prediction of above 9% growth for 2011-2012. The investment pipeline is anticipated to reach Rs.5, 00,000 crores. The government continues to spend heavilty on the infrastructure projects. Domestic demand is remains high. Nevertheless, the Indian stocks will continue to be appealing. Moreover, the threat of recession in the US would compel the global investors to search for new investment locations and India will be the greatest benefactor. The only thing to be kept in mind is that greed inevitably leads to devastations. The investors should not seek for extremely high returns since the amount of returns is always positively associated to the level of risk.

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