

ANALYSIS ON IMPACT OF COMMODITY TRADING ON STOCK MARKET VOLATILITY

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ABSTRACT

The Purpose of the study is to examine the impact of commodity trading on stock market volatility. The sample data consist of closing prices of NCDEX as well as closing prices of four stocks.

The study uses GARCH model to capture nature of volatility over the period of time. The evidences suggest that there is a significant change in the volatility of NCDEX, but the structure of volatility has changed to some extent.

The Finding suggests that a commodity trading has reduced the volatility in post-derivative period. However, results show mixed effect in case of 4 individual stocks. These results can assist investors in making investment decision. It also helps to identify need for regulation.

KEYWORDS: Commodity, Commodity Market, Stock Prices (Futures)