International Journal of Scientific Research & Engineering Trends
Volume 4, Issue 5, Sept-Oct-2018, ISSN (Online): 2395-566X

Relationship between Stock Prices and Rupee Dollar Parity in India

Prof. Anchit Jhamb
Dept. of MBA(Finance)
Chandigarh University
Gharuan,India
anchit786@gmail.com

Ms. Swati Aggarwal
Dept. of MBA(Finance)
Chandigarh University
Gharuan,India

***Abstract* - The dynamic linkage between rate of exchange and stock costs has been subjected to extensive analysis for over a decade and attracted goodly attention from researchers worldwide throughout the Asian crisis of 1997-98. The difficulty is additionally necessary from the perspective of recent massive cross-border movement of funds. In Bharat the difficulty is additionally gaining importance within the liberalization era. With this background, the current study examines the causative relationship between returns available market and forex market in Bharat. victimization daily knowledge from March 1993 to December 2002, so to found that causative link is mostly absent although in recent years there has been sturdy causative influence from exchange come back to forex market come back. The results, however, are tentative and that is the needfor any in-depth analysis to spot the causes and consequences of the findings.**

***Keywords* -Sensex, Rupee, Dollar, Stock Prices, Parity etc.**

I.INTRODUCTION

The Sensex and also the rupee are directly and indirectly laid low with many similar factors, as well as the outlook for the Indian economy, governance, trade deficit/surplus, foreign institutional investors' (FII) inflows and outflows, forex reserves, financial policies undertaken by governments across the world, among others.Among the varied factors, say consultants, the first one behind the direct correlation between the rupee and also the Sensex is FII flows. As a right away consequence of FIIs. The changes within the capital market bring transformation within the entire economy of the country. The boom and depression of the capital market is mirrored altogether sectors of the economy. Stock worth downward movement unendingly within the market forewarns the crisis amount in advance.

Varied studies were conducted to trace the movement of exchange and its relationship with varied economic factors. This study analyses the dynamic relationship between stock market and rate of exchange. As United States of America dollar may be a distinguished currency for foreign trade, the exchange rate of rupee and United States of America dollar has been taken for the study. rate of exchange is determined by the market driven forces when the LERMS (Liberalized Exchange Rate Management System).

Because of the world crisis, the rupee dollar rate of exchange has depreciated prominently. rate of exchange conjointly affects varied macro economic factors like GDP, BOP, funds, charge per unit and foreign reserves. CNXNIFTY Index of NSE has beentaken to check the exchange movement with rate of exchange. This Index may be a well heterogeneous one that represents the key industries of the economy.

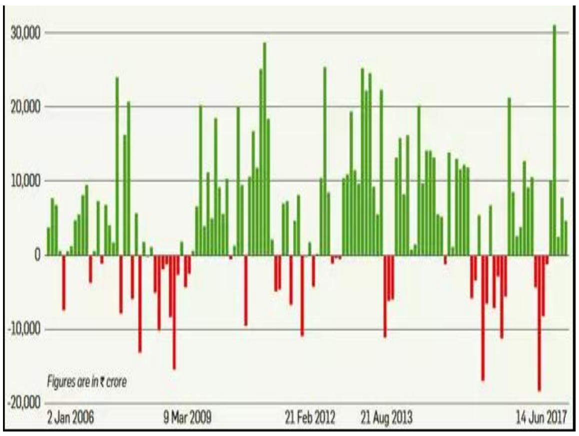

Fig.1 FII inflows strengthen the rupee and the market.

1.A strong performance in 2017

So far, in 2017, each the Sensex and also the rupee have seen a robust performance. specialists suggests that America President Donald Trump's policies have junction rectifier to a weakening of the America dollar and a relative appreciation within the rupee. The BJP's landslide conclusions within the latest Assembly elections, boosting its probabilities of retentive power

International Journal of Scientific Research & Engineering Trends
Volume 4, Issue 5, Sept-Oct-2018, ISSN (Online): 2395-566X

in 2019 within the Centre, have conjointly boosted FII investments and also the exchange.

2.The Sensex and rupee follow a similar trend- Barring the period 2012-2014, the rupee has risen and fallen with the market—though not by the same degree

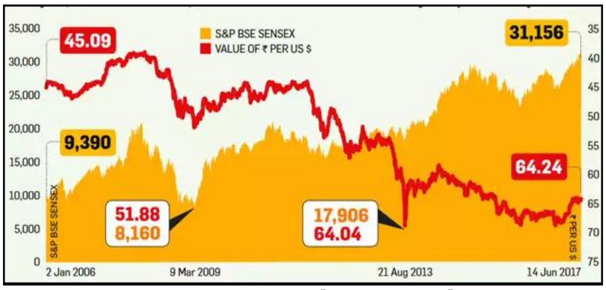

Fig.2 Sensex and rupee trend

II. HOW CURRENCY FLUCTUATION EFFECT ON STOCK MARKET

Whether or investors comprehend it, there's an honest probability that some of their equity holdings is exposed to currencyfluctuations. once it involves foreign currency movements, the supply of company revenues is as necessary as whereverthe company is predicated, though the corporate is predicated within the us. Here is premier on however currency fluctuationcan have an effect on stocks.

1.Strong Dollar: Not invariably smart-The United States greenback fluctuates in price against the world's alternative currencies. For equity investors, a robust greenback isn'talways smart factor. as an example, associate degree capitalist obtain shares of XYZ opposition., that derives one third of its revenue from japan one third of Eurozone and one third of the us, during a specific quarter, the monetary unit and yen area unit weak against thedollar. Upon changing revenue attained in those regions into greenback and conniving that quarter's profit, XYZ hasfewer greenbacks, which can crimp its profits.

2.Benefits of a Weak greenback-Just as a robust greenback are often a retardant on a company's bottom line, a weak greenback are often a boon for the corporate and itsshareholders. mistreatment the XYZ example once more, assume that the monetary unit and yen were robust against the greenback throughout thequarter. which means it takes less of these currencies to shop for a lot of dollars. Transaction: XYZ can have a lot of greenbackswas weak against the monetary unit and yen.

3.Global finance-When investors obtain foreign stocks, though the stocks is listed on a United States exchange there still exposure thereto country'scurrency fluctuations against the greenback. T Rowe worth describes a state of affairs that edges U S capitalist in foreign stocks:if the greenback makes robust gain against Chile's peso, demand for imports from Chile in all probability would rise as a result of U. Sbuyers would be paying less for them. This would possibly boost stock costs of Chilean export firms as a result of it might increase their revenues and their merchandise.

4.Volatility-One of the most reasons U. S stocks usually seems less volatile than their foreign counterparts is as a result of some foreigncurrencies area unit themselves volatile. Studies have shown that redoubled currency risk will mean higher portfolio volatility and perhaps hinder associate degree investor's overall returns

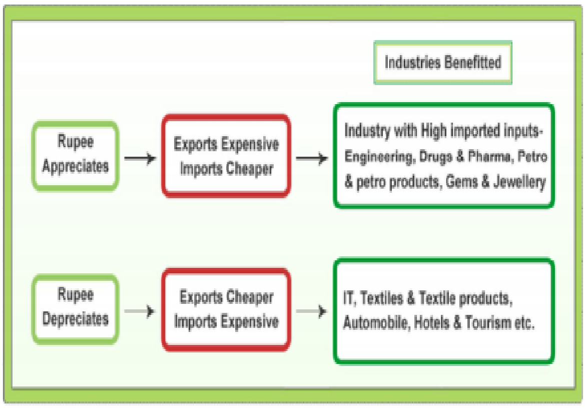

Fig.3 Relationship.

Sector	Category	Rupee	Exposure
Information Technology	Exporter	Strong	Sell
		Weak	Buy
Textile	Exporter	Strong	Sell
		Weak	Buy
Petrochemical	Importer	Strong	Buy
		Weak	Sell
Pharmaceuticals	Exporter/Importer	Strong	Tricky
		Weak	Tricky
Auto	Exporter	Strong	Sell
		Weak	Buy

Fig.4 Summary of Buy/Sell decisions in Stock Market and Rupees.

III.CONCLUSION

It's in all probability additional sensible to use strictly technical trend-following ways. Currency trends tend to be outlined and last affordable lengths. Moving average systems with 2-3 3 month periods (40-60 days) appear to present glorious returns. Snapbacks within the rupee coincide roughly with securities market recoveries. If the rupee's moves square measure somewhat additional certain.All the higher than have negative impacts on the rupee and therefore, the rupee ought to lose ground against most major currencies. A pessimistic stance on the rupee appears an affordable thanks to hedge associate Indian equity portfolio since the rupee appears related to Indian equity indices at this instant.

Annexure

1. Fig-1 FII inflows strengthen the rupee and the market
2. FIG-2Sensex and rupee trend
3. Fig-3 Relationship
4. Fig-4- Summary of Buy/Sell decisions in Stock Market and Rupee.

REFERENCES

[1]. http://unpan1.un.org/intradoc/groups/public/documents/apcity/unpan025797.pdf
[2]. https://economictimes.indiatimes.com/wealth/invest/how-closely-are-the-rupee-and-stock-market-movements-correlated/articleshow/59189946.cms
[3]. http://www.ijaiem.org/Volume5Issue6/IJAIEM-2016-07-01-45.pdf
[4]. https://www.businessstandard.com/article/markets/correlation-between-currency-and-stocks-111020600017_1.html
[5]. https://www.equityfriend.com/articles/38-effect-of-rupee-movement-on-stock-prices.html
[6]. https://pdfs.semanticscholar.org/a447/5882982f68062563c56269ea7cde1aff2994.pdf