

A STUDY ON NSE VOLATILITY INDEX AT ANGEL BROKING

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ABSTRACT

Volatility Index is a measure of market's expectation of volatility over the near term. Volatility is often described as the "rate and magnitude of changes in prices" and in finance often referred to as risk. Volatility Index is a measure, of the amount by which an underlying Index is expected to fluctuate, in the near term, (calculated as annualised volatility, denoted in percentage e.g. 20%) based on the order book of the underlying index options. India VIX is a volatility index based on the NIFTY Index Option prices. From the best bid-ask prices of NIFTY Options contracts, a volatility figure (%) is calculated which indicates the expected market volatility over the next 30 calendar days. India VIX uses the computation methodology of CBOE, with suitable amendments to adapt to the NIFTY options order book using cubic splines, etc.

1.INTRODUCTION

Financial exchange files are the gauges of the securities exchange. They reflect the financial exchange conduct. With somewhere in the range of 7,000 organizations recorded on the stock trade, it is absurd to expect to take a gander at the cost of the each stock see if the market development is upward or descending. The lists give an expansive blueprint of the market development and speak to the market. The worldwide Financial emergency has re-stressed the effect of instability on portfolios. Post the budgetary emergency speculators began investigating different choices to fence their portfolios against evolving volatilities. Center to list presentation, expanding crosswise over resource classes and unpredictability as one of the benefit classes have developed. Trade exchanged items on instability have grabbed. Instability can be estimated through unpredictability lists. The primary instability file was VIX presented at CBOE. The instability list is likewise presented in a few created and developing markets. These unpredictability lists are proportion of market desire for instability over a transient period. In India,

National Stock Exchange of India Ltd. has developed an instability list called India VIX*.

2.NEED FOR THE STUDY:

The need of the undertaking is to comprehend the unpredictability of financial exchange. It comprehends distinctive speculation roads accessible in India and furthermore to make mindfulness about beneficial venture openings. With the assistance of the examination, the financial specialist can comprehend the different components that are considered before contributing.

3.SCOPE OF THE STUDY:

The extent of the investigation is restricted to just two organizations. The investigation comprehends the financial specialists feature before putting resources into any of the speculation instruments and along these lines to examine the significant perspectives for the speculators before contributing.

4.OBJECTIVES OF THE STUDY:

1. To examine the impacting variables of financial exchange unpredictability list .

2. To break down the instability of unpredictability list .
3. To assess the hazard and return including in the financial exchange utilizing instability file.
4. To know the speculator conduct towards instability of protections by unpredictability list

5.RESEARCHMETHODOLOGY

The gathering of information simply dependent on auxiliary information. The information is gathered from the BSE site and other related organizations sites. Time of the investigation: recent year information i.e.from2016 Devices and procedures of Analysis: Use of the devices and strategies for the information investigation are Charts, Graphs, Trend examination SD

.6.LIMITATIONS OF THE STUDY:

1. Securities exchanges are exceptionally unstable; it is hard to break down the market conduct.
2. The classified information is another restricting element and the non-accessibility from the chose organizations.
3. There was an imperative with respect to time portion for the investigation that is for a time of 45days..

7.DATA ANALYSIS

<i>Duration</i>	<i>Correlation</i>
1 week	-0.68
1 month	-0.74
2 months	-0.76
3 months	-0.88
6 months	-0.32

INTERPREATION:-The most eminent element of the VIX is its negative relationship with the value list. This

presents monstrous potential to utilize the unpredictability resource class as offered by the VIX

8.FINDINGS

as a compelling supporting instrument. The connection of Indian VIX with the NIFTY file is appeared in the accompanying table for different periods. The negative connection of VIX with NIFTY as observed from the

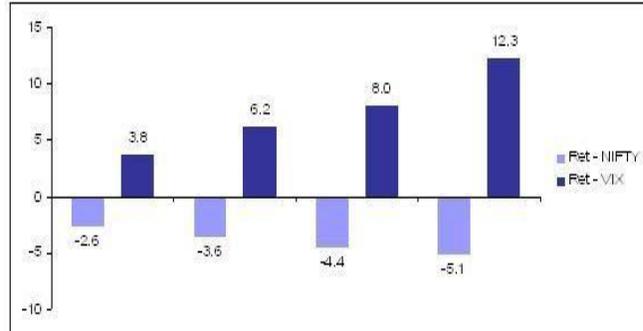


table makes it an amazing supporting device.

9.SUGGESTIONS

The arrival of VIX file was seen when the NIFTY file gave negative returns. The examination was accomplished for the days with not exactly - 1%, - 2%, - 3% and - 4% returns. The period picked for the examination of the information was November 1, 2007 to July 31, 2008. It was seen that the quantity of days on which NIFTY gave not exactly - 1% return is 59 and the normal profit for nowadays is - 2.64%. Out of these 59 days, the VIX list gave positive profits for 50 days. The normal profit for VIX record for these 59 days (when the NIFTY file was up 1%) was 3.75%. This demonstrates VIX balances the negative returns of the fundamental file.

A comparable exercise was completed for the days on which NIFTY gave returns of - 2%, - 3% and - 4% separately. It very well may be considered that to be the normal profit for NIFTY declines, the arrival on VIX list increments. The negative NIFTY returns and comparing VIX returns are appeared in Exhibit 3.

10.CONCLUSIONS

One of the significant inadequacies is the illiquid alternative markets that are available in India. This is commonly found as low volumes for far month alternatives, just as a high offer ask spread. Additionally, the VIX count accept that the choice costs are consistent. In US the distinction between the sequential choices strike is 25 while in India it is 50, which is in opposition to the nonstop strike value presumption. Such factors lead to a determined VIX esteem which might be one-sided because of illiquidity, low volumes and non nonstop strike costs. This predisposition might be expelled by utilizing an adjusted computation of the Indian VIX utilizing volume and offer ask spread channels.

Another inadequacy that we watched was the absence of straightforwardness in the NSE manual in regards to the VIX figuring. The NSE VIX approach makes reference to MIBOR as the hazard free rate, anyway it doesn't specify the term span of the MIBOR rate that should be utilized.

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