

## **Abstract**

Psychologists have long known that sunlight, or rather a lack of sunlight, influences people's mood, thinking, and judgment. In finance, researchers have applied these behavioral influences on stock prices. Thus, we are looking at stock prices change from different outlook. We have tried to evaluate the relation between stock prices and weather/ Seasonal Affective Disorder (SAD) which influence an investor's emotional state. The study has used minimalistic approach to investigate effect of moods on financial market in India. We have used wide variety of financial market data, namely yields, stock market returns, VIX volatility index and several weather variables and SAD proxy. We have distinguished our model with direct effects of weather and SAD and indirect effects, where mood is used as a latent variable. The latter model is defensible by Psychological literature whereas former is mainly used as an approximation. We express that the results of direct model are biased and relied more on indirect effects for our conclusion.