

**STOCK MARKET VOLATILITY AND ITS COVARIATES  
IN THE INDIAN STOCK MARKET**

By

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# **STOCK MARKET VOLATILITY AND ITS COVARIATES IN THE INDIAN STOCK MARKET**

## **ABSTRACT:**

Stock price Volatility is the source of risk in an investor's portfolio. Recent incidents in the financial markets across the world as well in India have shown that the Financial market volatility have wide scale repercussion on the economy as a whole. Hence there is a necessity to understand time path and nature of volatility of stock returns. In this study, an attempt has been made to analyze the behavior of volatility in the Bombay Stock Exchange Index. The nature of volatility persistence, its possible relationship with foreign institutional investment and the flow of unexpected news have been examined in this study. The results of the study suggest that there exist a substantial volatility clustering in case of BSE SENSEX for the period Jan1999-Dec2009. More over we find that volatility persistence is more for sub-period January 2005 to December 2009 than for sub-period January 1999 to December 2004. The results also indicate that the volatility in the second sub-period can be attributed to the volatility in FII flow and unexpected news flow.

Key Words: BSE, Volatility, Asymmetric GARCH Models, Clustering, Leverage effect