

Chapter 20

Study on Indian Stock Market Performance Based on Commodities

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ABSTRACT

A stock exchange facilitates trading shares of publicly listed companies. The trading process is operated through two non-separable and mutually supporting segments called as primary and secondary markets, governed by the Security and Exchange Board of India abbreviated as SEBI. The platform which forms and sale the new securities is known as primary market and the platform in which dealings of these previously issued securities is known as secondary market. Stock market or equity market is the area that facilitates the trading of the publicly listed security shares in the secondary market, and as of now, more than 1300 securities are available in the exchange for trading. The trading process is analyzed using trading ring in earlier days. The authors focus on analyzing the effect of dollar sell, dollar purchase, and commodities price under the oil and gas group crude oil on Indian stock indices.

INTRODUCTION

There are many fluctuations in the economic activities due to several factors. The trader need to understand the changes and analyze the caused factors for better trading. For trading financial products, the stock exchange acts as a key platform, whereas the commodity market is used for buying or selling commodities. The financial derivatives differ from commodity derivatives in two aspects') creates the

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need for warehousing ii) A major variation in the quality of the underlying asset. Only the exchange listed securities or shares are liable for the purchase or sell. Therefore, it is mandatory for the companies, brokers, traders and investors to register with SEBI and the exchange before trading. There are two markets in securities market world; the primary market, where an Initial Public Offering (IPO) can place takes. In these listed companies' offers the shares to the general public, to raise capital. Secondary market where one investor can buy/sell shares from another at the current market price or at whatever price they agree upon. Stock market or Equity market is the area which facilitates the trading of the public listed security shares in the secondary market and as of now, more than 1300 securities are available in the Exchange for trading. The National Stock and the Bombay Stock are the India's premier exchanges for stocks. NSE index popularly known as NIFTY, indicates the concert of the most popular, profitable and largest 50 companies. It is the world's third and India's prevalent stock exchange in terms of transaction amounts & volumes.

The BSE Index known as Sensex, indicate the concert of the most popular, profitable and largest 30 companies. It is the Asia's oldest large stock exchange with listing of 5000 corporations holds third, tenth places in national and universal stock world. In financial market, there are inseparable entities like bonds, commodities, currencies and stocks are connected in various ways, by creating sources of events and trends. The companies listed under stock exchanges and decisions made by investors can impact the commodities throughout the economy in terms of price, availability, production which help Investors to monitor the effects of price in different markets. The finance in terms of opportunities are generated for the commodity based companies, which functions on natural resources like coal mines, oil drillers, natural gas drillers, rock quarries by the stock market. In general, the trading of commodities is in terms of interchange between supply and demand. The low capital companies can also showcased and lead to global level via IPO & secondary offerings. As it is showcased to global level every business started producing and procuring of commodities, the supply of commodities hiked irrespective to the demand, may result in price drop and the investors are attracted with high demand products may take those respective commodities, which leads to the change in balance sheets and income statements of the publicly traded commodities companies. Finally this effect carried to valuation of company and value of their stock in the stock market. The term Stocks is used to represent individual ownership as fractional share in corporate business. The direct purchase of stocks can be allowed from the Initial or secondary public offerings, and also indirect purchase can possible from other stock investors on stock exchanges.

The Commodities is the term used to represent the natural resources and basic materials. For example, coal, copper, gold, silver, nickel, iron, zinc, oil, natural gas, certain fruits and basic foods, such as wheat and barley, spices etc. treated as commodities, which are used in all manufacturing and production processes. Both stocks and commodities are the tradable assets with market established value and allowed to trade on physical exchanging floors and through electronic trading networks without physical goods ever being exchanged. Stocks and commodities are separated as the financial and raw product or commodity trade sectors respectively. The strength of the companies in stock market under commodities sector is more, as it is purely investor sentiment based marketing which creates self-fulfilling expectations and impact individuals' every day decisions about fundamental needs. The commodities market influences the stock exchange more considerably than stocks influence commodities. Changes in commodities prices make a stream down impact that eventually influences prices in the stock market. Since commodities represent the basic building blocks of all products in an economy, the prices of commodities affect the operational costs of corporations. This can drive corporations to change the prices they charge buyers, and this ultimately prompts to an alternative financial picture being denoted in quarterly and annual

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