

Chapter 17

Effect of Crude Oil Price Variations on Stocks With Special Reference to NSE


Shimna Jayaraj
Jain University, India

T. Shenbagavalli
Jain University, India

V. Vipanchi
Jain University, India

B.S. Sudha
Jain University, India

Juhi Jain
Jain University, India

Biswaranjan Senapati
 <https://orcid.org/0000-0002-0717-5888>
Parker Hannifin Corp., USA

ABSTRACT

Crude oil consumption is one of the major economic indicators in the economy. The study examines the interrelation between crude oil prices and the stock market. The stock market indices chosen are Nifty 50, Nifty 100, Nifty 200, Nifty 500, Nifty Auto, Bank, and FMCG. The study has considered only one event, i.e., crude oil for six years, leaving a research gap for analyzing other macroeconomic indicators affecting the Indian stock market. This chapter intends to investigate whether any impact exists on different indices of NSE due to the changes in prices of crude oil globally due to certain internal and external factors. This chapter also helps suggest to the investors their deals in Indian and global markets. This study is done to know the impact of fluctuations in crude oil prices in the global market, which affects the Indian stock market, and also to know the reasons for the fluctuations in crude oil prices. This study also analyzes the dependency level of both variables (crude oil prices globally and the same prices in the Indian stock market).

1. INTRODUCTION

National Stock Exchange: NSE is one of the largest stock exchanges in the world, situated in Mumbai. It was set up in 1992. The National Stock Exchange (NSE) was the first exchange in India to provide a fully automated trading platform in the form of a screen-based electronic system available throughout the country. NSE has changed how it functions, considering the latest developments in the Indian economy and technology (Akshaya & Naachimuthu, 2022). NSE has incorporated many financial asset classes and customer segments today. Its multiple roles now include an exchange regulator, Index provider, investor educator, etc. It offers exchanging, clearing, and settlement administrations. It is the only business in India to provide an electronic trading office. As a result, it is the only one that can bring the whole nation's network of financial experts together. Way2Wealth was consolidated as Sivan Web Trading Pvt Ltd in the year 2000 in Bangalore and was rebranded as Way2Wealth Securities Pvt Ltd around the same time. It is a retail-engaged speculation consultative business and provides many other budgetary administrations (Aswathi et al., 2021). As per BSE, It was also positioned among the main ten broking elements in the retail broking section during the budgetary year 2019. It is available crosswise over 21 states in India.

Table 1 gives a clear picture of India's crude oil consumption from 2015 to 2020

Table 1. Consumption of crude oil through imports (%)

Financial Year	Consumption of Crude Oil Through Imports (%)	Amount (\$ Million)
2015	77.3	1,43,639
2016	78.3	1,16,443
2017	80.6	65,923
2018	81.7	70,705
2019	83.7	87,372
2020	89	77,000

The positive impact of crude oil prices on the stock market: Energy companies that produce and sell oil tend to see an increase in earnings as crude oil prices rise, which can result in higher stock values for those companies. Reduced gas prices may stimulate consumer spending, which would be advantageous for retailers and manufacturers of consumer goods and the economy as a whole (Gupta, 2022). Positive effects on GDP: In many nations, the energy sector is a major contributor, and rising crude oil prices may indicate more economic activity and expansion (Al-Maaitah et al., 2021a). Increasing investment in oil exploration and production: If crude oil prices rise, businesses might invest more in these activities, which could create jobs and economic expansion (Al-Maaitah et al., 2021b). Crude oil price growth has a positive impact on commodity prices. Prices can indicate a rise in demand for goods, such as metals and minerals, which could result in higher prices and be advantageous for businesses in those sectors (Gupta, 2021a).

Beneficial effects on transportation firms: Oil-dependent transportation firms, like airlines and shipping firms, may profit from higher ticket and freight costs as crude oil prices rise. Positive effect on stock market sentiment: Higher crude oil prices can indicate economic optimism and help to boost the market's

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