



Macro Economic Factors on Sensex – An Impact Study

Dr. M. Kavitha

Asst. Professor, SSN School of Management, Chennai – TN, South India

Dr.K.Sampath Kumar

Professor, SSN School of Management, Chennai – TN, South India

Abstract

The study investigates the relationship between the Indian stock market performance (BSE Sensex) and five macroeconomic variables, namely, index of industrial production, wholesale price index, gold price and foreign institutional investment. The main objective of this paper is to study the impact of selected macroeconomic fundamentals on the performance of BSE Sensex. It also found the long run relationship between macroeconomic variables and stock market indices. The study also revealed the causality run from exchange rate to stock market indices to IIP and Oil Price. The analysis reveals that macroeconomic variables and the stock market index are co-integrated and, hence, a long-run equilibrium relationship exists between them. It is observed that the stock prices positively relate to the money supply and industrial production but negatively relate to inflation. The exchange rate and the short-term interest rate are found to be insignificant in determining stock prices.