A Study on the Pricing Efficiency of Selected Single Stock MIDCAP Futures and Spot Market Prices in India

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ABSTRACT
The Objective of this paper is to examine the Lead lag Relationship between Midcap Spot and Futures prices with reference to the Midcap stocks traded in National stock exchange. The Purpose of the study is to ascertain the Price discovery function, which market sources the information rapidly. A sample of 5 stocks is chosen from the Midcap Nifty to conduct the analysis. Cross Correlation, Vector Auto Regression and Granger Causality test were deployed to identify the Short term and Long term relationship between the variables. The Analysis was conducted on the data obtained from NSE website from their inception to 31st December 2013. The study results confirm the existence of Lead of Futures in few stocks but lags in most of the stocks and it also indicates dimensions for future research.

Keywords: Lead Lag Relationship, Cointegration, Granger Causality test, Futures Market, Midcap Shares, Price discovery function