

An Analysis of Financial Markets in India

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Abstract: *In the empirical finance literature, the flow of information between financial markets has received substantial attention. For the financial year 2014-2015, the study's basic data consists of four variables: spot equity index rates, 3 month future equity index rates, repo rate, and dollar/rupee exchange rate. These variables are used to examine the interrelationship between different types of financial markets, namely Capital Market, derivative market, Money Market, and Foreign Exchange market. Using simple regression analysis, this paper attempts to examine the impact of the Equity Spot Market on the Forex, Money, and Index Futures Markets. The outcome reveals that the Spot Market has a substantial effect on the Futures Market, and that the Futures Market is largely dependent on the Spot market. The conclusion of the regression study, however, does not indicate the existence of a notably substantial impact of the Spot Market on the Forex and Money Markets. Using univariate Granger Causality, the study attempted to investigate the causative relationship between Capital Market, Money Market, Forex and Futures Market, but found no indication of a causal relationship between these divisions of the Financial Market*

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