

IMPACT OF CURRENCY FLUCTUATION ON THE INDIAN STOCK MARKET AND RELATED INVESTMENT OPPORTUNITIES

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ABSTRACT

This paper assesses the impact of currency fluctuation on the Indian Stock Market and relative investment opportunities for an investor during the period 2013-2018. For this purpose, a descriptive as well as causal research is conducted where we have tested the hypothesis to come out with the major findings, conclusions, limitations and recommendations of this study. In order to achieve the main objectives of our study that is how currency fluctuation and several other factors impact the Indian Stock Market, how investors design their portfolio by investing in particular sectors to take advantage of currency fluctuation to gain maximum returns and finally to establish a relationship between exchange rates and Nifty sectors we have used statistical techniques of data analysis like correlation, regression and ANOVA. Data is collected through primary as well as secondary sources. We established that Nifty50 and currencies like USD, Yen, Euro and GBP have a negative correlation and that USD is the most influential currency that affects Nifty50. Also, the auto index, power sector, oil and gas sector show negative correlation and IT index and healthcare show no significant correlation with USD. This paper recommends investors to sell their shares of the power, oil and gas sector when the Indian Rupee depreciates to reduce losses or go on a short position. Similarly, investors can go on a long position if the Indian Rupee appreciates. Also, Investors can either hold their existing positions or exit the market when it comes to IT and pharmaceutical sector as they can move in any direction due to currency fluctuation. All in all, to obtain maximum returns investors can look at inflation or interest rates to predict the currency movements, and thereby design their portfolio in the respective Nifty50 sectors.

KEYWORDS: *Currency Fluctuation, Interest Rates, Inflation, Investor Sentiments, Fii, Investment Opportunities.*

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