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   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

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   RECOMMENDATIONS/SUGGESTIONS

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   ACKNOWLEDGMENTS

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   APPENDIX/ANNEXURE

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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
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ONLINE RESOURCES

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WEBSITES

- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

WHAT DRIVE BSE AND NSE?

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ABSTRACT
In the economic environment of the information age, the performance of the stock market is considered as an important indicator of the health of a nation's economy. Typically, the performance of any stock market is reflected through stock market prices. When the stock Market tumbles, investors and others become nervous about the Weakness of the economy. When the stock market is strong and steady, everyone senses economic prosperity. It can be difficult to predict the price of stocks, because those prices vary constantly based on a variety of factors. There are many sorts of factors contribute to changes in stock market. The purpose of this paper is to explore factors affecting Indian stock market BSE Sensex and NSE Nifty.

KEYWORDS
Sensex, Nifty, Factors, Closing Price.

INTRODUCTION
Capital Markets in India are characterized by its vibrant equity and debt markets assuming a fast paced growth. With domestic savings and investments grow at a higher rate every year, capital markets strive to channelise more and more savings into the financial system, thereby increasing the depth of the markets. It also provides the essential attributes of marketability, liquidity and safety of investments to the investors. A well organized and regulated capital market facilitates sustainable development of the economy by providing long-term funds in exchange for financial assets to investors. New vistas have opened up for the domestic players providing them with immense opportunities to gain a foothold in capital markets. As Indian market is moving forward to integrate with the global capital markets, financial stability and resilience assume increased significance.
Stock exchanges play a vital role in the growth of capital markets, with infrastructure platforms like depositories, clearing houses stock exchanges and commodity exchanges standing as the pillars in the financial markets. It is through stock exchanges that capital markets are able to trade with efficiently, adopt adequate risk management measures, establish transparent communication channels to benefit all stakeholders. Dematerializing of shares by depositories and the initiation of online stock exchanges has helped to increase the accessibility of capital markets to the average investor. The adoption of the market-oriented economic policies and online trading facility transformed Indian equity markets from a broker-regulated market to a mass market. This boosted the sentiment of investors in and outside India and elevated the Indian equity markets to the standards of the major global equity markets.
The securities market is divided into two interdependent segments:
- The primary market provides platform for issuance of new securities by governments, companies or public institutions. In the case of new stock issue, the sale is known as Initial Public Offering (IPO).
- The secondary market is the financial market where previously issued securities and financial instruments such as stocks, bonds, options, and futures are traded.

BOMBAY STOCK EXCHANGE (BSE)
There are 23 stock exchanges in India. The first happened to be the Bombay Stock Exchange (BSE), which began formal trading in 1875 Mumbai Stock Exchange popularly known as the BSE is Asia's oldest stock exchange. The Exchange is located at Dalal Street in Mumbai. Originally it was called 'The Native Share & Stock Brokers Association'. In 1956, the BSE happen the first stock exchange to be recognized by the Indian Government under the Securities Contracts Regulation Act (SCRA). The Bombay Stock Exchange developed the BSE SENSEX in 1986. In 2000 the BSE used this index to open its derivatives market, trading SENSEX futures contracts. The development of SENSEX options with equity derivatives followed in 2001 and 2002, expanding the BSE's trading platform. The Bombay Stock Exchange switched to an electronic trading system in 1995. This automated, screen-based trading platform called BSE On-line trading (BOLT) currently has a capacity of 8 million orders per day. The BSE has also brought the world's first centralized exchange-based internet trading system, BSEWEBx.co.in to enable investors anywhere in the world to trade on the BSE platform. The equity stock market capitalization of the companies listed on the BSE was US$1 trillion as of December 2011, making BSE 6th largest stock exchange in Asia and 14th largest in the world. The BSE has the large number of listed companies in the world. As of March 2012, there were over 5,133 listed companies of India and over 8,196 scrips on the stock exchange. The Bombay Stock Exchange has a significant trading volume. The BSE SENSEX, also called "BSE 30" is a widely used market index in India and Asia.

NATIONAL STOCK EXCHANGE (NSE)
The National Stock Exchange of India was set up by Government of India on the recommendation of Pherwani Committee in 1991. In April 1993, it was recognized as a stock exchange under the Securities Contracts (Regulation) Act, 1956. NSE commenced operations in the Wholesale Debt Market (WDM) segment in June 1994. The Capital market (Equities) segment of the NSE commenced operations in November 1994, while operations in the Derivatives segment commenced in June 2000. It is the 16th largest stock exchange in the world by market capitalization and largest in India by daily turnover and number of trades, for both equities and derivative trading. NSE has a market capitalization of around US$985 billion and over 1,646 listings as of December 2011. Though a number of other exchanges exist, NSE and the Bombay Stock Exchange are the two most significant stock exchanges in India. The NSE's key index is the S&P CNX Nifty, known as the NSE **NIFTY** (National Stock Exchange Fifty), an index of fifty major stocks weighted by market capitalization.

LITERATURE REVIEW
A large number of empirical studies have been conducted about the determinants of stock prices that is factors affecting stock market. In this section, some of these studies will be reviewed. However, most of these studies dealt with stock markets of developed countries like USA, UAE, Japan, whereas there have been few such studies carried out about the Indian Stock Market.

Factors affecting stock markets have been studied from different points of view. Several researchers examined the relationships between stock prices and selected factors which could be either internal or external. The results show a variety of findings depending on the scope of the study. Some of those factors could be common for all stock markets. However, it is difficult to generalize the results due to the various conditions that surround each stock market environment. Each market has, for example, its own rules and regulations, country of location, type of investors, and other factors that provides the basis of its uniqueness.

Some studies concluded that company fundamentals such as earning and valuation multiple are major factors that affect stock prices. Other indicated that economic conditions, inflation, investor behavior, the behavior of the market and liquidity, are the most influencing factors of stock prices. In addition, the effect of interrelated factors has been covered in some other studies. The following of this section deal with different types of studies

Mukherjee and Naka (1995) investigate the relation between Tokyo stock prices and six macroeconomic variables using a vector error correction model with 240 monthly observations for the period of January 1971 to December 1990. The results of this study show that the relationship between Tokyo stock prices, the exchange rate, money supply, and industrial production is positive, whereas the relationship between Tokyo stock prices and inflation and interest rates is mixed.

Zhao (1999) studied the relationships among inflation, output (industrial production) and stock prices in the Chinese economy employing monthly values covering the period from January 1993 to March 1998. The results saw a significant and negative relation between stock prices and inflation. The findings also showed that output growth negatively and significantly affect stock prices.

Maysami and Koh (2000) studied the relationships between the Singapore stock index and selected macroeconomic variables from 1988 to 1995 and they found that there existed a positive relationship between stock returns and changes in money supply but negative relationships between stock returns with changes in price levels, short- and long-term interest rates and exchange rates.

Naka (2001) tested long-term equilibrium relationship among selected macroeconomic variables and the Bombay Stock Exchange index. The results of the study indicate that domestic inflation is the most severe deterrent to Indian stock market performance, and domestic output growth as its predominant driving force.

The empirical study taken up by **Ralph and Eriki (2001)** on the Nigerian Stock Market investigating the relation between stock prices and inflation provides a strong support for the proposition that inflation exerts a significant negative influence on the behavior of the stock prices. The study analyze that stock prices are also strongly driven by GDP, interest rate, money stock, and financial deregulation. On the other hand, the findings of the study explained that oil price volatility has no significant effect on stock prices.

Al-Qenae (2002) made an important contribution by investigating the effect of earning and other macroeconomic variables on the stock prices of Kuwait Stock Exchange during the period 1981-1997. The macroeconomic variables studied are gross national product, interest rate, and inflation. The result found a significant and higher sensitivity of the estimated earning response coefficient with the leading period returns. Besides, both inflation and interest rate have negative and statistically significant coefficients in almost all cases on stock prices while GNP has positive effect but it is only significant in a certain (high) return measure interval.

Dimitrios Tsoukalas (2003) tested the relationships between stock prices and macroeconomic factors in the emerging Cypriot equity market. In this study, the author has used the vector autoregressive model. The macroeconomic factors examined from the period 1975 to 1998, are exchange rate, industrial production, money supply, and consumer prices. The result of the study was a strong relationship between stock prices and those macroeconomic factors.

Ibrahim (2003) applied cointegration and VAR modeling to study the long term relationship and dynamic interactions between Malaysian Equity Market, various economic variables, and major equity markets in the United States and Japan. The study yielded two main results: first, the Malaysian stock price index is positively related to money supply, consumer price index, and industrial production. Second, it is negatively linked to the movement of exchange rates.

Chaudhuri and Smiles (2004) investigated the long run relationship between stock prices and changes in real macroeconomic activity in the Australian stock market for the period from 1960 to 1998. The real macroeconomic activities include real GDP, real private consumption, real money, and real oil price. The results of their study show that long run relationships between stock prices and real macroeconomic activity. The study also found that foreign stock markets such as the American and New Zealand market significantly affect the Australian stock return movement.

Mishra (2004) by using monthly data for the period 1992 to 2002, examined the relationship between stock market and foreign exchange markets using Granger causality test and Vector Auto Regression technique study suggested that there is no Granger causality between the exchange rate return and stock return.

Basher and Sadorsky's (2006) investigated the impact of oil price changes on the stock market returns of 21 emerging economies found strong evidence of the effect of oil prices being positive and statistically significant at the 10% level to stock market returns for most of the countries studied.

Bhattacharya and Mukherjee (2006) studied the relationship between the Indian stock market and seven macroeconomic variables by employing the VAR framework and Toda and Yamamoto non-Granger causality technique for the sample period of April 1992 to March 2001. Their results showed that there was no causal linkage between stock returns and money supply, index of industrial production, GNP, real effective exchange rate, foreign exchange reserve and trade balance

Pal and Mittal (2011) investigated the relationship between the Indian stock markets and macroeconomic variables using quarterly data for the period January 1995 to December 2008 with the Johansen's co-integration framework. Their analysis revealed that there was a long-run relationship exists between the stock market index and set of macroeconomic variables. The results also showed that inflation and exchange rate have a significant impact on BSE Sensex but interest rate and gross domestic saving (GDS) were insignificant.

In the light of review of the literature it can be concluded many authors have tried to show reliable associations between macroeconomic variables and stock returns. They identified several key macroeconomic variables which influenced stock market returns based different model. Most of this study happened in foreign stock market. This paper study factors affecting Indian stock market BSE and NSE.

NEED FOR THE STUDY
As a person develop experience as an equity investor, it becomes increasingly important to keep host of factors in mind since knowing the effects of these factors can make a difference between whether person as equity investor succeed or fail. It is with this in mind that this paper is meant to identify some of the top factors that are responsible for changes in stock market prices

STATEMENT OF THE PROBLEM
Fear in 2008, loved and feared in 2009, loved in 2010, feared in 2011, again loved and little feared in 2012… As the year draws to a close, the question every investor is asking is-will India's stock markets smile in coming year or otherwise. What are the major factors that affect share prices in the stock market? These are the most frequently asked questions by stock market participants. There are many things that equity investor need to consider when they go for investing their hard earned money in the stock market. They should never be in a haste to invest their money in the stock market. The purpose of this paper is to explore factors affecting Indian stock market that is BSE Sensex and NSE Nifty

OBJECTIVES
This paper aims at the following objectives
1) To explore the various factors affecting the Indian Stock Market (BSE Sensex and NSE Nifty)
2) To Identify these factors having significant impact on BSE Sensex and NSE Nifty

DATA COLLECTION – TOOL

A Research is purely and simply the framework of plan for a study that guides the collection and analysis of data. As the study is intended to find and understand the factors affecting Indian stock market, the research is empirical in nature and makes use of secondary source.

FACTORS

Stock market is something where you can never foretell what is going to happen in the market. You might get huge profit or incur losses when the stock market crashes. There are many **factors affecting share prices**. It is very difficult to say just which one or two factors affect the share prices. This paper studied the factors that affect Indian stock market BSE Sensex and NSE Nifty and share prices.

The major factors driving the Indian stock market can be broadly categorized into two (1) Market specific and (2) Stock specific. The market specific factor is influenced by the investor's sentiment towards the stock market as a whole. Theses factors depend on the market rather than the performance of any particular company. Events favourable to an economy, political or regulatory environment like high economic growth, friendly budget, stable government etc. can fuel euphoria in the investors, resulting in a boom in the market. On the other hand, unfavourable events like global crisis, inflation rise etc. depress the market irrespective of certain companies performing well. The stock-specific factor is related to people's expectations about the company, its future earnings numbers, financial health and management, marketing skills and technology. This study proceed to briefly describe and illustrate the relationship between these factors and its effect on Indian stock market that BSE Sensex and NSE Nifty

FISCAL AND TRADE DEFICIT

Fiscal deficit means when a government's total expenditures exceed the revenue that it generates (excluding money from borrowings). Trade deficit means an economic measure of a negative balance of trade in which a country's imports exceeds its exports. A trade deficit represents an outflow of domestic currency to foreign markets.

Marco-economic worries arising from the country's high fiscal and trade deficit weighed on sentiment as the Indian market lost. The BSE Sensex lost 356.26 points or 2.07% in that week ended Friday, 4 May 2012, to settle at 16,831.08, from its close of 17,187.34 on Saturday, 28 April 2012. It was the Sensex's lowest closing level since 23 January 2012. The 50-unit S&P CNX lost 122.15 points or 2.34% during the week to settle at 5,086.85, its lowest closing level since 23 January 2012. The market fell in three out of four trading sessions during the week ended Friday, 4 May 2012.

GROSS DOMESTIC PRODUCT (GDP)

Higher economic growth or better prospects for growth will help firms be more profitable because there will be more demand for goods and services. This will help boost company dividends and therefore share prices. India is transitioning into an open market economy. Reduced controls on foreign trade and investments began in the early 1990s and have served to accelerate the country's growth which has averaged more than 7% since 1997. An industrial slow down nearly in 2008 followed by the global financial crisis led annual GDP growth to slow to 6.1% in 2009, still second highest growth in the world among major economies. Thus growth rate is matter of stock market.

This is important factor as the BSE Sensex and NSE Nifty fell over 1.5% a piece after Q4 GDP slumped to an unprecedented 5.3 percent. At one point, the Sensex was down over 200 points at 16,086 points after official data showed that the gross domestic product (GDP) had slumped to 5.3 percent in the January-March quarter of 2012, the slowest in nine years, due to poor performance of manufacturing and farm sectors. The 30-scrip sensitive index (Sensex) of the Bombay Stock Exchange (BSE), which opened at 16,224.86 points, closed at 16,218.53 points down by 0.57 percent or 93.62 points from its previous close of 16,312.15 points on May 31, 2012. The wider 50-scrip S&P CNX Nifty of the National Stock Exchange closed 0.54 percent lower at 4,924.25 points. The automobile index was down 1.96 percent followed by banking index, down 0.87 percent, and consumer durable index, down 0.81 percent.

IIP NUMBER

IIP stands for Index for Industrial Production. IIP number or IIP data is the measurement which represents the status of production in industrial sector for a given period of time compared to a reference or earlier period of time. IIP index is one of the key tools to measure the level of industrial activity in Indian economy. Strictly speaking IIP is short term indicator measuring industrial growth till the actual result of detailed industrial survey become available from the annual survey of industries (ASI) is published. Stock market in India also reacts very seriously to this number. India's core industries that include crude oil, petroleum refinery products, natural gas, fertilizers, coal, electricity, cement and finished steel. The eight core industries that have a combined weight of 37.90 percent in the Index of Industrial Production (IIP)**.** IIP data provides information about the growth of different sectors of our economy like mining, electricity, Manufacturing & General. The IIP index reflects the growth in India's industrial activity and excludes all kinds of services. The weightage of Indian IIP data is broadly divided into three segments – manufacturing (79.36%), mining & quarrying (10.47%) and electricity (10.17%). Good IIP number tend to lead rally in the market and Poor IIP number tend to move the stock market in bearish mood

This factor can be explained as Indian markets witnessed a fall after the government released poor IIP numbers. The fall was registered because of slow performance of the sectors like manufacturing, mining and capital goods. India's manufacturing sector which contributes 76% of the total industrial production grew by only 1.8% for December 2011, lower than the 5.7% expansion in November 2011. The 30 benchmark Index turned into green and traded positive till the outcome of IIP data. The index hit the intraday high of 17890 in the mid-morning session. As soon as the IIP data was released, the index began to trim gains and then turned negative and 30-share BSE Sensex was ending at 17749.41 down by 81.34 points or 0.46% on 10 February 2012 and NSE Nifty ended at 5,382 down by 30 points or 0.57% on 10 February 2012. Among the 13 sectoral indices, only one managed to remain in green was BSE Metal up by 0.58%. Top losers were BSE Realty down by 0.93%, BSE Oil & Gas down by 0.80% and BSE HC down by 0.71%

Conversely IIP for the month of April stood at 0.1% against -3.5% in the previous month. The manufacturing sector posted growth of only 0.1%, while the mining sector remained at negative zone at (-3.1%). The electricity sector posted higher growth of 4.6%. Capital goods sector drastically plunged to -16.3% and intermediate goods also posted negative growth (-1.4%). Consumer goods sector grew at 5.2%, due to higher growth of consumer durables at 5% and consumer non-durables at 5.4%. The disappointing IIP numbers for April has once again fueled hopes of a repo rate cut by the RBI at its policy meeting on June 18, 2012. There was also speculation that the central bank may even slash the CRR to ease the liquidity crunch. Reacting to this IIP number on 12 June 2012 the Sensex closed at 16,850.98, up 182.97 points or 1.1 percent. It touched an intraday high of 16,897.42 and a low of 16,553.47. The Nifty Index ended at 5,111.75, up 61.80 points or 1.22 percent. It touched an intraday high of 5,128.90 and a low of 5,015.15. In the hope of a rate cut, the Bankex index rose the most, up 1.4%. It was followed by Consumer Durables, Metals, Realty, PSU, Capital Goods and Auto. The BSE Banking Index closed 1.8 percent higher, the BSE Realty Index rose 2.09 percent and the BSE Capital Goods Index closed 1.79 percent higher.

INFLATION

Inflation happens to be a determinant in the functioning of any economy. An unanticipated rapid rise in inflation would probably cause a fall in stock markets. A rise in inflation would probably lead to a greater chance of interest rises. This will reduce growth and profitability. Also higher inflation may encourage investors to move into more inflation proof investments like Gold.

This point can be proved when the March inflation was revised upwards from 6.89% provisional to 7.69% as food inflation rose to 10.74% from 10.49% and fuel group to 11.53% versus 11.03% during the same period. The market reacted negatively to the news and slipped downwards on 14 June 2012 with Market had hopes of a rate cut from the RBI but looking at the inflation numbers, this was difficult. While Inflation number had reduced the chance of a rate cut. Banks stocks caught in bear grip after hopes of rate cut dampened due to rise in WPI and core inflation and Sensex closed at 16677.88 with a fall of 202.63 points or

1.20 per cent, led by realty stocks which dipped by 2.91 per cent, followed by banks (2.82 per cent), capital goods (2.79 per cent), power (2.16 per cent) and automobile (1.99 per cent). On the National Stock Exchange (NSE) the 50-share Nifty lost 66.70 points or 1.30 per cent to close at 5054.75.

MONETARY POLICY/ CREDIT POLICY
The term monetary policy is also known as the 'credit policy' or called 'RBI's money management policy' in India. How much should be the supply of money in the economy? How much should be the ratio of interest? How much should be the viability of money? Instruments of monetary policy are CRR, Repo rate, Reverse Repo rate. Cash reserve Ratio (CRR) is the amount of funds that the banks have to keep with the RBI. If the central bank decides to increase the CRR, the available amount with the banks comes down. The RBI uses the CRR to drain out excessive money from the system. Reverse Repo rate is the rate at which the RBI borrows money from commercial banks. Banks are always happy to lend money to the RBI since their money are in safe hands with a good interest. An increase in reverse repo rate can prompt banks to park more funds with the RBI to earn higher returns on idle cash. It is also a tool which can be used by the RBI to drain excess money out of the banking system. Repo rate The rate at which the RBI lends money to commercial banks is called repo rate. It is an instrument of monetary policy. Whenever banks have any shortage of funds they can borrow from the RBI. A reduction in the repo rate helps banks get money at a cheaper rate and vice versa. The repo rate in India is similar to the discount rate in the US.

Effect of monetary policy can be seen as on June 18, 2012 the RBI's decision to keep the repo rate as well as the CRR unchanged dealt a huge blow to markets which rallied earlier in the day on hopes of a rate cut. Sentiment turned bearish following the central bank's decision with the benchmark indices beginning a freefall dragged down by rate-sensitive stocks such as banking and realty. Keeping the repo rate (8%) and CRR (4.75%) unchanged; RBI surprised the street negatively which was expecting at least 25bps reduction in both. Following this news the Nifty closed at 5069.40, down 69.65 points or 1.36 percent and the Sensex ended at 16,713.93, down 235.90 points or 1.39 percent in trade on June 18, 2012 led by the BSE Bankex fell 3.16 percent, the BSE Realty Index was 2.80 percent lower and the BSE FMCG Index declined 1.68 percent..

On the flip side on 17 April, 2012 the Sensex ended up 1.2 per cent at 17,357.94 points, its highest close since April 4. The Nifty rose 1.22 per cent at 5,289.70 points after the Reserve Bank of India (RBI) surprised with a bigger-than-expected 50 basis points cut in its policy rate as the repo and reverse repo rates declined to 8% and 7% from earlier 8.5% and 7.5% respectively to ease the liquidity condition in the money markets and Expectation that this rate cut to help banks improve net interest margins and help reduce their bad loan possibilities. Shares in State Bank of India ended 1.73 percent up at 2,304.30 rupees. Private lender ICICI Bank was 1.36 per cent higher at 885.45 rupees.

EXCHANGE RATE
Exchange rate (also known as the foreign-exchange rate, forex rate or FX rate) between two currencies is the rate at which one currency will be exchanged for another. It is also regarded as the value of one country's currency in terms of another currency. The performance of exchange rate markets also plays a role in the determination of the stock market direction. When the Indian rupee increase against the US dollar it lower the country's import prices but it also hit the exporters hard thus driving down their equity. A sharp depreciation of the rupee may be good for India's exports that were adversely affected by the slowdown in global markets; it is not so good for those who have accumulated foreign exchange payment commitments. Moreover, a depreciating rupee doesn't help the Government to rein in inflation.

As the rupee hit a record low at 57.30 to dollar, well below the psychological key level of 57 on global risk aversion, the Sensex fell 1.2 percent, while Nifty fell 1.3 percent. The Sensex was trading down 189.34 points or 1.11% at 16,843.22 with 24 components falling. Meanwhile, the Nifty was trading lower by 48.70 points or 0.94% at 5,116.30 with 46 components falling. The 30-share benchmark index, BSE Sensex opened with a decline of 149.82 points or 0.88% at 16,882.74, while the broad based NSE Nifty started with a fall of 63.25 points or 1.22%, at 5,101.75.

On the other side the assurance from the Government came that it announce policy measures to restore investor confidence in the Indian economy and check the freefall in the Rupee. As News came that the RBI may unveil fresh measures to strengthen the Rupee. At 12:47pm (IST) on Monday 25 June 2012, the BSE Sensex was at 17077, up 105 points over previous close and NSE Nifty was quoting at 5,194, up 32 points over the previous close and the rupee rose nearly 1 per cent against the dollar at 56.59.

BUDGET
A budget is a financial plan and a list of all planned expenses and revenues. It is a plan for saving, borrowing and spending. The annual Budget of India, which is presented by the finance minister in Parliament, is referred to as the annual Financial Statement in Article 112 of the Constitution. It lays down the proposals for estimated income and expenditure of the Union government for the coming financial year, and has to be passed by the Parliament before it can come into effect on April 1.

After the government unveiled a budget for the 2012-13 fiscal year on March 16,2012 that was seen as too modest for a corporate sector looking for more concessions. Investors saw not a reform based Budget due to current political conditions. Experts said, there was no announcement of fuel subsidy, fertilizer subsidy, even no FDI and food subsidy. The BSE benchmark fell 209.65 points to end at 17,466.20, weighed down by 21 components. Meanwhile, the NSE benchmark fell 62.60 points or 1.16%, to close at 5,317.90 on March 16, 2012. The market was hugely disappointed as the Budget note was muted on most of the key factors like reforms and FDI.

Cigarette major ITC rose 3.65% after excise duty hiked by 10-15% in the budge, which was as per expected by the industry. State-owned and country's largest lender SBI fell over 3% as sector analysts feel the recapitalization amount proposed by the government is not enough. Government proposed Rs 15,888 crore for recapitalization of public sector banks in FY13. PNB and Bank of Baroda tanked 3-3.7%. Private sector lender ICICI Bank was down 1.4% while rival HDFC Bank fell 0.6%. State-owned ONGC and Oil India were down 4-4.7% after cess on crude oil increased to Rs 4,500 per mn tonne from Rs 2,500. Private sector companies Cairn India was down 6% and Reliance Industries slipped 3%. The government has now implemented Alternative Minimum Tax (AMT) for partnership firms as well. This would impact stocks like Cadila (down 5.3%) and Sun Pharma (down 7%) as they would have to pay 18.5% MAT on book profits earned for the fiscal year. This would increase their tax outgo. State-run BHEL tumbled 3.5% as industry analysts were expecting import duty on power equipment, which did not happen. Engineering and construction major L&T dropped over 3%. Aviation stocks too were under pressure as there no announcement on FDI. Jet Airways was down 3% and SpiceJet lost 6.6% while Kingfisher was down 0.7%. Pantaloon Retail slipped 3% as there was no clarity on FDI in multi brand retail. Educomp Solutions and Edserv Softsystems tanked 4-6%.

GLOBAL CUES
In this world of globalization various economies are interdependent and interconnected. An event in one part of the world is bound to affect other parts of the world; however the magnitude and intensity of effect would vary. Thus stock market in India is also affected by developments in other parts of the world i.e. U.S., China, Japan, Europe, Hong Kong etc.

On Jan 21, 2008 when the Market had opened, the Sensex crashed by more than 1744 points and Nifty losses 497 points. Actually on that day Sensex had crashed by almost 2000 points intra day. During the later half of trade, it managed to regain some pride. But in the end Sensex lost 1744 points and Nifty by 497 points and Sensex closed the day at 17605 and Nifty at 5208. This was the greatest or largest one day crash of the Indian stock market for the last 20 years. Reasons for this crashes of Indian stock market on Jan 21, 2008 was high volatility as investors panicked following weak global cues amid fears of the US & global recession.

Second example of the global clues is on September 15, 2008 Indian equity markets opened in red on Monday morning on the back of news that Lehman Bros of the US had decided to file for bankruptcy as the 30-share benchmark sensitive index of the Bombay Stock Exchange, the Sensex, was down by 582 points or 4.16 percent from its previous close one hour into trading. The Sensex was at 13,418.10 points at 14:45 hrs. The National Stock Exchange index Nifty in the early trade dipped to a two-month low of 3993.85 points at 12.10 hrs due to heavy selling by funds in financial and realty sector stocks after the collapse of US investment bank Lehman Brothers. The NSE-50 dropped by -5.81 percent to 3985.20 after a terror strike in the national capital over the weekend also contributed to the downslide. Brokers said the collapse of Lehman Brothers and worries of a severe economic recession in the United States shook financial markets globally. Among the prominent losers were ICICI Bank, HDFC Bank, State Bank of India, BHEL, RIL, Bharti Airtel, DLF, HDFC, Infosys Technologies, ONGC, Unitech, Satyam, Sterlite and Reliance Infra.

Positive global cues and a turnaround in domestic sentiments drove equities to a two-month high Friday on June 29, 2012. The 30-share BSE Sensex jumped 439 points or 2.6% to end at 17,430, a level seen for the first time since May 2, 2012. The 50-share Nifty index advanced 130 points to close at 5,279 on June 29, 2012.

POLITICAL STABILITY AND GOVERNMENT POLICIES

For any economy to achieve and sustain growth it has to have political stability and pro- growth government policies. This is because when there is political stability there is stability and consistency in government's attitude which is communicated through various government policies. The vice- versa is the case when there is no political stability .So stock market also reacts to the nature of government, attitude of government, and various policies of the government.

The above statement can be substantiated by the fact the Indian Stock Markets celebrated the winning of Congress led UPA in the 2009 Parliamentary election, by breaking all past records and forcing the regulator to halt the trading for the day. It is being considered that the main reason for such a bounce was the expectations of stable economy after the UPA is coming in the center. The expectations were so high that it created a world-wide record and made BSE SENSEX as the index with highest one-day percentage gainer across the world. Many didn't agree, but this was the time when all analysis whether fundamental or technical failed. While Fundamental analysis include analyzing annual reports, growth patterns etc., Technical analysis is all about looking at various graphs and understanding the trend of the market. This was the time when the expectations and speculations of the people drive the market, which cannot be estimated by the any such analysis.

The clear win for the UPA government (lead by 262 seats) in the 15th Lok Sabha election brought great cheers for the markets in early trade on May 18, 2009. At the beginning of trade, 9:55 am, the markets were locked at 15% upper circuit and exchanges halted the trade for two hours. Trading on both the BSE and the NSE was halted for the day as markets hit a 20% upper circuit, after re-opening for trade. Sensex closed 2,110.79 points or 17.3% higher at 14,284.21. Nifty surged 651.50 points or 17.7%, to settle at 4,323.15. BSE Midcap was up 11.8%. Smallcap rose 9.1 to 4,666.74. BSE 500 was up 15.7%. Advancers: 833; Decliners 11; Unchanged 2. BHEL +32.7% and L&T +29.5%. DLF, ICICI Bank, HDFC, Reliance Communication, Bharti Airtel, Reliance Infrastructure, SBI, Jaiprakash Associates and Reliance Industries went up 20.6-to-25.9%. Sterlite, HDFC Bank, Tata Steel, Tata Motors, Grasim, Wipro, Hindalco, Tata Power, ONGC, TCS, M&M, NTPC, ACC and Ranbaxy Labs gained 11-to-16.5%. Infosys, Maruti Suzuki, Sun Pharma, ITC and HUL surged 6.3-to-9.8%.

FOREIGN INSTITUTIONAL INVESTORS

FII stands for foreign institutional investor. It refers to a company or an institution established outside India who makes an investment in the financial markets of India in the form of securities. FII is allowed to enter into India only through stock exchanges either in the form of equity or debt. Thus it makes an impact on the rise or fall of Sensex, since FII is allowed to be purchased or sold daily. The daily transaction of FII is the reason behind the volatility in the stock markets and has strong impact on the various macro-economic variables and the economy as a whole. Foreign Institutional Investors (FIIs), Non-Resident Indians (NRIs), and Persons of Indian Origin (PIOs) are allowed to invest in the primary and secondary capital markets in India through the portfolio investment scheme (PIS). Under this scheme, FIIs/NRIs can acquire shares/debentures of Indian companies through the stock exchanges in India.

Under this scheme, FIIs can acquire shares/debentures of Indian companies through the stock exchanges in India. The ceiling for overall investment for FIIs is 24 percent of the paid up capital of the Indian company. The limit is 20 per cent of the paid up capital in the case of public sector banks, including the State Bank of India. The ceiling of 24 per cent for FII investment can be raised up to sectoral cap/statutory ceiling, subject to the approval of the board and the general body of the company passing a special resolution to that effect. And the ceiling of 10 per cent for NRIs/PIOs can be raised to 24 per cent subject to the approval of the general body of the company passing a resolution to that effect. The ceiling for FIIs is independent of the ceiling of 10/24 per cent for NRIs/PIOs.

On May 18, 2006 the Sensex registered a fall of 826 points (6.76 percent) to close at 11,391, it"s biggest ever, following heavy selling by FIIs, retail investors and a weakness in global markets

On Oct 24, 2008: Sensex opened with a negative gap of 237 points at 9,535 and closed with the lower limit of 10.96% at 8,702. Since the 10% ciruit break is hit after 2:30pm sensex was not closed down. (As per the rule - Circuit Breaker System)Nitfy touched the low of 13.90% at 2,584. Given reason by FM were RBI"s Credit Policy announcement, FII Outflow's, FIIs to reverse short positions.

As foreign institutional investors continued to pump in dollars in the Indian markets as per the provisional data, FIIs bought equities worth Rs 184.31 crore on Thursday. They have made purchases worth Rs 11611.84 crore so far this month surpassing the investments of Rs 10357.70 crore in January 2012. The National Stock Exchange's Nifty hit 7-month high as foreign institutional investors continued with their buying. At 12:45 pm; the Nifty was at 5590.30, up 68.35 points or 1.24 per cent. The broader index touched a high of 5606.70 and low of 5567.20 in trade so far.The Bombay Stock Exchange's Sensex was at 18383.82, up 229.83 points or 1.27 per cent. It touched intraday high of 18423.06 and low of 18302.97.

FOREIGN DIRECT INVESTMENT

Foreign direct investment (FDI) is investment directly into production in a country by a company located in another country, either by buying a company in the target country or by expanding operations of an existing business in that country. Foreign direct investment is done for many reasons including to take advantage of cheaper wages in the country, special investment privileges such as tax exemptions offered by the country as an incentive to gain tariff-free access to the markets of the country or the region. Foreign direct investment is in contrast to portfolio investment which is a passive investment in the securities of another country such as stocks and bonds. Foreign direct investment (FDI) is the movement of capital across national frontiers in a manner that grants the investor control over the acquired asset.

Foreign direct investment (FDI) in India has played an important role in the development of the Indian economy. India has continually sought to attract FDI from the world's major investors. In 1998 and 1999, the Indian national government announced a number of reforms designed to encourage and promote a favorable business environment for investors.

This factor can be stated as on April12, 2012 Aviation stocks were traded with strong gains on hopes that the government would allow foreign airlines to invest up to 49% in Indian carriers. Debt laden Kingfisher Airlines (4%) was the biggest gainer followed by SpiceJet (2.2%) and Jet (1.7%). Sensex remained shut at 17,333 by gaining 0.78 % from the previous close of 17,199 and Nifty closed at 5277 gaining of 0.96% from the previous day closing of 5227

SHOCK

Shocking news can drive the stock market in any direction depending upon whether news are in favour of stock market. Shocking news can lead stock market drastically upward or downward. Some of the shocking news news are like

On April 28, 1992 the Sensex registered a fall of 570 points (12.77 percent) to close at 3,870, it was second-largest, following the coming to light of the Harshad Mehta securities scam.

On January 7, 2009 the market barometer dropped by 749.05 points when the Satyam fraud came to light. The Bombay Stock Exchange benchmark Sensex on Wednesday Jan 7, 2012 suffered the most by losing 749 points on panic selling by funds after Satyam Computer said profit had been inflated for years, raising concerns of dim third-quarter earnings by blue-chip companies. The Sensex, which had gained over 688 points in the last four sessions of 2009, tumbled below the crucial 10,000 point level, losing 749.05 points to reach 9,586.88. It touched the day's low of 9,510.15 and a high of 10,469.72 points, showing a wide fluctuation of nearly 960 points. The 50-share National Stock Exchange index Nifty tumbled by 192.40 points at 2,920.40, after hitting the day's low of 2,888.20 points during the day. Satyam Computer crashed by Rs 139.15 or 77.69 per cent to close at Rs 39.95, after the Chairman announced the company had falsified accounts and assets for several years

CRUDE OIL PRICE

Changes in the price of crude oil are often considered an important factor for understanding fluctuations in stock prices. When Crude oil prices rise suddenly, there is more pressure on the government to raise domestic petrol/diesel prices. If the government does that, stock prices of oil majors like IOC, BPCL, HPCL and other related oil and gas companies like Reliance petrol, Essar oil stocks go up. However, such a step increases inflation & more importantly food inflation which has further implications on the economy.

The 30-share Sensex lost 478 points or 2.67 per cent to close the day at 17,445 thereby taking its aggregate fall over the last four days at 982 points or 5.3 per cent. The broader Nifty at National Stock Exchange fell by 148 points or 2.7 per cent to close at 5,281 on February 28, 2012. It was biggest intra-day fall in five months as macroeconomic concerns related to rising crude oil prices as in the month of February of 2012 Brent crude price has gone up by almost 14 per cent from $110 per barrel to over $125 per barrel thereby putting pressure on the Indian stock market since oil accounts for a large part of the Indian import.

The 30-scrip sensitive index (Sensex) of the Bombay Stock Exchange (BSE) closed Friday June 25, 2012 at 18,240.68 points, up 2.07 percent or 370.15 points, compared to its previous weekly close of 17,870.53 points. At the National Stock Exchange, the 50-scrip S&P CNX Nifty too closed in the green at 5,516.75 points, up 1.95 percent or 104.85 points compared to the previous Friday close of 5,476.1 points. The rally was mainly in response to the fall in crude prices by almost 4 percent as Crude oil price fell from USD 94.7 a barrel to USD 89.69 a barrel.

MONSOONS

In India, agriculture provides around 70% of employment either directly or indirectly. This is the major reason for the economic growth of India to depend on Monsoon season. Monsoon season in India starts from June and continue till September. If the monsoon is good, it boosts up the economy of the country and helps in maintaining GDP growth. But if monsoon rains get delayed even by 15 days as was the case last year in 2009, it becomes a cause of worry for the government. Good rainfall means government can ease restrictions on the export of wheat and rice, and good rainfall will boost output of grain and oil seeds, and help calm inflation. Less rainfall implies prices of agricultural products will go up and affect the consumers drastically. It might lead to a condition of drought in several states of India which forces the government to drop import tax on a number of commodities, including sugar. It also causes shortage of water supply for production of power and electricity. Electricity shortage has a strong effect on almost all sectors, which also causes delay in productions or increase in costing of products. Less rain affects the purchasing power in the rural areas and contract demand for products and services. This is not good news for FMCG companies which depend on agricultural and rural market.

Bombay Stock Exchange benchmark Sensex opened 192 points up Wednesday, extending its gains from Tuesday on continued buying by funds, supported by a normal monsoon forecast. The 30-share index rose by 192.14 points or 1 percent to 19,313.97 points in opening trade. It had gained 30.66 points in yesterday's volatile session. Similarly, broad-based National Stock Exchange index Nifty rose by 60.05 points, or 1.05 percent, to 5,800.80 levels on 20 April, 2012. Brokers said sentiments turned better following a normal monsoon forecast for this year and firming trend on other Asian bourses following overnight gains in the US market

Remarks from Indian weather bureau IMD that the monsoon will cover the whole country in the next 24 hours also lifted sentiment. The Sensex gained 226.36 points, or 1.3%, to close at 17618.35 while the broader Nifty index gained 70 points, or 1.33%, to end at 5345.35, above a key technical resistance of 5340 on 11 July 2012

STOCK SPECIFIC NEWS

Stock Specific News are news or information or events which are directly relevant to specific stocks. If this news is in favour of stocks, then the same stock is likely to move up or unfavourable news push the stock down. Not only specific stock is affected but other companies which are in the same business and industry are going to be affected. Benchmark index also taking this news into notice and reacted accordingly. Stock specific news includes profit announcement, dividend declaration, appointment of chair person or managing director, receiving or losing large order, bonus share or stock split announcement, merger & acquisition, government announcement which is related to specific stocks prices

Amidst reports that production would be halted at the Tata Motors 's block in Jamshedpur for three days because of 'prevailing economic condition', the company's shares fell over 1 per cent in early trade on Thursday June 28, 2012 as Tata motor share was down 1.46 per cent to Rs.235.10 on the BSE. At the NSE, it was down 1.65 per cent at Rs. 235.25.

As the company reported a net profit of Rs 6,741.41 crore in the third quarter ending December 2011 against Rs 7,083.23 crore in the corresponding quarter of last fiscal. Net sales declined 2.5% to Rs 18,123.84 crore against Rs 18,586.41 CR (YOY), Shares of ONGC reacted to the earnings announcement and slipped around 1.5% to Rs 282 on Feb 8, 2012

Better-than-expected results by IT Infosys (which posted an 11 per cent increase in net profit to touch Rs 1,906 crore in Q2 FY12), overshadowed disappointing IIP numbers and took the Indian benchmark indices, the Sensex and the Nifty, over 2.5 per cent up on Wednesday, Oct 12, 2012. The Sensex was up 2.55 per cent or 421.92 points and closed at 16,958.39 while the Nifty was also up 2.51 per cent or 125.05 points and closed at 5,099.40. Infosys also saw a strong opening in the stock markets. On the BSE, the Infosys stock opened up by 3.6 per cent per share (or Rs 91 per share) at Rs 2,601. On the NSE as well, the stock opened up by 3.6 per cent per share at Rs 2,595. Infosys is the second biggest stock in the Sensex 30 after Reliance Industries, with a weightage of 9.04 per cent. The Infosys scrip ended the day at Rs 2680.50 per share on the BSE. It had closed on Tuesday at Rs 2509.20. On the NSE, the scrip rose by seven per cent to end the day at Rs. 2681 per share. The previous close for the scrip was Rs 2,504.55.

On June 22, 2012 Shares of cement companies caught in bear grip after Competition Commission of India slammed with a fine of Rs 6,200 crore on 11 cement companies. JP Associates crashed 4%. Ambuja Cements and ACC were down 3% each. Among others, Grasim, India Cements, Ultratech Cement and JK Cement slipped 1.5-3%.

On January 19, 2012 these was news that the board of the company was to meet on January 2012 to consider and clear the buy-back plan, according to a company notification filed with the Bombay Stock Exchange (BSE) on Wednesday. Post-announcement, the share price of Reliance Industries moved up to Rs.786.80 intra-day before closing at Rs.776.90 on the Bombay Stock Exchange, registering a 4.94 per cent increase over the previous close.

On March 20, 2012 Mahindra Satyam was trading higher by 2% at Rs 71.95 after Anil Dhirubhai Ambani Group (ADAG) bought 13 million shares of the IT firm for total consideration of Rs 87 crore through bulk deals on Monday 19 March, 2012

On March 9, 2012 Shares of Larsen and Toubro (L&T) surged by over 5 per cent in the morning trade on the bourses, as the company appointed K Venkataraman as its CEO and MD and said that A M Naik would remain Chairman for next five years. The stock gained 5.42 per cent to a high of Rs 1,304 on the BSE this morning. At the NSE also, the stock was up 5.4 per cent to Rs 1,304.50. Shares of the group's another listed company L&T Finance Holdings also gained 1.4 per cent and was trading at Rs 47.60

June 28, 2012 Yes Bank and Axis Bank fell by 0.7% and 3% on news that HSBC Holdings PLC has sold its stakes in the two private sector banks. Tata Power rose 1.3 percent after Delhi Electricity Regulatory Commission approved a steep tariff hike in Delhi.

CONCLUSION

It can be difficult to predict the stock market price because stock prices vary constantly based on a variety of factors. Knowing these factors that affect the market value of a stock can help you better prepare a buying and selling strategy. There are no guarantees in buying and selling stocks. The better educated you become about the process, the better your chances of making a profit. Remember that it is very important to make a good market researcher before investing in any stock or company. For many new investors, this is likely to be one of the first questions that they ask. Often, they are unprepared for the complexity of the answer for there are numerous factors involved in price fluctuation. In fact, there are so many that it is difficult to narrow in on one specific reason for the change; it may that it is never as simple as a single factor. Rather, stock market prices are affected by combinations of factors. The success of investors depends on their knowledge and effectiveness in decision-making. Some are effective enough to make a profit from investing in the stock market, while others lose.

The findings of the study recommend that the policy makers, investors, and fund managers should closely watch any sharp movement in the highlighted market factors those are influential for Indian stock market i.e. inflation, industrial output, GDP, exchange rate etc. and stock specific news.

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