

Stock Market Volatility in Indian Stock Exchanges

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Share in the market offer a high capital appreciation but the movement of the share price is always like a wave and tide motion of the sea. Volatility in the stock return is an integral part of stock market with the alternating bull and bear phases. In the bullish market, the share prices soar high and in the bearish market share prices fall down and these ups and downs determine the return and volatility of the stock market. Volatility is a symptom of a highly liquid stock market. Pricing of securities depends on volatility of each asset. It has an impact on business investment spending and economic growth through a number of channels. Changes in local or global economic and political environment influence the share price movements and show the state of stock market to the general public. The issues of return and volatility have become increasingly important in recent times to the Indian investors, regulators, brokers, policy makers, dealers and researchers with the increase in the FIIs investment. Hence an analysis has been made to know the volatility trend in the Indian stock market and the reasons for the bear and bull trend in the market. The study covered a period of ten years from 1998 -2008. The data were collected from NSE and BSE web site. Nifty and Sensex were selected as representative of Indian markets. Interday and intraday volatility were calculated. From the results we can conclude that market stock markets have bull trend from 2004-2008 and functioning well with a positive return but the volatility was very high in the year 2007-2008.