

A Study on Interaction Between Global Exchanges and Indian Capital Market

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Abstract: *The world is becoming increasingly interconnected, such that events in one region can have outcomes on the opposite side of the globe. The reality is that the financial markets are interlinked. International trade and globalisation of businesses mean that economic and geopolitical events in one nation will impact all other countries that do business with it. Also, since most currencies of the world are pegged to the US dollar, any developments in the United States could impact not just global currencies but also the stock markets.*

The most recent example of this is the hawkish stance of the US Federal Reserve (Fed). When the Fed announces a sharp rise in interest rates, the US dollar strengthens. This makes Indian stocks and other financial instruments more attractive to FIIs. Any change in FII inflow/outflow impacts the financial markets.

In general, the Indian stock market shares a positive correlation with the global stock markets. This means that when global indices rise, Indian indices, such as the NIFTY, tend to rise in tandem.

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