



Relationship Among Traded Price, Open Interest, Turnover And Volume Of Contract Of Bse Bankex

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ABSTRACT

The Indian capital market had gone through a revolution after the launch of derivatives in the stock exchanges. The derivatives had provided multiple risk management strategies and judgment of future index market movements. This paper attempts the relationship among the traded price, open interest, volume of contract, turnover of BSE Bankex index future by using correlation and regression analysis.

Introduction

Derivatives have been the great milestone in the Indian capital market history. It has brought a significant change in the investment and risk management strategies of Indian stock exchanges. It has brought the growth of the benchmark indices in Indian Stock exchanges to international level. Derivative is a financial asset that is traded based on the price variation of the underlying asset. The underlying asset may be stock, indices, exchange rate, interest rate, commodities etc. The Indian capital market has been met with greatest revolution after the introduction of derivatives in the year 2000 in the Bombay Stock Exchange.

BSE Sensex has been the first ever index to commence for trading under the derivatives segment. BSE Bankex was introduced in the year 2003. BSE Bankex is an index that analyses the performance of the leading banking companies of India. BSE Bankex futures is a contract traded based on the underlying asset BSE Bankex. A BSE Bankex future is an index future that has a lot size of 15. It can be traded in multiples of 15 only. It contains 7 weekly contracts and three monthly contracts. BSE Bankex weekly contracts expire on Friday of the every week and the BSE bankex monthly futures contracts expire on last Friday of the expiry month.

Review of Literature

Gahlot et al. (2010) analyzed index futures and stocks and concluded that the index futures have increased the spot market volatility. Debashish. (2011) examined index future indices namely CNX bank, CNX IT, against the spot market and found that there were significant changes occurred during various intraday on the indices chosen for the study. Subha and Musthaffa (2015) investigated the relationship between bank nifty index and bank nifty futures by using ARMA and GARCH models and found that the Bank nifty futures helps in diagnosing the future values of bank nifty. Saurabh Singh and Tripathi. (2016) examined the performance of SENSEX by using GARCH model and proved that there were considerable changes in the spot market price volatility and also there was decreased volatility in India stock exchange. Palamalai Srinivasan and Vasudevan R.D. (2017) focused on the relationship between the Nifty index and Indian Volatility index and concluded that the Indian volatility index represents the pulse and the emotions of the investors and helps to make diversified investment decisions on the happening of falling market. Palanisamy R. (2019) analyzed the influence of stock market returns over the introduction of derivatives trading using ARCH and GARCH models. S&P CNX Nifty and more than 100 individual stocks were taken to analyze the volatility changes in the post derivatives period and inferred that there were changes in the structure of volatility and also there was reduction of effect of old news in the stock market returns. Mohamed Arshad Khan et al (2022) focused on the relationship between the spot and futures market of NIFTY 50 by applying Granger causality test and found that spot market and it plays a significant role in the future discovery of price.

Objectives

- 1) To study the relationship among between Volumes of contract traded price, open interest and turnover of BSE bankex.
- 2) To know the association between traded price and open interest of BSE bankex.

Methodology

BSC Bankex is traded in Bombay Stock Exchange with the codification BKX. The daily trading details of BKX are taken from Website of Bombay Stock Exchange from 2011-12 to 2022-23 and surprisingly found that BKX traded only in the years 2011-12 and 2012-13 and that data were analyzed with the help of correlation, regression and pictorial representation. Theoretical background relating to BSC Bankex is reviewed from various journals and websites. Traded Price, Open interest, Turnover, Contract entered are the variables used for the study.

Analysis and Interpretation

For studying the relationship among the variables traded price, high price, Volume of contract and Turnover of Bankex, correlation is applied and presented below.

Table 1.1 *Relationship among Traded price, High price, Volume of contract, Turnover*

High Price	Sig. (2-tailed) N= 66	Turnover	Sig. (2-tailed) N= 66
Traded Price	0.995**	Volume of Contract	0.999**

** . Correlation is significant at the 0.01 level

Source: Computed from secondary data

It can be inferred from Table 1 that there is high degree of positive correlation between traded price and high price of Bankex index future and there is perfect positive correlation between volume of contract and turnover of Bankex at 1 per cent levels of significance.

Research Studies reveals that the variables open interest; turnover and traded price of any securities are based on Volume of contract made during any period. To know the impact of these variables on volume of contract made, regression is applied and the results are presented below.

Table 2 *Impact of Open Interest, Turnover, Traded price on Volume of Contract*

Variables	Unstandardized Coefficients		Standardized Coefficients	t-value	sig	R square =
	B	Std. Error	Beta			
(Constant)	980.231	298.713		3.282	.002	0.999
Traded	-.085	.027	-.012	-3.111	.003	F = 24378.148
Turnover	.595	.002	1.002	265.467	.000	p = 0.001
Open	-.002	.002	-.005	-1.341	.185	

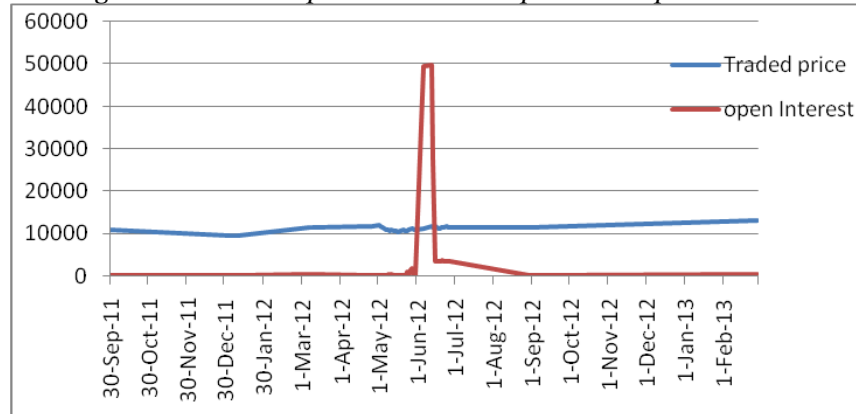
Dependent variable: Volume of Contract

Source: Computed from secondary data

The F = 24388 and the P values 0.001 infer that the traded price, turnover have collectively impact on volume of trade of BKX at 5 per cent levels of significance. Positive Beta coefficient between the turnover and volume of contract reveals that turnover has positive impact on volume of contract and the negative Beta coefficient between traded price and the volume of contract reveals that the traded price has negative impact on the volume of contract entered during the traded period.

The unsold contract at the end of the trading day is called Open interest. There is positive relationship between traded price and the open interest. When the price is increased the open interest will be decreased. Sometimes the open interest shows an increased value even the price is high. The relationship between the trading price and the open interest of BSE Bankex during the traded time of the study period is shown below.

Figure 1 Relationship between traded price and open Interest



The above graph reveals the relationship between the traded price of BKX and the open interest. Open interest is high in between the periods June 1 to July 2012 reveals that more contract were entered during that period.

Conclusion

The Bombay Stock exchange again launch Bankex with effect from October 16, 2023 since it is also one of the main index help the investors to involve in investment activities and bankex options and futures are also started journey in Bombay Stock Exchange platform which are expected to boost the financial markets in the future.

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