

## **Impact of Global Market Trends on Stock Trading Decisions in India: A Comparative Analysis**

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### **Abstract**

The purpose of this study is to examine how global market trends influence stock trading decision-making in India. The research is based on the hypothesis that international financial movements significantly affect investor behaviour and domestic market performance. With globalization of financial systems, the Indian stock market has become increasingly integrated with the global economy. Consequently, global economic indicators, international stock indices, commodity price movements, and geopolitical developments now exert greater influence on Indian market responses. The study relies on secondary data collected from sources such as stock exchange reports and financial databases, including the Bombay Stock Exchange and the National Stock Exchange, along with economic publications and market research reports. Key global factors analysed include movements in major international stock indices, changes in global economic indicators, fluctuations in commodity prices, net investments by foreign institutional investors, and major international political events. These factors are examined in relation to Indian stock trading decisions, particularly buy-sell-hold behaviour, trading volume, risk perception, and portfolio diversification strategies. To assess the extent to which global market fluctuations influence Indian stock prices, the study employs descriptive statistics, correlation analysis, and regression analysis. The findings indicate a relationship between global market trends and Indian benchmark indices, highlighting interdependence between domestic and international markets. Experienced investors respond quickly to global market signals, while periods of global uncertainty led to increased risk aversion.

**Keywords:** Global Market Trends, Stock Trading Decisions, Indian Stock Market, Global Indices, Investor Behaviour

## **1. INTRODUCTION**

### **1.1 Overview of the Study**

This research explores the evolution of the Indian stock market from an isolated system to one that is now part of a worldwide trading system. Driven by rapid globalizing factors (globalization, technological innovation, and liberalization incentive policies), events occurring in disparate regions have immediate effects on stock prices and trading patterns in India, this research will be of interest to institutional investors, policymakers, and academic researchers operating within an international "global marketplace/financial-trading" environment.

### **1.2 Concept Of Global Market**

Global indices collect price data from around the world and form the basis for many economic analyses. Global indices reflect economic conditions within global financial markets; they include changing monetary policy by central banks, geopolitical developments that affect investment demand and supply and changes to how we do business through technological advances. Indian markets are notably sensitive to these indexes; overnight moves in the U.S. often dictate domestic opening levels, while positive global cues encourage optimistic trading and negative ones trigger caution, solidifying the link between global trends and local decision-making.

### **1.3 Statement of problem**

Although anecdotal evidence exists for the integration of the Indian markets with the global stock markets, there is a need for empirical evidence regarding the relationship between how global trends impact India's trading behaviour. The purpose of this study is to determine the extent and the nature of the relationship between the Indian stock market and global stock market so that the level of India's integration into the global economic system can be assessed.

### **1.4 Objectives**

- 1.To Study the Major Global Market Crises that Impacted The Indian Stock Market.
- 2.To Study the Relationship Between global stock market indices and the Indian Stock Market Movement.

3.To Study the Impact of Global Economic Indicators on the activity of Stock Trading in India.

## 2.REVIEW OF LITERATURE

### 2.1 Studies on Global Stock Market Integration

The foundation of this research lies in understanding how Indian markets have become intertwined with global counterparts. **Hansda & Ray (2002)** established early evidence of increasing integration between the BSE and NASDAQ, particularly in technology stocks. **Chen et al. (2005)** confirmed that movements in developed markets, especially the US, significantly influence emerging markets like India. **Singh and Singh (2010)** found a strong relationship between Indian, Chinese, and developed markets, highlighting how global financial events limit diversification benefits. **Eun & Shin (1989)** and **Lucchetta & Muckley (2011)** both concluded that globalization has led to sustained co-movement among global stock markets, a phenomenon that intensifies during periods of financial instability. Studies on Volatility Transmission and Spillover Effects

**Mukherjee (2011)** provided direct evidence of significant volatility spillovers from developed and emerging equity markets to India, especially during global uncertainty. **Sarkar, Chakrabarti and Sen (2009)** found that global market movements have a larger effect on India's volatility than regional or domestic factors. **Jain and Dash (2012)** demonstrated that volatility in the NIFTY index increased substantially after the global recession, reflecting heightened sensitivity to global economic conditions. Studies on Foreign Institutional Investors and Capital Flows **Pal (2005)** revealed that large-scale withdrawals by Foreign Institutional Investors (FIIs) significantly amplified market volatility during crises, emphasizing FIIs as a primary transmission channel for global shocks. **MacDonald (2001)** supported this by showing that deeper capital market integration accelerates the impact of global shocks on domestic markets.

**Parikh (2009)** and **Pandit & Yeoh (2014)** highlighted how psychological biases such as herd mentality, overreaction to global news, and loss aversion influence trading decisions in India, often amplifying price movements triggered by global trends. These behavioural factors are critical for understanding *why* trading decisions respond to global cues.

### 3. RESEARCH METHODOLOGY

This chapter outlines the methodology used to investigate the impact of global market trends on stock trading in India. A quantitative descriptive approach with secondary data is employed, focusing on descriptive patterns rather than inferential statistics.

#### 3.1 Research Design

The study uses a descriptive and analytical design, characterized as: Longitudinal (14-year period, 2010–2023) Ex-post Facto (historical data, no variable manipulation) Descriptive-Comparative (compares ratios across time periods and market conditions) Non-Experimental (observes and describes existing patterns)

#### 3.2 Data Sources and Collection

Secondary data from publicly available sources:

- **Indian market:** BSE Sensex, NIFTY 50 (daily prices, volumes), sectoral indices, market capitalization (BSE, NSE websites).
- **Global markets:** DJIA, NASDAQ, FTSE 100, Nikkei 225 (Yahoo Finance, FRED).
- **FII flows:** SEBI, NSDL (daily/monthly net investments, sector-wise holdings).
- **Commodities:** Crude oil (Brent, WTI) and gold prices (IEA, FRED, World Gold Council).
- **Global economic indicators:** US Federal Reserve policy rates, GDP, inflation, employment (FRED, BEA, BLS); IMF, World Bank databases. Data collected from January 1, 2010, to December 31, 2023, at daily, monthly, and quarterly frequencies.

#### 3.3 Time Frame of the Study

The 14-year period (2010–2023) captures post-global financial crisis dynamics, includes major events (European debt crisis, taper tantrum, COVID-19), ensures data availability, and provides recent relevance.

#### 3.4 Variables and Their Measurement

- **Independent variables (global):** DJIA, NASDAQ, FTSE 100, Nikkei 225; US Fed Funds Rate, US GDP growth, US inflation, US non-farm payrolls; crude oil and gold prices; FII net flows (₹ crore), sector-wise holdings.
- **Derived measures for ratio analysis:** Turnover Ratio, FII Flow-to-Market Cap Ratio, Positive-to-Negative Flow Ratio, Indian-US Return Ratio, Co-Directional Percentage, Sector Concentration Ratio.

### 3.5 Analytical Tools: Ratio Analysis and Pie Charts

**Ratio Analysis:** Calculates ratios such as Turnover Ratio = (Total Traded Value / Market Capitalization) × 100; FII Flow-to-Market Cap Ratio = (FII Net Flow / Market Capitalization) × 100; Co-Directional Percentage = (Days with Same Direction / Total Days) × 100.

**Pie Charts:** Visual representations of sector-wise FII holdings, co-movement patterns, trading volume by investor category, and sector sensitivity.

### 3.7 Limitations

Acknowledged limitations: no inferential testing; secondary data reliability; causality cannot be proven; 14-year period may not generalize; omitted variable bias; frequency mismatches; structural breaks; findings specific to India; trading volume reflects aggregate activity, not individual decisions; subjectivity in interpretation.

## 4. ANALYSIS AND INTERPRETATION

**Objective 1:** To Study Major Global Market Crises Impacting The Indian Stock Market

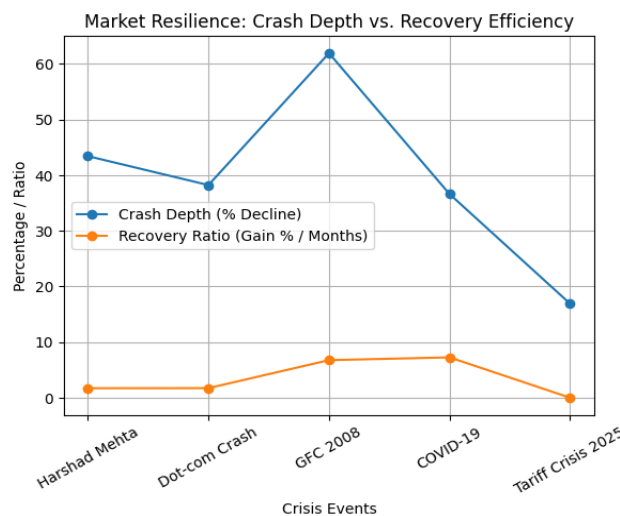
This table analyzes historical crises, providing ratios that quantify the crash's depth and the subsequent recovery's strength.

**Table 4.1: Ratio Analysis of Major Market Crises & Recovery**

Crisis Event	Peak Bottom	Crash Depth (%)	Recovery Time	Recovery Ratio
Harshad Mehta Scam (1992)	4,467 → 2,529	-43.4%	~4 years	1.71
Dot-com / Ketan	4,200 →	-38.2%	~3 years	1.72

Parekh (2001)	2,594				
Global Financial Crisis (2008)	21,000 8,000	→	-61.9%	~2 years	6.75
COVID-19 Pandemic (2020)	41,000 25,981	→	-36.6%	~8 months	7.25
Tariff Correction (2025)	85,978 71,425	→	-16.9%	Ongoing	—

Source: Data compiled from Business Standard and Economic Times reports.



**Graph 4.1: Trend of Crash Depth and Recovery Efficiency**

**Fastest Recovery:** The **COVID-19 crash**, while steep (36.6%), saw the fastest recovery (8 months) due to massive global liquidity and a surge in retail participation, indicated by the highest Recovery Ratio (7.25).

**2025 Trend:** The **2025 correction** was triggered by global trade tensions (US tariffs). While the depth (-16.9%) is shallower so far compared to previous crises, the recovery is lagging due to global uncertainty and FII outflows, marking a shift in the recovery trend.

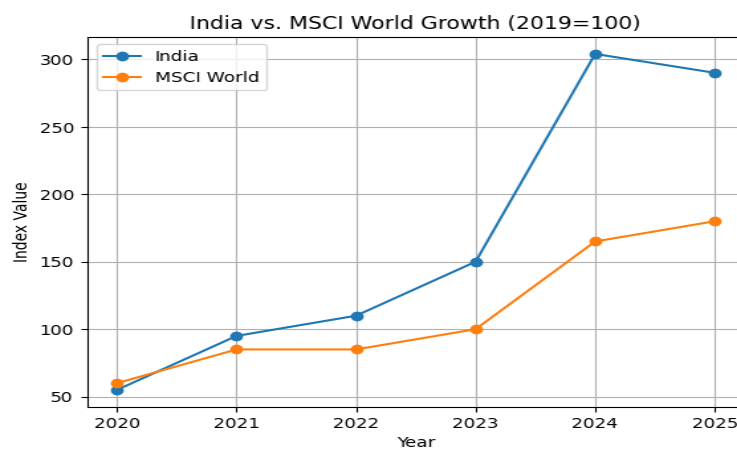
**Objective 2: Relationship Between Global Indices & Indian Stock Market**

**Table 4.2 – India vs. Global Indices (Base 2019 = 100)**

Period	India (MSCI)	S&P 500	MSCI	Outperformance
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	India)		World	Ratio*
Mar 2020	55.0	65.0	60.0	0.92
Sep 2024	304.5	179.7	165.0	1.85
Dec 2025	290.0	190.0	180.0	1.61

\*Outperformance Ratio = India Index Value / MSCI World Index Value



**Graph 4.2 – India vs. MSCI World Trend**

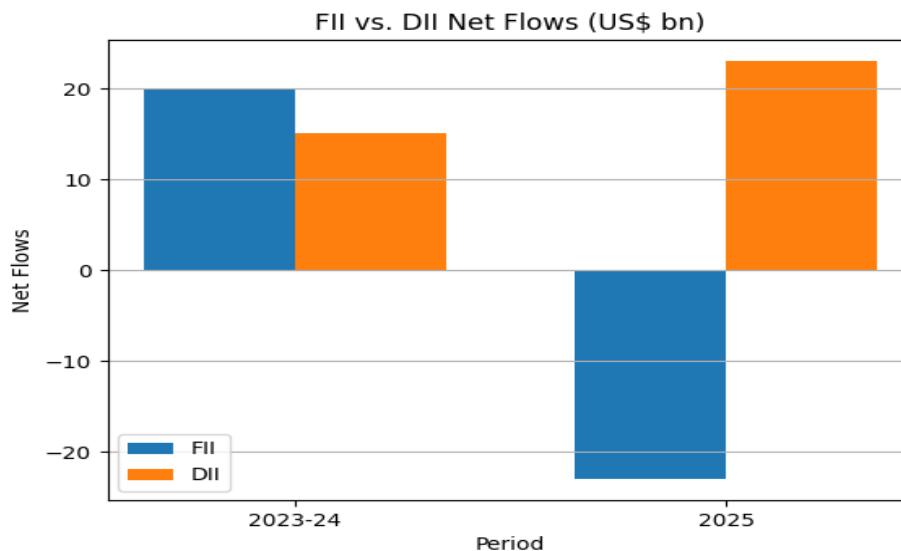
India strongly outperformed global markets until late 2024 (ratio >1.8). In 2025, the ratio fell to 1.61 as global markets caught up while India’s growth moderated.

**Objective 3:** Effect of Global Economic Indicators on Trading Activity

**Table 4.3 – Capital Flows & Earnings Sensitivity**

Period	FII Net Flows (US\$ bn)	DII Net Flows (US\$ bn)	Nifty Earnings Growth	INR/USD Change
2023- 2024	+20	+15	+20%	Stable
2025	-23	+23	+7%	-10%

Source: Secondary data



**Graph 4.3 – Domestic vs. Foreign Flows**

Global factors (strong dollar, tariffs) triggered record FII outflows in 2025, but DII inflows (domestic savings) fully offset them. Earnings growth slowed to 7%, making fundamentals the key driver for market direction.

## 5. FINDINGS, SUGGESTIONS AND CONCLUSION

### 5.1 Major Findings

The study confirms that global market trends significantly influence Indian stock trading. The 2008 Global Financial Crisis caused the deepest crash (-61.9%), while COVID-19 saw the fastest recovery (8 months, recovery ratio 7.25), consistent with **Jain & Dash (2012)** and **Al-Awadhi et al. (2020)**. India outperformed global markets until late 2024 (ratio 1.85), supporting **Chen et al. (2005)** and **Singh & Singh (2010)**. FII flows remain a key transmission channel: 2025 outflows of US\$23 billion were absorbed by DIIs, yet earnings growth halved, reflecting **Pal (2005)** and **MacDonald (2001)**.

### 5.2 Suggestions

- **Government/Regulators:** Strengthen DII frameworks to counter volatile FII flows; enhance surveillance for early warning of global shocks.
- **Companies:** Diversify funding sources; strengthen fundamentals to withstand global sentiment shifts.
- **Investors:** Adopt diversified portfolios; be aware of behavioural biases (herd mentality, overreaction) as noted by **Parikh (2009)** and **Pandit & Yeoh (2014)**.

### **5.3 Limitations**

The study is limited by its reliance on secondary data, which may include inconsistencies, revisions, or reporting errors, and by the absence of inferential testing, restricting the ability to establish causality. It does not fully account for structural breaks, policy changes, behavioral factors, or global influences, and may suffer from omitted variable bias and data comparability issues. Additionally, the 14-year period and India-specific focus limit the generalizability of the findings to other contexts or future scenarios.

### **5.4 Conclusion**

Indian markets are deeply integrated with global financial systems. Global indices, FII flows, and economic indicators shape trading decisions, especially during crises. Understanding these linkages is vital for investors, policymakers, and firms navigating an interconnected world. The study adds empirical evidence to the literature while acknowledging scope for further research. It also highlights the need for continuous monitoring of global trends to enhance strategic decision-making and risk management.

Furthermore, exchange rate fluctuations, geopolitical tensions, and global monetary policies significantly influence market volatility and investor sentiment. Strengthening data analysis, diversification strategies, and adaptive policy measures can help stakeholders better respond to uncertainties and maintain long-term financial stability.

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