

Estimating Volatility on National Stock Exchange of India

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Abstract—In financial field, volatility is one of the key variables to make an appropriate decision. Therefore portfolio Managers, corporate treasurers and risk arbitrageurs observe volatility trends very closely because changing in prices affects their investment and risk management decisions. For this reason, this study presented a widely used volatility model so called GARCH (1, 1) for estimating the volatility of daily returns of stock prices of NIFTY 50 index from July 2008 to July 2018. For checking the stationary of the series ADF and KPSS test were used. The NIFTY 50 index is a well diversified 50 stock index and it represents important sectors of the economy. It represents about 65% of the free float market capitalization of the stocks listed on NSE as on march 31, 2016. Daily observations (2471) of stock market returns were used for analysis.

The result indicates that behaviour of NIFTY 50 stock market index is highly volatile leading to great opportunity for long term investment in any of 12 economic sectors listed in NIFTY 50 index.

Keywords: GARCH (1, 1) model, NIFTY 50, Volatility.