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ASSESSING VOLATILITY IN THE BANKING STOCKS IN INDIAN STOCK MARKET DURING THE COVID-19 PANDEMIC: USING ARCH/GARCH MODELS

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ABSTRACT

The present study examines at modelling and forecasting the volatility of the Nifty, Sensex, Nifty Bank index, and five banking stocks in the Indian stock market, including HDFC Bank, ICICI Bank, Axis Bank, Kotak Bank, and SBI Bank, using regular data from January 26th, 2019 to January 25th, 2021, spanning both the period before and after the COVID-19 pandemic. The first positive case in India was recorded on January 27, 2020. The Nifty, Sensex, Nifty Bank index and five banking stocks: HDFC Bank, ICICI Bank, Axis Bank, Kotak Bank, and SBI Bank return volatility for the Indian stock market are investigated using GARCH, EGARCH, and TGARCH models. The aim of this study is to look at the Indian stock market's volatility characteristics, such as clustering volatility, leverage impact, and risk premium. Positive and negative shocks have different effects on the volatility of the Nifty, Sensex, Nifty bank index, and five bank stock returns in the TGRACH(1,1) model, which means that negative news causes more volatility than positive news. Hence, the effect of news on the Indian stock market during the Covid-19 pandemic is asymmetric.

KEYWORDS: *Leverage, GARCH, Volatility, Nifty, Covid-19*

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