

## **Risk-Return Patterns in Stock Markets and Currency Markets : A Study of NSE's Nifty and US Dollar**

**Gagan Deep Sharma\***

&

**Nishu Aggarwal**

University School of Management Studies  
Guru Gobind Singh Indraprastha University  
New Delhi

### **ABSTRACT**

This paper studies the return behaviour at National Stock Exchange, India and the Rupee-Dollar exchange rate, using NSE's Nifty as the benchmark for stock returns, while INR-USD rate is used as the benchmark for exchange rate. The daily closing levels of the two benchmarks for a period beginning on 1 January 2008 through 31 December 2013 are considered the reference period. Data have been analyzed using econometric tools. The paper uses the Descriptive statistics, Augmented Dickey-Fuller Unit Root Test, Granger's Causality, Vector Auto Regression, Variance Decomposition Analysis and Impulse Response Function to analyze the data. The study finds that returns in stock prices have an impact on the returns in currency market.

**Key words:** Stock prices, Exchange rates, India, ADF Unit root test, Granger causality test, VAR test.

**JEL Codes:** C1, C5, G00, G1.

---

\* Corresponding author's email: angrishgagan@gmail.com