

A Study on Impact of Global Events on Indian Sectoral Stock Market Performance

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Abstract

Over the past two decades, financial globalization has transformed stock markets into highly interconnected systems where events occurring in one part of the world quickly influence markets elsewhere. Emerging economies such as India have become increasingly integrated with global financial markets due to foreign institutional investments, trade openness, and digital connectivity. As a result, global crises such as pandemics, geopolitical conflicts, oil price shocks, and monetary tightening cycles significantly influence Indian stock market movements.

This research paper investigates how major global events affect sectoral stock market performance in India. Instead of analysing the overall market, the study adopts a sector-wise perspective to understand how different industries react differently to global shocks. Using secondary data, sectoral indices, and event-based analysis, the research highlights sector-specific resilience and vulnerability patterns. The findings reveal that Indian markets are strongly integrated with global markets, but the magnitude and direction of impact vary significantly across sectors.

The paper contributes to financial literature by providing sector-level insights for portfolio diversification, risk management, and investment decision-making in emerging markets.

Keywords: Global Events, Sectoral Indices, Indian Stock Market, Volatility, Market Integration, Sector Rotation, Emerging Markets

INTRODUCTION

Financial markets across the world have become increasingly interconnected due to the rapid pace of globalisation, technological advancement, and cross-border capital flows. In the modern financial environment, domestic markets no longer operate in isolation. Instead, they respond quickly to global economic news, geopolitical tensions, and monetary policy changes in major economies.

India, as one of the fastest-growing emerging markets, has witnessed substantial integration with global financial markets. Over the past two decades, foreign institutional investment, international trade exposure, and economic reforms have strengthened India's connection with global economic developments. While this integration offers opportunities for growth and capital inflows, it also exposes the Indian stock market to external shocks and volatility.

Global events such as trade conflicts, wars, and monetary tightening often create uncertainty in financial markets. These events influence investor sentiment, capital flows, commodity prices, and interest rate expectations. However, the impact of such events is not uniform across all sectors. Some sectors demonstrate resilience due to stable demand and strong fundamentals, while others are more vulnerable to economic uncertainty and financial tightening.

This research aims to analyse how major global economic and geopolitical events influence the sectoral performance of the Indian stock market. Understanding sector-specific responses is essential for investors, policymakers, and portfolio managers seeking to manage risk and optimise investment decisions.

LITERATURE REVIEW

The relationship between global events and stock market behaviour has been widely studied in financial economics. Several theories provide the foundation for understanding how markets react to external shocks.

Market Integration Theory

Market Integration Theory suggests that financial markets across countries move together due to increasing economic and financial linkages. As trade and capital mobility increase, global events quickly transmit across markets. Emerging markets, including India, are particularly sensitive to global developments because they rely on foreign capital inflows and international trade.

Previous studies have found strong evidence of co-movement between developed and emerging markets during periods of crisis. This indicates that global shocks can significantly influence domestic stock market performance.

Efficient Market Hypothesis

The Efficient Market Hypothesis (EMH) states that stock prices reflect all available information. When new information becomes available, markets adjust rapidly. Global economic announcements, geopolitical conflicts, and monetary policy changes are immediately incorporated into stock prices, leading to volatility and price adjustments.

Sectoral Market Behaviour

Research has shown that different sectors react differently to global events:

- Defensive sectors (FMCG, IT, Pharma) show stability
- Cyclical sectors (Banking, Realty, Energy) show higher volatility
- Interest-sensitive sectors react strongly to monetary tightening

This study contributes to existing literature by analysing sector-specific responses in the Indian context using a multi-event framework.

RESEARCH OBJECTIVES

The main objectives of this study are:

1. To examine the impact of major global events on Indian sectoral indices.
2. To analyse sector-wise differences in volatility and returns.
3. To evaluate the level of integration between Indian and global markets.
4. To identify resilient and vulnerable sectors during global uncertainty.

MAJOR GLOBAL EVENTS CONSIDERED IN THE STUDY

The study focuses on four major global developments that created significant uncertainty in international financial markets.

US–China Trade War

The trade conflict between the United States and China disrupted global trade flows and supply chains. Tariff impositions and retaliatory trade measures created **uncertainty in** export-oriented industries and commodity markets. Emerging markets experienced volatility due to changes in global demand and trade patterns.

Russia–Ukraine Conflict

The Russia–Ukraine war intensified geopolitical risk and disrupted global commodity markets. The conflict increased uncertainty in global financial markets and influenced investor sentiment worldwide.

Global Interest Rate Hikes

Major central banks implemented aggressive monetary tightening to control inflation. Higher interest rates led to capital outflows from emerging markets and

increased market volatility, particularly in interest-sensitive sectors.

Iran–Israel Geopolitical Tensions

Rising tensions in the Middle East increased global risk perception. Such geopolitical developments often trigger uncertainty in global markets and influence investor behaviour.

Dummy variables were constructed to capture the impact of these event periods.

RESEARCH METHODOLOGY

The study adopts a quantitative research design using secondary data.

Data is collected from the National Stock Exchange (NSE) for sectoral indices including Banking, IT, Pharma, Metal, Auto, and FMCG. The study period covers 2018 to 2026, which includes major global events.

Variables:

- Independent Variables: Trade War, Russia–Ukraine Conflict, Iran–USA Tensions, Fed Rate Changes
- Dependent Variable: Sectoral Stock Returns

Tools Used:

- Descriptive Statistics
- T-Test
- ANOVA
- Regression Analysis

These tools help in analysing the relationship between global events and sectoral performance.

Sectoral indices analysed include:

- Banking
- IT
- FMCG
- AUTO
- PHARMA

DISCUSSION

The results indicate that global events influence the Indian stock market in a sector-specific manner. Sectors with higher global exposure, such as Metals and IT, are more sensitive to international developments.

Defensive sectors like FMCG show stability due to consistent domestic demand. The findings support financial theories such as Efficient Market Hypothesis and Market Integration Theory.

The study also highlights that global events do not always negatively impact markets; some sectors may benefit depending on economic conditions.

CONCLUSION

The study concludes that global events and trade wars significantly impact the Indian stock market, but the effect varies across sectors.

Metal and IT sectors are highly sensitive, while FMCG and Pharma are more stable. The Indian stock market shows resilience despite global uncertainties.

Investors should adopt sector-specific strategies and consider global developments while making investment decisions.

IMPLICATIONS

Managerial Implications:

- Investors should diversify portfolios across sectors
- Focus on defensive sectors during uncertainty
- Monitor global events for better decision-making

Theoretical Implications:

- Supports Efficient Market Hypothesis
- Confirms global market integration

- Highlights sectoral differences in market response

LIMITATIONS AND FUTURE SCOPE

The study is limited to selected sectors and a specific time period. It does not include all macroeconomic variables.

Future research can:

- Include more sectors
- Use firm-level data
- Apply advanced models like GARCH
- Study long-term effects of global events

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DATA ANALYSIS AND RESULTS

Descriptive Statistics

Table 1: Summary Statistics

Sector	Mean Return	Volatility	Observation
Metal	Highest	Highest	High risk-return
IT	High	Moderate	Growth oriented
FMCG	Lowest	Lowest	Defensive

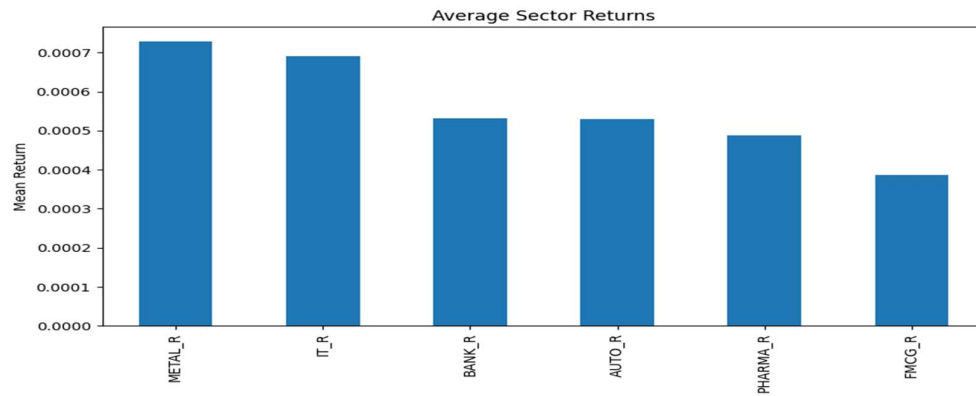


Figure 1

Metal and IT generated the highest average returns. FMCG recorded the lowest.

Volatility Analysis

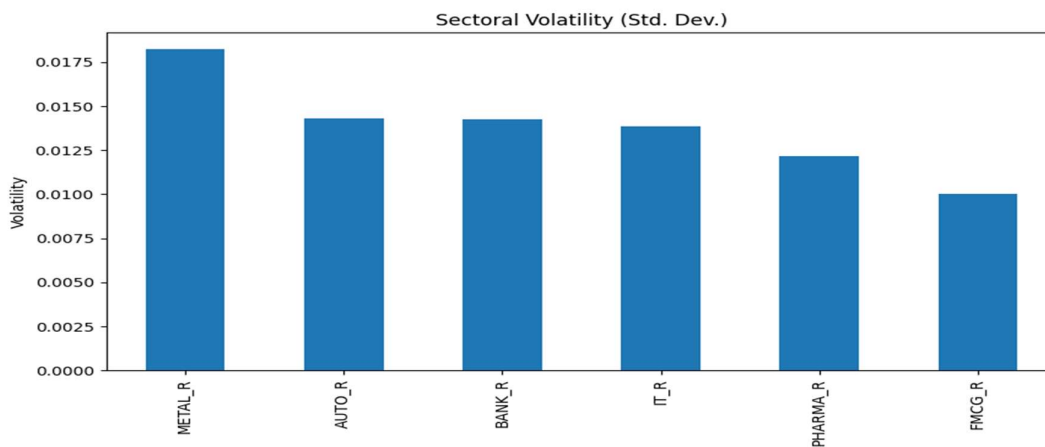


Figure 2: Sectoral Volatility

Metal sector shows highest volatility; FMCG the lowest.

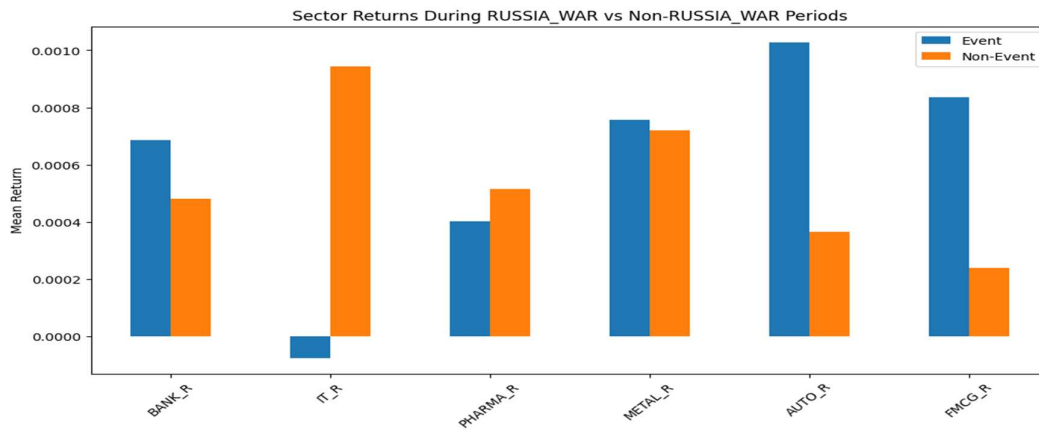
Impact of Trade War

Table 2: Trade War vs Non-Trade War Returns

Sector	Trade War Impact
Auto	Negative
Metal	Negative
Banking	Stable

Trade conflicts affected cyclical sectors the most.

Russia–Ukraine Conflict Impact



Banking, Metal, Auto sectors performed better, while IT weakened.

T-Test Results

Table 3: T-Test Results

Sector	p-value	Result
Auto	0.034	Significant
Others	>0.05	Not Significant

Trade war significantly impacted the Auto sector.

ANOVA Results

ANOVA shows no significant difference in average returns across sectors collectively.

Regression Results

Table 4: Regression Summary

Sector	Significant Event
Metal	Trade War
IT	Iran-USA

Global events show sector-specific influence.

Sector Sensitivity Ranking

Table 5: Sector Sensitivity

1. Metal
2. IT
3. Auto
4. Banking
5. Pharma
6. FMCG