CHAPTER 8
FUTURE DIRECTION
8.0 FUTURE DIRECTION

From the above study, the following directions were proposed to the stakeholders of the Indian Stock market viz. investors, regulators and policy makers.

8.1 TO INVESTORS:

1. To take Long position:

   The investors were advised to take long positions in the Futures market as it is playing a dominant role in the price discovery process.

2. To take appropriate risk:

   The investors were advised to take appropriate risk on the basis of their risk taking ability in the market either in the Futures market or in the Spot market.

3. Seize the arbitrage opportunities:

   The bidirectional relationship between the Spot and the Futures market indicates the existence of excellent arbitrage opportunities available in the market. The investors can seize such arbitrage opportunities for information.
4. Consider the Trading volume of the Futures market:

The investors should have an eye on the trading volume of the Futures market which indicates the lead was taken by the Futures market and the Spot market follows it.

5. Information is the Key:

The investors need to have updated knowledge on the available information on the market. The Past information and the present information were having key impact on the Spot and the Futures price. Positive information about the share was having positive advantage on the prices of the shares.

6. Consider the Open Interest:

The open interest was the best indicator which has a major influence on the Spot and the Futures price. The investor need to have a track on the open interest levels in the market to keep updated from time to time.

7. Bullish market is the Indicator:

The investors need to track the market movements, if it is Bullish market, the investors can take long positions in the market for long term purpose.
8. Bearish market is not the losing end:

The investors were advised not to panic if the prices were falling. The strong shares will bounce back during the Bear reversal.

9. Hedge in the market:

The investors can hedge their risk by using the Futures market, as most of the Mid-cap shares traded on the Futures market play a dominant role in the price discovery process.

8.2 TO REGULATORS and POLICY MAKERS

1. Watch Speculators:

The regulators should have a proper mechanism for watching the speculative activities of traders. Unchecked speculation might be injurious to the stocks health.

2. Educate Investors:

The Regulators have to take proper steps in order to educate the investors about the Mid-cap shares availability in the Futures market, so that trading volume of the Mid-cap shares will increase.
3. Introduce Speculate Check:

The Regulators need to take proper action to introduce speculate check of the trading members and their clients. It is to prevent information bombarding on the trading members.

8.3 KEY POINTS FOR FURTHER RESEARCH

In this study an effort have been made to analyse the price discovery process and lead lag relationship of the Mid-cap shares that were traded in the Futures market since its inception till 31st March 2015. The relationship was further tested in the Bullish phase and the Bearish phase of the market. The study also covers the effect of the volatility, trading volume and the open interest on the Spot and the Futures price. During the analysis, the further areas for Futures research can be considered are presented below:

1. The price discovery process of the Spot and the Futures stocks on the basis of market capitalization of shares.
2. The Influence of volatility on the Lead lag behavior of the Spot and the Futures market in the Mid-cap segment.
3. The influence of Volatility on the Price discovery process of the Spot and the Futures market in the Mid-cap segment.
4. This study has covered the research objective on the basis of EoD prices, further analysis can be done using the intraday data.
The above points were only partial list of the opportunities for further research that are not covered under this analysis. The future researchers may consider the above points for the research area and to provide fruitful contribution to the literature.