

## RETURNS AND CORRELATIONS OF INDIAN SECTOR STOCK INDICES

Jayen B. Patel, Adelphi University, Garden City, New York, USA

[dx.doi.org/10.18374/JIFE-13-4.7](https://doi.org/10.18374/JIFE-13-4.7)

### ABSTRACT

We examine returns of eleven Indian sector stock indices along with the composite stock index for the period January 2007 through December 2012. Our results indicate sector returns are highly correlated with each other and also with the composite index. The correlations were significantly high during good market conditions and also during bad market conditions. We therefore conclude investors cannot benefit by diversifying only among Indian sector stocks. We also examine the performance of stock returns around the November 2008 terrorist attack that occurred in Mumbai, India. Our results indicate stock returns did not generate lower statistically significant returns in November 2008 with comparison to the mean returns of the rest of our sample period. We therefore conclude Indian stock market is resilient to catastrophic shocks such as the November 2008 terrorist attack.

Keywords: *Indian stock market, Sector returns, Catastrophic shocks, November 2008 Mumbai attacks.*