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Intraday return dynamics and volatility spillovers between NSE S&P CNX Nifty stock index and stock index futures

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Abstract

Using 5-min intraday transaction prices, this study investigates the relationship between the National Stock Exchange (NSE) S&P CNX Nifty futures and its underlying spot index in terms of both return and volatility. By applying Johansen–Juselius (J–J) cointegration analysis, we find evidence of single common stochastic trend, to which spot and [illegible] ector error correcti[illegible] ectional causality [illegible] overs between [illegible] sive Cond[illegible] nd Kroner (BEKK) [illegible] ers between spot and [illegible] a previous shock ar[illegible] clude that Nifty futures prices lead spot prices and futures market largely contributes to price

discovery. These findings have significant implications for traders in implementing hedging and arbitrage trading strategies, for portfolio managers in managing risk and also for policymakers in assessing market stability.

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