



TAPMI

**T. A. PAI MANAGEMENT INSTITUTE
MANIPAL - 576104**

Research Seminar

“Relative Price Discovery between Options and Futures
Markets India”

Speaker

Prof. Pratap Chandra Biswal

Associate Professor & ICICI Bank Chair Professor
T. A. PAI Management Institute

3.00 p.m. Sept 23, 2009, Classroom No. F2, TAPMI New Campus

All are invited

Abstract

This study examines the relative rate of price discovery between Index futures and Index options traded in India, a rapidly growing market in which the issue of options price discovery has remained unexplored. Although Index futures contracts have been commenced since June 12, 2000, India had no exchange-traded options market until June 4, 2001. Since then growth of both options and futures market has been very good. Therefore it would be interesting to examine whether NSE Nifty 50 index options and NSE Nifty 50 index futures of such growth magnitude demonstrate similar price discovery contributions to those of options and futures in mature markets. We measure the relative rate of price discovery using Hasbrouck (1995) information shares and Gonzalo and Granger (1995) factor weighting. These two models complement each other and provide different views of the price discovery process between markets. The Gonzalo and Granger model focuses on the components of the common factor and the error correction process, while the Hasbrouck model considers each market's contribution to the variance of the innovations to the common factor. This study aims at using high frequency index options and futures data for a period five years ranging January 2004 – December 2008. The results should have important implications for the development of derivatives in other emerging markets.

Contact:

Research Committee, T. A. PAI Management Institute

Email: rpc@tapmi.edu.in

Phone: +91-820-2701033

Log on: www.tapmi.edu.in