

Muhurat Trading and Dhanteras

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ABSTRACT

Our research paper aims to find out if there is a relationship between gold price and sensex on two particular occasions, that is, Dhanteras and Muhurat Trading by downloading 5-years data for both sensex and gold prices. The relationship is established on these two-particular occasions using statistical tools such as regression. Along with this, our research paper also aims to analyse the responses given by people during our survey that we conducted. To find out if there is a relationship, we conducted the linear regression test on SPSS and the ANOVA table gave a significance of less than 0.05. This helped us analyse and we found out that gold price has an impact on sensex.

1. Introduction

Muhurat trading is a trading session which takes place on the festival of Diwali. On this occasion the stock market is open for an hour, usually in the evening, where the investors and traders, invest or trade. This custom has been practiced from many years. For many of the trading communities in north India, new financial year begins with Diwali. Pooja is performed and the traders on Dalal Street welcome the New Year on a positive note. This period is considered auspicious ("Muhurat" as per Hindu calendar is considered an auspicious time) and trades conducted within these 60 minutes are believed to bring prosperity and wealth. The timings for trading on this day is intimated by BSE and NSE. Dhanteras is a festival which is celebrated on the thirteenth day of the Hindu calendar in the holy month called Karthik. On this particular occasion, Dhanvantari, the god of medicine is worshipped. This day marks the beginning of the festival, Diwali. This occasion has an intriguing story about the son of the King Hima who is 16 years old. After his son was born, his horoscope foretold his death by a snake-bite on the fourth day of his marriage. On that precise day, he was not allowed to sleep by his newlywed wife. She lit lamps all over the house and had laid out ornaments in a heap at the entrance of their house. All night she was narrating stories and sang songs to her husband to keep him awake. Next day the god of death, Yama had arrived at their doorstep in the guise of a serpent, his eyes were dazzled by the brilliance of lamps and ornaments. He could not enter the house as it was spread in the form of a heap and sat on top of it listening to those stories and songs. As the sun rose in the morning, Yama left silently. This day marks an auspicious day to make new purchases, especially jewellery such as gold and silver along with new utensils.

2. Review of Literature

- After an extravagant puja at home and office, most brokers and financial specialists attempt to purchase stocks in little quantities on that day. With Diwali around the corner many of the traders gear up for their routine trading 'Muhurat Trading', which is a tradition very unique in India where in the stock market is open in the evening only for a short duration of one hour. It opens at an auspicious time in the

evening for the traders. (Muhurat Trading Diwali 2011, 2011)

- During the last few sessions of Muhurat trading, the benchmark indices have ended higher by a small fraction. The exchange decides what time the trading shall take place which normally happens only for an hour. The trading is not only with stocks but also with commodity exchanges. Most of the major commodity exchanges such as MCX, NCDEX and many others will open for trade from 5:30pm to 8pm. . Lastly, here is the Mint Money caveat: equity is not really about tradition; rather it is most effective in the long run. You'll be better off sticking to your investment discipline (asset allocation), fundamental stock picking and long-term return objectives when it comes to investing in stocks. (muhurat trading, 2012).
- Trader or investors who purchase stocks on these days believe that they have to be kept for a certain number of days or months so that this can be passed on to the next generation. However, times have changed, and things change in the present days. Hence the new investors or traders believe that Muhurat trading is not a day where people purchase certain stock that is kept for a long period of time. It's that day where people try to make few bucks by taking advantage of the one-hour trading session. KR Choksey, chairman of KR Choksey Shares and Securities, has witnessed Muhurat trading since 1961. He fondly remembers the festive air around BSE and the crowd that used to gather at the trading ring on the day of Diwali, sometimes with entire family. (Madhu, 2013)
- In the year 2017, the prices of gold again fell by Rs. 250 to Rs. 30750 per 10 grams on the day of Muhurat Trading even though there were records of people who bought gold on that day. The fall in prices of gold on that day was attributed to the absence of the activities of the retail jewellers who had to trade on these occasions. Considering the global aspect, the price of gold had increased to \$ 1286 (US) per ounce that is an increase of about 0.43%. On the previous day of this auspicious occasion gold had closed with

an increase of Rs. 290. (Gold loses sheen in Diwali trade, down Rs 250, 2017)

- e. In India gold is not considered just as a metal but is a symbol of prosperity and basis of wealth irrespective of social and economic class. Many experts state that gold held by Indian families is more than the reserves of the entire United States and Europe. In 2016 the price of gold started rising incessantly from the beginning of the year but later on the price started to fall. According to prices by the India Bullion and Jeweller's Association (IBJA) at Rs 30,170 on October 6 against Rs 31,660 on August 18. During Dhanteras the gold prices are likely to move upwards as it is a highly preferred investment option.(Sliding prices could make gold an attractive buy, 2016).

3. Research Design

Our research design for this topic is causal design. Causal research design refers to cause and effect relationship i.e. effect of one variable on the other. In our research paper, we are trying to establish a relationship between gold prices and sensex only on two particular occasions, Dhanteras and Muhurat trading as the gold price is dependent on sensex.

A. Research Objectives

To find if there exists a relationship between sensex and gold price on two auspicious occasions, Dhanteras and Muhurat Trading.

B. Research Gap

After reviewing the research papers on our topic, we found that the research papers didn't focus on the relationship between the gold price and sensex on these two particular occasions. Hence we identify this as our research gap.

C. Statement of Problem

For our research we found it hard to get authentic data and there weren't many papers related to Dhanteras or Muhurat trading. We found it hard to

determine the relation between sensex and gold as we couldn't get a clear idea on what tests to perform.

D. Sources Of Data

Considering two parts in our research, we have used both primary and secondary sources of data. Primary data has been used to collect opinion from people about relationship between sensex and gold price along with increase or decrease in the price of gold on these two occasions. We have downloaded historical data for both sensex and the price of gold for the last 5 years to establish a relationship between sensex and gold price.

E. Hypothesis

Ho: There is no relationship between gold price and sensex on Dhanteras and Muhurat Trading

H1: There exists a relationship between gold price and sensex on Dhanteras and Muhurat Trading

F. Data Analysis Tools

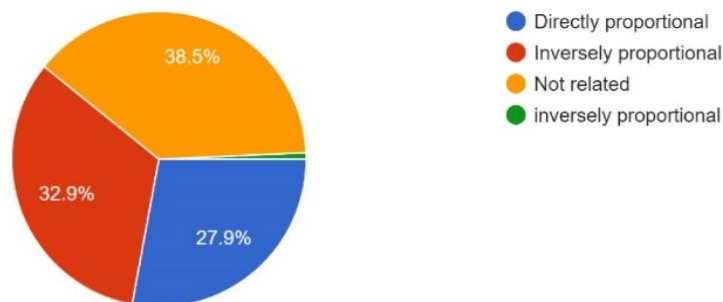
To find the relation between the two variables we used *Linear Regression test* which gave the ANOVA table that showed a significance level of less than 0.05. Since our research adopts the causal research design, we determine to establish a relationship between the two variables i.e. gold price which is the dependent variable and sensex, the independent variable.

G. Expected Outcome

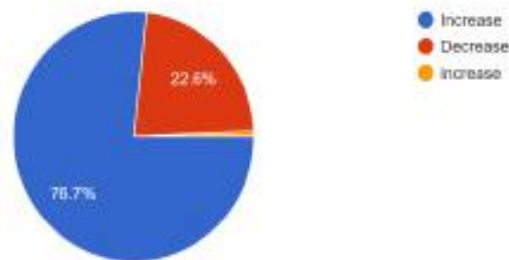
There are research papers which show that there exists a causal relationship between gold price and sensex which is not true all the time as there are other factors which impact the stock market. We expect in our research paper to find out if there exists a relationship between the two variables, sensex and gold price on two particular occasions i.e. Dhanteras and Muhurat Trading.

4. Data Analysis and Interpretation

According to you, the relation between Sensex and Gold price is:



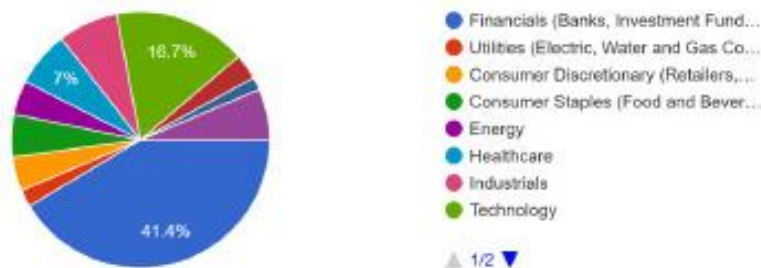
What is your expectation on the price of gold on that day?



From the responses that we have received, we can analyse that majority of them are investors which means they are looking for a medium to a long term benefits than a short term i.e. a trader. With a high percentage of men involved into the stock markets, we find people from differernt occupation sectors involving themselves into financial markets. On an

average approximately 140 people spend around 30-45mins of their time in a day by reading the news and looking after their investments. We can deduce that these are investors as traders would spend more time in a day looking after their investments as they want to make profits in the short term.

If stocks then which particular sector you wish to invest in?



From further responses from the questionnaire people prefer to invest in the financial sector than the other sectors as they may feel it is much more safer option than the other sectors, even though there are risks associated with it. When asked about the preference of investment between gold and stocks the response was 68.6% prefer stocks over 31.4% on gold as stock is an easy mode of transfer and safer option compared to gold. The second most traded sector with respect to our sample size is "Technology".

before as the prices would be increasing. Hence traders or investors would buy gold almost a month earlier from Dhanteras or Muhurat trading session so that they can make profits. Common people like us do buy gold on that day as part of their culture/tradition.

Diwali and Dhanteras being an auspicious occasions, from our responses people do not trade on muhurat trading session and also do not buy gold. People may not buy gold on this day because as Dhanteras approaches many people would buy it

39% of the people stated that gold prices and sensex are not related. The percnatg of people who trade is lesser than the number of people who don't trade. Even though the majority of people say that gold and sensex are not related, we can understand that there are many more factors which affect the relationship between sensex and gold price such as political events, international economic events, changes in business cycle of the world economy, forex markets etc.



ANOVA						
Year	Model	Sum of Squares	df	Mean Square	F	Sig.
2012	Regression	135352169.223	1	135352169.223	266.235	.000 ^b
	Residual	126590089.654	249	508393.934		
	Total	261942258.876	250			
2013	Regression	49562485.675	1	49562485.675	13.201	.000 ^b
	Residual	916073007.789	244	3754397.573		
	Total	965635493.463	245			
2014	Regression	118374937.990	1	118374937.990	204.006	.000 ^b
	Residual	140421332.338	242	580253.439		
	Total	258796270.328	243			
2015	Regression	21095368.749	1	21095368.749	43.117	.000 ^b
	Residual	120358348.670	246	489261.580		
	Total	141453717.419	247			
2016	Regression	225677325.684	1	225677325.684	47.375	.000 ^b
	Residual	1167089227.943	245	4763629.502		
	Total	1392766553.628	246			
2017	Regression	2422161.781	1	2422161.781	9.950	.002 ^b
	Residual	59882820.183	246	243426.098		
	Total	62304981.964	247			
2018	Regression	13718665.966	1	13718665.966	40.640	.000 ^b
	Residual	78989445.441	234	337561.733		
	Total	92708111.407	235			

From the graph above, we can understand that the gold price on an average has reduced which can be explained due to the strategy used by traders. By comparing the price of gold and sensex with respect to previous day, the average price of gold has decreased while the average value of sensex has increased. But on the following day, the average price of gold has reduced from Rs. 29041 to Rs. 28983.2 along with the value of sensex from 28274.9 to 28179.3

With prior research papers stating that there exists an inverse relationship between gold and sensex which isn't true all the time, from the downloaded data we have analysed that the gold prices have increased most number of years. On the years where the gold prices have increased, we can analyse that it can be a strategy where the traders usually buy gold in advance and sell during these two occasions. Apart from this, from our literature, we can also understand that if the jewellers don't buy gold on these two occasions, there is a chance that the prices can reduce as the quantity purchased will be less because they are the majority people (dealers) who purchase gold on this auspicious occasion.

To find out if there exists a relationship between the two variables i.e. gold price (dependent variable) and sensex (independent variable), we performed a linear regression test on SPSS. Daily prices of both gold and sensex were

downloaded. By noting down the dates of these two occasions, we performed the test by taking the previous year and the following year data yearly from 2012 to 2018. This test when performed gave us the ANOVA table which showed a significance level of less than 0.05. If the significance level is more than 0.05, this means that there is no relationship between the two variables. Since we got our values for significance level less than 0.05, it can be understood that there exists a relationship between gold and sensex. Gold being the dependent variables and sensex is the independent variable as sensex is affected by various other conditions such as political events, economic events etc. From this we will now reject the null hypothesis (Ho) and accept the alternate hypothesis (H1).

5. Findings

There is a structural break (events) in the gold prices which is proved by the hypothesis testing of the relationship between sensex and gold prices during the year 2012-2018.

6. Conclusion

The objective of this research paper is to find out if there exists any relationship between the gold prices and sensex particularly on two occasions i.e. Dhanteras and Muhurat Trading. If the stock market crashes, many people make losses

as the prices of shares reduces which reduces their portfolio. Hence people then generally switch to safer investments such as gold as people believe that their money is safe. It is also understood from the literature papers that from many years on these two particular occasions the market most of the times in the last 5 years has ended flat. This is due to two reasons. At first, it's the strategy that the traders adopt by purchasing gold almost a month advance and selling it on this day. The other

where common people buy gold. This may nullify the effect and out of many Muhurat trading sessions, the market has ended flat. With research papers generalising that there exists a negative relationship which doesn't hold true all the time, our research paper concludes that there definitely exists a relationship between gold prices and sensex, where the gold price is dependent variable because the movement of sensex has an impact on the gold price.

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