



## ARBITRAGE TRADE ANALYSIS

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### ABSTRACT:

The security market is the place where suppliers and users of capital, meet to share each other vision and aspiration. The issued shares are traded hence it is called as secondary market. The individuals in market transfer the funds from non profitable investment to profitable investment. This transfer of funds from low return share to high return shares forces the firms to improve their performance to increase the intrinsic value of shares.

The arbitrage is the deviation or difference between the market prices of a share. The arbitrage is gained when there is a difference in the price a share in two markets. The arbitrage provides some profits to the individuals in the market.

The arbitrage is the return for the invested amount and it is also for the skills used to get the deviation between the prices. The investors purchase the security from where the price is low and sell it in the market where the prices are high.

In these days, due to online trading the deviations in the market prices are occurring in rare. So it may be a difficult task to search for an opportunity of getting arbitrage.

### I. INTRODUCTION

The securities market is a place where is a place suppliers and user of capital meet to share each other's vision and aspirations and now here a balance is sought to be achieved between the diverse interest of market participations. Securities MAYouple individual acts of saving to occur without a concomitant investment .moreover, availability of yield bearing securities makes present consumption, including people to save more. The composition of saving changes, with less saving held in the form of idle money or unproductive assets simply because more divisible and liquid assets are available.

The securities market avoids allocation of savings to low yielding enterprises and hence forces them to improve performance. It continuo monitors their performance through movement of their share price in the market and the threat of takeover. the improves efficiency of resources use and

thereby significantly increases the return on investment .as a result, savers and investors are constrained not by individual abilities but by the economy's ability to invest and save, which in evitable enhances savings and investment in the economy. Thus the securities market converts a given stock of ingestible resources into a large flow of goods and services and promotes economic growth

### OBJECTIVES OF THE STUDY

- To Study about the difference of share price traded in NSE & BSE Sensex.
- To study about the Return and risk of investment in select 3 scripts traded in NSE & BSE sensex.
- To identify the chance of arbitrage, thus measuring the volatility in returns.
- To identify the best script this gives maximum returns.
- To measure the share prices performance for (May 2022 to July 2022)



## NEED FOR THE STUDY

The present study to review “Arbitrage” trading is simply the trading of securities when the opportunity exists during the trading day to take advantage of differences in value between the markets the trades are made within. Arbitrage trading takes place all day long on most days that the markets are active. Arbitrage is legally allowed. In fact arbitrage is responsible for a large part of the daily volumes on the NSE & BSE exchanges.

## II. REVIEW OF LITERATURE

### STOCK MARKET

Stock market represents the secondary market where existing securities shares and debentures are traded. Stock exchange provides an organized mechanism for purchases and sale of securities. by the end of 2006 there 23 stock exchange in our country. The investors want liquidity for their investments. Stock exchange provides a place where securities of different companies can be purchased and sold.

Stock exchange is a body of persons, whether in corporate or not, formed with a view to help, regulate and control the business of buying and selling of securities.

### CHARACTERISTICS OF STOCK EXCHANGE

- It is a place where securities are purchased and sold.

- A stock exchange is an association of persons whether incorporated or not.
- The trading is strictly regulated with rules and regulation prescribed.
- Both genuine investors and speculator buy and sell shares.
- The securities of corporations, trusts, governments, municipal corporations are allowed to be dealt at stock exchanges.

### BOMBAY STOCK EXCHANGE

The Bombay Stock Exchange Limited, (formerly, the Stock Exchange, Mumbai; popularly called as BSE) is the oldest Stock Exchange in Asia with a rich heritage. It is located at Dalal Street, Mumbai, India.

BSE was established in 1875 as “The Native Share & Stock Brokers”. It was the first Stock Exchange in the country to obtain permanent recognition in 1956 from The Government of India under The Securities Contracts (Regulation) Act 1956. There are around 3500 Indian companies listed with Stock Exchange and has a significant trading volume.

The Exchange is professionally managed under the over all direction of the Board of Directors. The Board comprises eminent professional, representative of Trading Members and the Managing Directors of the Exchange. The Board is inclusive & is designed to benefit from the participation of market intermediaries.



## FUNCTIONS BSE

The Stock Market is a pivotal institution in the financial system. A well-ordered stock market performs several economic functions:

- It ensures the measure of safety and fair dealing
- It performs an 'act of magic' by translating short-term investments into long-term funds for companies.
- It directs the flow of capital in the most profitable channels.
- It induces companies to raise their standard of performance.
- It offers guidance to management about the cost of capital.

## NATIONAL STOCK EXCHANGE

The national stock exchange of India was established in 1994 by financial institutions and banks with IDBI as a nodal agency.

The NSE has been conceived as a model exchange with a nation wide electronic screen based scrip less and "floorless" trading systems in securities, which is both efficient and transparent and offer equal and nation wide access to investors.

## Features of NSE

- NSE employs a fully automated screen based trading system.
- it has two segments

capital market segment covers equities, convertible debentures

- whole sale debt market segment

- The NSE market fully automated screen based environment. There is no trading floor as is prevalent in the traditional stock exchanges.
- The market operates with all participants stationed at their offices and making use of their computer terminals.
- The trading members in the capital market segment are connected to the central computer in Bombay through a satellite link-up using VSATs (very small aperatur terminals.)
- the trading member in wholesale debt market segment are linked through dedicated high speed lines, to the central computer at Bombay
- The NSE has opted for order driven system. A trading member can place various conditions on the order in terms of prices, timer or size.
- when trade takes place, a trade confirmation slip is printed at the trading member's workstation
- The identity of the trading member is not revealed to others when he places an order or when his pending orders are delayed.

## III. DATA ANALYSIS & INTERPRETATION

### ARBITRAGE PRICING OF WIPRO PRICES TRADED IN BSE AND NSE IN THE MONTH OF MAY -22.



SNO	DATE	BSE	NSE	DIFFERENCE
1	1/05/2022	635.8	638.18	-2.35
2	2/05/2022	633.85	633	0.85
3	3/05/2022	639.35	640.7	-1.35
4	4/05/2022	637.4	637.9	-0.5
5	7/05/2022	637.55	637.85	-0.3
6	8/05/2022	647.6	647.55	0.05
7	9/05/2022	655.3	654.65	0.65
8	10/05/2022	648.45	648.4	0.05
9	11/05/2022	644.4	644.4	0.65
10	19/05/2022	658.75	658.55	0.2
11	18/05/2022	659	659.1	-0.1
12	19/05/2022	671.9	671.05	0.85
18	18/05/2022	673.2	671.6	1.6
19	18/05/2022	675	674.7	0.3
18	21/05/2022	679	677.35	1.65
19	22/05/2022	678.9	678.7	0.2
18	23/05/2022	693.25	693.5	-0.25
18	24/05/2022	694.05	694.4	-0.35
19	29/05/2022	681.2	681.1	0.1
20	30/05/2022	681.18	681.35	-0.2
21	31/05/2022	679.4	680	-0.6

## NSE RETURNS

slno	Date	current price	previous price	Returns
1	1/05/2022	638.18	629.05	1.446626
2	2/05/2022	633	638.18	-0.80702
3	3/05/2022	640.7	633	1.21943
4	4/05/2022	637.9	640.7	-0.43702
5	7/05/2022	637.85	637.9	-0.00784
6	8/05/2022	647.55	637.85	1.520734
7	9/05/2022	654.65	647.55	1.09644
8	10/05/2022	648.4	654.65	-0.95471
9	11/05/2022	644.4	648.4	-0.6199
10	19/05/2022	658.55	644.4	2.195841
11	18/05/2022	659.1	658.55	0.083518
12	19/05/2022	671.05	659.1	1.818078
18	18/05/2022	671.6	671.05	0.081961
19	18/05/2022	674.7	6719	-89.9538
18	21/05/2022	677.35	674.7	0.392767
19	22/05/2022	678.7	677.35	0.199306
18	23/05/2022	693.5	678.7	2.180639
18	24/05/2022	694.4	693.5	0.129776
19	29/05/2022	681.1	694.4	-1.91832
20	30/05/2022	681.35	681.1	0.036705
21	31/05/2022	680	681.35	-0.19819

## BSE RETURNS

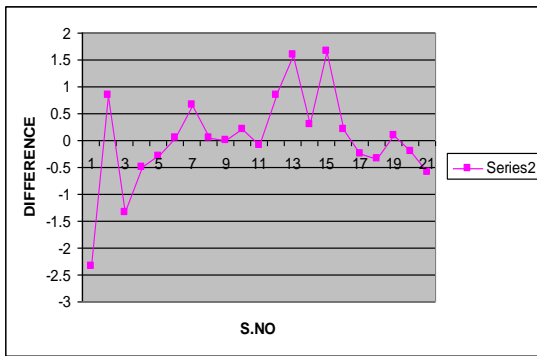
SNO	DATE	Current price	previous price	RETURNS
1	1/05/2022	635.8	628.9	1.097184
2	2/05/2022	633.85	635.8	-0.3067
3	3/05/2022	639.35	633.85	0.867718
4	4/05/2022	637.4	639.35	-0.305
5	7/05/2022	637.55	637.4	0.023533
6	8/05/2022	647.6	637.55	1.576347
7	9/05/2022	655.3	647.6	1.189006
8	10/05/2022	648.45	655.3	-1.04532
9	11/05/2022	644.4	648.45	-0.62457
10	19/05/2022	658.75	644.4	2.226878
11	18/05/2022	659	658.75	0.037951
12	19/05/2022	671.9	659	1.957511
18	18/05/2022	673.2	671.9	0.193481
19	18/05/2022	675	673.2	0.26738
18	21/05/2022	679	675	0.592593
19	22/05/2022	678.9	679	-0.01973
18	23/05/2022	693.25	678.9	2.118718
18	24/05/2022	694.05	693.25	0.118398
19	29/05/2022	681.2	694.05	-1.85195
20	30/05/2022	681.18	681.2	-0.00734
21	31/05/2022	679.4	681.18	-0.25692

## DESCRIPTIVE STATISTICS OF DIFFERENCE BETWEEN PRICES TRADED IN BSE AND NSE.

The above table shows the difference of WIPRO stock price traded of in BSE and NSE here the scope for arbitrage is not possible. All difference of stock price are less than 5%, thus the scope for arbitrage is less in this particular month thus. We can say that market was efficient in this month.

## SUMMARY OF STATISTICAL

	BSE	NSE
mean	662.119	662.0952
max	2.226878	2.195841
min	-1.85195	-89.9538
s.d	0.4859	-18.002



In the above graph most of the values exist below the normal line thus the scope for arbitrage is less in this month the basic reason might be take of strong correlation. Here out of 21 days trading 8 days have negative returns while 12 have positive returns. Thus the scope for arbitrage exists.

### ARBITRAGE PRICING OF WIPRO PRICES TRADED IN BSE AND NSE IN THE MONTH OF JUNE -22

SNO	DATE	BSE	NSE	DIFFERENCE
1	04-06-2022	693.4	693.6	-0.2
2	05-06-2022	704.8	704.75	0.05
3	06-06-2022	693.18	690.5	2.65
4	07-06-2022	677.55	678.25	-0.7
5	08-06-2022	669.1	668.05	1.05
6	11-06-2022	662.2	661.4	0.8
7	12-06-2022	694.55	639.8	54.75
8	14-06-2022	718.5	718.6	-0.1
9	14-06-2022	741.3	741.1	0.2
10	18-06-2022	734.7	735.9	-1.2
11	18-06-2022	747.5	741.5	6
12	19-06-2022	737.45	738.95	-1.5
18	20-06-2022	725.4	726.55	-1.18
19	21-06-2022	709.18	709.45	-0.3
18	22-06-2022	699.9	700.05	-0.18
19	25-06-2022	694.7	695.1	-0.4
18	27-06-2022	654.5	655.4	-0.9
18	28-06-2022	672.95	673.45	-0.5
19	29-06-2022	647.4	647.95	-0.55

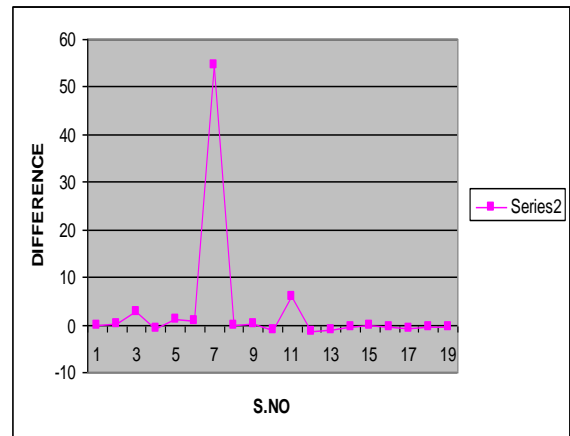
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### SUMMARY OF STATISTICAL

	BSE	NSE
mean	698.6947	695.65
max	4.885231	4.425045
min	-5.78667	-5.71191
s.d	0.6631	0.75002



In the above graph most of the values exist below the normal line thus the scope for arbitrage is less in this month the basic reason might be take of strong correlation. Here out of 19 days trading 11 days have negative returns while 8 have positive returns. Thus the scope for less arbitrage exists.

### IV. FINDINGS AND SUGGESTIONS FINDINGS

The arbitrage is gained when there is a difference in the prices of a share in two different markets.



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## SUGGESTIONS

- In the 3 scrip the share values increases and MAYreasing of the company .so suggest the to the company should buy the share of ICICI BANK share getting more profit than other company. Overall the ICICI should be in the Pay Out to clients. The Wipro and TCS Company should be Pay In clients
- Commitment should be equalized for every person.
- Provide the facility of free demonstrations for all.
- There should be a limited number of c lients under the relationship manger. So that he can handle new as well as old customer properly.
- Some promotional activities are required for the awareness of the customer
- People at young age should be encouraged to invest in stock market.
- Seminars should be held for providing information to prospective and present customers

## V. CONCLUSIONS

The study shows that none of the studied ten scrips give any scope for arbitrage .the reasons is explained below. The scrips are studied for arbitration foe a period of three months “MAY-18, jan-019, JUL-019”.

Studied above five scrips arbitrage is not possible in any time. Thus it indicates Arbitrage is imperfection and arbitrage is possible, it indicates market is perfection

If we want to enter in to the arbitrage trading that trader has trough knowledge About share market, fundamental and technical analysis knowledge

If any case broker wants to do this trading first analysis of all fundamental and technical analysis tools The scope for arbitrage exits only when there is 5% profit in difference in the price of share traded in BSE&NSE.

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