

Recency Bias : Impact of Market News on Stocks

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Abstract

Sentiments run financial markets in the short term and fundamentals in the long term. News affects the market participants' sentiments, thus impacting stock behavior. The primary focus of this research was to study the impact that news has on a stock by analyzing the price change, volume, and shareholding patterns of the different groups of investors. In our study, we have categorized news into four different groups — news relating to management and directors, news relating to government policies and regulations, news pertaining to investors, and news relating to business activities to see how different news affects stocks. We found that after a piece of news becomes public, there is a sharp movement in the stock price, and the volume rises multiple times, making the stock highly volatile. However, the stock price generally continues to move in the same direction for the next few days. From the study of the shareholding pattern, we found that when there is a significant change in holdings, the retail and institutions are on the opposite sides, showing how different groups of investors react differently to the news. Our research will help investors and traders make better decisions by giving an idea of the stock behavior after the news. The study also opens further research opportunities into investor behavior and the different patterns of stock behavior after the news.

Keywords : news, stock price, volume, foreign institutional investors, domestic institutional investors, retail investors

JEL Classification Codes : G12, G14, G18, G41

Paper Submission Date : May 18, 2022 ; **Paper sent back for Revision :** June 13, 2022 ; **Paper Acceptance Date :** August 10, 2022

For any market participant, whether a trader or an investor, it is crucial to be aware of the news that can impact the stocks they are holding or the stocks in which they are willing to create a position. The news gives an idea of the direction the stocks will follow. For our study, we have categorized news into four groups, each from a different area that affects the working of the company, they are :

- (1) News Relating to the Management and Directors :** These include the news related to the management, directors, or employees of the company.
- (2) News Relating to Government Policies and Regulations :** These include news on government policies that will directly or indirectly impact the stock.
- (3) News Relating to Investors :** These include news relating to the existing or new investors in the company.
- (4) News Relating to Business Activities :** This includes news related to any company's business activities that will impact its stock.

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As every market participant will try to analyze the impact of the news in their manner, it becomes difficult to predict how a stock will react to a piece of news. Most research in this area has focused on the impact of news on the indices and not on specific stocks or investors. This is a significant research gap, and through our research, we want to focus on how a stock behaves after news and how it impacts the different investors of the company. We aim to understand the effect of the news on the price and volume movement of the stock and the impact based on the different news categories. Using our findings, we want to help investors and traders make better decisions by having an idea of the potential movement of a stock to a piece of news based on its type or category.

Brief Review of Literature

Very little research has focused solely on the impact of news on stock and investor behavior. Still, much literature shows us how different investors behave differently and that their decisions are biased and influenced by the information available.

Basilone (2021) found that the impact of the news was directly related to the visibility and length of the news and how social media plays a vital role in how people see a company. George and Srinivasa Suresh (2015) examined the trading behavior of retail investors to find out if their trading created noise in the price discovered and found evidence of noise in retail trading. Sathish (2020), in his study, inferred how the behavior of institutions differs in the short term, how the foreign portfolio investors are positive feedback traders, and DIIs are negative feedback traders. The study proved the existence of bidirectional causality between institutional investments.

In their study, Sushmita et al. (2018) quantified the influence of overconfidence and disposition on the Bombay Stock Exchange. They found how apart from the basic fundamental and technical analysis, an investor's decision is driven by heuristics and mental biases. De and Chakraborty (2018) found the existence of significant information asymmetry among different groups of investors and the slow dissemination of firm-specific information. Agrawal et al. (2016) revealed that investors in India tend to follow the behavior of others while making investments in stock markets to avoid losses and regrets.

Objectives

The objectives of this research project are as follows:

- ↳ To understand the immediate impact of news on the stock's price and volumes on the day of the news.
- ↳ To track the stock movement to see the maximum impact of the news.
- ↳ To find the impact of the news on the holding pattern of the stock.
- ↳ To understand how different types of news affect different stocks, by comparing the four different groups that we have divided the stocks into.

Research Methodology

Our study is fundamental research based on a collection of secondary data and analyses it to understand the impact on stock behavior due to news. For the research, we have taken 20 different stocks with different news and categorized them into four broader groups, each containing five stocks. For our analysis, we collected data relating to the change in price on the day of the news, the change in price till the stock price showed any sign of reversal, the volume change on the day of the news, and the shareholding pattern.

We have selected news articles from renowned and reliable sources, such as *Moneycontrol*, *Economic Times*, *The Hindu BusinessLine*, *Livemint*, etc., as they are the primary news sources and provide accurate news. After

going through multiple articles, we carefully chose the most appropriate news that fit under any of the four categories by selecting news that differed from each other but fell under the same category and significantly impacted the stock.

The four categories, as elaborated earlier, are :

- ↳ News relating to management and directors,
- ↳ News relating to government policies and regulations,
- ↳ News relating to investors,
- ↳ News relating to business activities.

After choosing the news, we gathered the price and volume figures using “trading view.” Similarly, to collect the holdings data, we chose “screener,” “tickertape,” and “BSE website” as they are the most trusted and used sites by investors.

We used the gathered data to make the necessary calculations required for our analysis and to draw the conclusions of our research. All calculations in our study have been performed on Microsoft Excel 2013. We collected stocks from 2020 to 2022 so that the news is not old and the study is relevant. Our study was completed over three months, from January to March 2022.

Analysis and Results

Stock No 1 : Asian Paints Limited

↳ **Category :** News relating to the management and directors. According to the news published on *The Hindu BusinessLine* on October 20, 2021, a whistleblower had flagged off the promoter Mr. Ashwin Dani for related party transactions at the expense of their shareholders (Shah, 2021).

Impact of the News on Stock Price and Volume

- ↳ Price change on the same day (%)—Stock fell by 5.29%.
- ↳ Price change till reversal (%)—Stock fell by 9.85%.
- ↳ Volume change (%)—Volume increased by 323.22%.

Impact of the News on Stock Holdings

- ↳ FII (%)—Reduced 0.48% holding.
- ↳ DII (%)—Increased 0.31% holding.
- ↳ Retail (%)—Increased 0.30% holding.

Stock No 2 : RBL Bank Ltd.

↳ **Category :** News relating to the management and directors. As per *Business Standard*, on December 25, 2021, RBI appointed a new additional director Mr. Yogesh Dayal, following which the then CEO and MD,

Mr. Vishwavir Ahuja, went on leave. This sudden change in management caused panic among the bank's investors (Roy, 2021).

Impact of the News on Stock Price and Volume

- ↗ Price change on the same day (%)—Stock fell by 18.48%.
- ↗ Price change till reversal (%)—Stock fell by 28.40%.
- ↗ Volume change (%)—Volume increased by 4108.90%.

Impact of the News on Stock Holdings

- ↗ FII (%)—Reduced 0.28% holding.
- ↗ DII (%)—Reduced 2.66% holding.
- ↗ Retail (%)—Increased 0.49% holding.

Stock No 3 : Zomato Ltd.

↗ **Category :** News relating to the management and directors. On September 14, during market hours, a piece of news was published by *The Economic Times* stating that the Zomato co-founder, Mr. Gaurav Gupta, was quitting the company (“Zomato co-founder Gaurav Gupta,” 2021).

Impact of the News on Stock Price and Volume

- ↗ Price change on the same day (%)—Stock rose by 0.66%.
- ↗ Price change till reversal (%)—The stock fell by 8.49%.
- ↗ Volume change (%)—Volume increased by 544.74%.

Impact of the News on Stock Holdings

- ↗ FII (%)—Increased 1.04% holding.
- ↗ DII (%)—Reduced 0.36% holding.
- ↗ Retail (%)—Increased 0.20% holding.

Stock No 4 : Infosys Ltd.

↗ **Category :** News relating to the management and directors. According to news published by *Moneycontrol* on September 27, 2021, SEBI had banned Mr. Ramit Chaudhri for insider trading in Infosys using unpublished price-sensitive data (Moorthy, 2021).

Impact of the News on Stock Price and Volume

- ↗ Price change on the same day (%)—Stock fell by 2.42%.

- ↪ Price change till reversal (%)—Stock fell by 6.17%.
- ↪ Volume change (%)—Volume fell by 39.07%.

Impact of the News on Stock Holdings

- ↪ FII (%)—Reduced 0.29% holding.
- ↪ DII (%)—Increased 0.95% holding.
- ↪ Retail (%)—No change in holding.

Stock No 5 : Vodafone Idea Ltd.

↪ **Category :** News relating to the management and directors. On August 2, 2021, *Livemint* posted news stating that Mr. Kumar Mangalam Birla had sent a letter to the cabinet secretary offering his 27% stake in the company to the government in the last effort to save the company from collapsing (Chaki, 2021).

Impact of the News on Stock Price and Volume

- ↪ Price change on the same day (%)—Stock fell by 10.30%.
- ↪ Price change till reversal (%)—Stock fell by 44.85%.
- ↪ Volume change (%)—Volume increased by 373.63%.

Impact of the News on Stock Holdings

- ↪ FII (%)—Reduced 0.25% holding.
- ↪ DII (%)—Increased 0.24% holding.
- ↪ Retail (%)—Reduced 0.03% holding.

Stock No 6 : Godrej Properties Ltd.

↪ **Category :** News relating to government policies and regulations. On August 26, 2020, *The Economic Times* reported that the Maharashtra Government had decided to reduce the stamp duty on sale documents by 3%. Godrej Properties Ltd., one of the market leaders in the reality sector, has huge real estate in Maharashtra and would hugely benefit from this decision (“Boost to real estate sector,” 2020).

Impact of the News on Stock Price and Volume

- ↪ Price change on the same day (%)—Stock increased by 7.11%.
- ↪ Price change till reversal (%)—Stock increased by 13.50%.
- ↪ Volume change (%)—Volume increased by 1661.18%.

Impact of the News on Stock Holdings

- ✧ FII (%)—Reduced 0.24% holding.
- ✧ DII (%)—Increased 0.51% holding.
- ✧ Retail (%)—Increased 0.06% holding.

Stock No 07 : Interglobe Aviation Ltd.

✧ **Category :** News relating to government policies and regulations. *The Hindustan Times* published a news on July 5, 2021 stating that the Ministry of Civil Aviation, in its order, had increased the passenger capacity of domestic flights to 65% from 50%. Interglobe aviation Ltd is the market leader in the aviation sector in India and would benefit the most from this decision (Tripathi, 2021).

Impact of the News on Stock Price and Volume

- ✧ Price change on the same day (%)—Stock increased by 0.72%.
- ✧ Price change till reversal (%)—Stock increased by 4.97%.
- ✧ Volume change (%)—Volume increased by 167.89%.

Impact of the News on Stock Holdings

- ✧ FII (%)—Reduced 0.66% holding.
- ✧ DII (%)—Increased 0.70% holding.
- ✧ Retail (%)—Reduced 0.02% holding.

Stock No 8 : Balrampur Chini Mills Ltd.

✧ **Category :** News relating to government policies and regulations. On June 2, 2021, *The Times of India* published news saying that the government had brought forward its plan for 20% ethanol-blending in petrol by two years to 2023. Balrampur Chini Mills, the market leader, would greatly benefit from this decision (“India brings forward target,” 2021).

Impact of the News on Stock Price and Volume

- ✧ Price change on the same day (%)—Stock increased by 3.28%.
- ✧ Price change till reversal (%)—Stock increased by 19.97%.
- ✧ Volume change (%)—Volume increased by 111.70%.

Impact of the News on Stock Holdings

- ✧ FII (%)—Reduced 0.78% holding.
- ✧ DII (%)—Increased 1.58% holding.

⇒ Retail (%)—Reduced 0.42% holding.

Stock No 9 : IRCTC Ltd.

⇒ **Category :** News relating to government policies and regulations. As per the news article published by *The Economic Times* on October 28, 2021, the ministry of railway had asked IRCTC Ltd. to share 50% of the revenue it generated from the convenience fees on the sale of tickets (Chakraborty, 2021a).

Impact of the News on Stock Price and Volume

⇒ Price change on the same day (%)—Stock fell by 7.42%.

⇒ Price change till reversal (%)—Stock fell by 30%.

⇒ Volume change (%)—Volume increased by 39.71%.

Impact of the News on Stock Holdings

⇒ FII (%)—Reduced 0.75% holding.

⇒ DII (%)—Reduced 3.79% holding.

⇒ Retail (%)—Increased 5.12% holding.

Stock No 10 : PVR Ltd.

⇒ **Category :** News relating to government policies and regulations. In its article on April 5, 2021, *The Hindu BusinessLine* said that the Maharashtra government ordered all the multiplex to close amid the second Covid-19 wave. PVR Ltd. is the market leader in the multiplex industry (“PVR, Inox down,” 2021).

Impact of the News on Stock Price and Volume

⇒ Price change on the same day (%)—Stock fell by 4.84%.

⇒ Price change till reversal (%)—Stock fell by 20.17%.

⇒ Volume change (%)—Volume increased by 324.31%.

Impact of the News on Stock Holdings

⇒ FII (%)—Reduced 4.41% holding.

⇒ DII (%)—Increased 1.89% holding.

⇒ Retail (%)—Increased 1.22% holding.

Stock No 11 : National Aluminium Company Ltd.

⇒ **Category :** News related to investors. On October 12, 2021, according to a news article published by *Livemint*, ace investor Mr. Rakesh Jhunjhunwala purchased a 1.36% stake in the company as per September shareholding data (Sonavane, 2021).

Impact of the News on Stock Price and Volume

- ↗ Price change on the same day (%)—Stock increased by 5.29%.
- ↗ Price change till reversal (%)—Stock increased by 32.80%.
- ↗ Volume change (%)—Volume increased by 141.81%.

Impact of the News on Stock Holdings

- ↗ FII (%)—Reduced 1.92% holding.
- ↗ DII (%)—Increased 0.05% holding.
- ↗ Retail (%)—Increased 2.01% holding.

Stock No 12 : PNB Housing Finance Ltd.

↗ **Category** : News related to investors. *Livemint* published an article on October 15, 2021, saying that PNB Housing Finance had scrapped the deal in which they could sell a stake worth ₹4,000 crores to investors led by Carlyle Group (Gopakumar, 2021).

Impact of the News on Stock Price and Volume

- ↗ Price change on the same day (%)—Stock fell by 4.99%.
- ↗ Price change till reversal (%)—Stock fell by 30.62%.
- ↗ Volume change (%)—Volume fell by 6.10%.

Impact of the News on Stock Holdings

- ↗ FII (%)—Reduced 1.65% holding.
- ↗ DII (%)—Reduced 0.62% holding.
- ↗ Retail (%)—Increased 0.71% holding.

Stock No 13 : HDFC Life Ltd.

↗ **Category** : News related to investors. *The Hindu BusinessLine* published a news on June 28, 2021, saying that Standard Life was going to sell seven crore shares or 3.46% of HDFC Life Insurance Ltd. through a block deal (“Standard Life to sell,” 2021).

Impact of the News on Stock Price and Volume

- ↗ Price change on the same day (%)—Stock fell by 4.10%.
- ↗ Price change till reversal (%)—Stock fell by 7.02%.
- ↗ Volume change (%)—Volume increased by 161.10%.

Impact of the News on Stock Holdings

- ✚ FII (%)—Increased 4.06% holding.
- ✚ DII (%)—Increased 0.80% holding.
- ✚ Retail (%)—Increased 0.13% holding.

Stock No 14 : Panama Chemicals Ltd.

✚ **Category :** News related to investors. *Business Standard*, in its article published on January 5, 2022, stated that ace investor Mr. Ramesh Damani had purchased a stake of 1.26% or 616,379 shares in the company Panama Chemicals according to the latest shareholding pattern filed by the company (“Panama Petrochem surges 25%,” 2022).

Impact of the News on Stock Price and Volume

- ✚ Price change on the same day (%)—Stock increased by 11.58%.
- ✚ Price change till reversal (%)—Stock increased by 29.65%.
- ✚ Volume change (%)—Volume increased by 3300%.

Impact of the News on Stock Holdings

- ✚ FII (%)—Details of holding for the required quarter not released yet.
- ✚ DII (%)—Details of holding for the required quarter not released yet.
- ✚ Retail (%)—Details of holding for the required quarter not released yet.

Stock No 15 : Tata Motors Ltd.

✚ **Category :** News related to investors. On October 13, 2021, *The Economic Times* published news stating that Tata Motors had announced that they would be getting an investment of ₹ 7,500 crores or USD 1 billion in the EV division of the company by private equity group TPG along with ADQ of Abu Dhabi, valuing it at USD 9.1 billion post-money (Chakraborty, 2021b).

Impact of the News on Stock Price and Volume

- ✚ Price change on the same day (%)—Stock increased by 20.45%.
- ✚ Price change till reversal (%)—Stock increased by 25.94%.
- ✚ Volume change (%)—Volume increased by 103.34%.

Impact of the News on Stock Holdings

- ✚ FII (%)—Increased 1.22% holding.
- ✚ DII (%)—Increased 0.34% holding.
- ✚ Retail (%)—Reduced 0.35% holding.

Stock No 16 : Sobha Ltd.

✍ **Category :** News related to business activities. On April 5, 2021, *Business Standard* published a news article stating that Sobha Ltd. had reported record sales bookings of ₹3,137 crores in FY 21 despite the Covid-19 pandemic (“Sobha clocks record sales,” 2021).

Impact of the News on Stock Price and Volume

- ✍ Price change on the same day (%)—Stock increased by 15.13%.
- ✍ Price change till reversal (%)—Stock increased by 27.17%.
- ✍ Volume change (%)—Volume increased by 3,319.76%.

Impact of the News on Stock Holdings

- ✍ FII (%)—Reduced 0.19% holding.
- ✍ DII (%)—Increased 0.62% holding.
- ✍ Retail (%)—Reduced 0.32% holding.

Stock No 17 : BLS International Ltd.

✍ **Category :** News related to regular business activities. On September 2, 2021, *Moneycontrol* published news stating that BLS International had signed a contract with the Republic of the Philippines to provide e-passport renewal service on its behalf in Italy, Qatar, and Malaysia (“BLS International shares hit,” 2021).

Impact of the News on Stock Price and Volume

- ✍ Price change on the same day (%)—Stock increased by 7.05%.
- ✍ Price change till reversal (%)—Stock increased by 51.29%.
- ✍ Volume change (%)—Volume increased by 214.26%.

Impact of the News on Stock Holdings

- ✍ FII (%)—Reduced 0.03% holding.
- ✍ DII (%)—No DII holding.
- ✍ Retail (%)—Reduced 1.49% holding.

Stock No 18 : Angel One Ltd.

✍ **Category :** News related to regular business activities. *The Economic Times*, in its news article on October 13, 2021, said that brokerage company Angel One had added 2.38 million customers in the April–September quarter (“Brokerage house Angel One,” 2021).

Impact of the News on Stock Price and Volume

- ↗ Price change on the same day (%)—Stock increased by 4.89%.
- ↗ Price change till reversal (%)—Stock increased by 22.66%.
- ↗ Volume change (%)—Volume increased by 237.24%.

Impact of the News on Stock Holdings

- ↗ FII (%)—Increased 0.78% holding.
- ↗ DII (%)—Increased 0.40% holding.
- ↗ Retail (%)—Increased 1.50% holding.

Stock No 19 : Hikal Ltd.

↗ **Category :** News related to regular business activities. The news article published in *The Economic Times* on February 17, 2022 stated that Hikal had received notice from the Maharashtra Pollution Control Board to close its Taloja plant (Nahar, 2022).

Impact of the News on Stock Price and Volume

- ↗ Price change on the same day (%)—Stock fell by 4.82%.
- ↗ Price change till reversal (%)—Stock fell by 15.54%.
- ↗ Volume change (%)—Volume increased by 320.81%.

Impact of the News on Stock Holdings

- ↗ FII (%)—Details of holding for the required quarter not released yet.
- ↗ DII (%)—Details of holding for the required quarter not released yet.
- ↗ Retail (%)—Details of holding for the required quarter not released yet.

Stock No 20 : One97 Communications Ltd.

↗ **Category :** News related to regular business activities. On March 12, 2022, *The Economic Times* published an article stating that the Reserve Bank of India (RBI) had stopped Paytm Payments Bank from onboarding new customers due to likely technological system gaps (Rebello & Bhalla, 2022).

Impact of the News on Stock Price and Volume

- ↗ Price change on the same day (%)—Stock fell by 12.93%.
- ↗ Price change till reversal (%)—Stock fell by 32.77%.
- ↗ Volume change (%)—Volume increased by 1,549.18%.

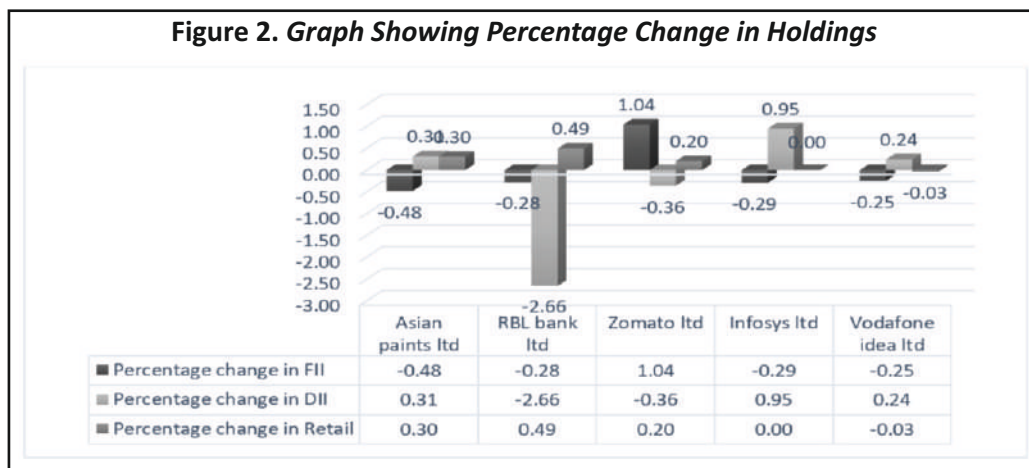
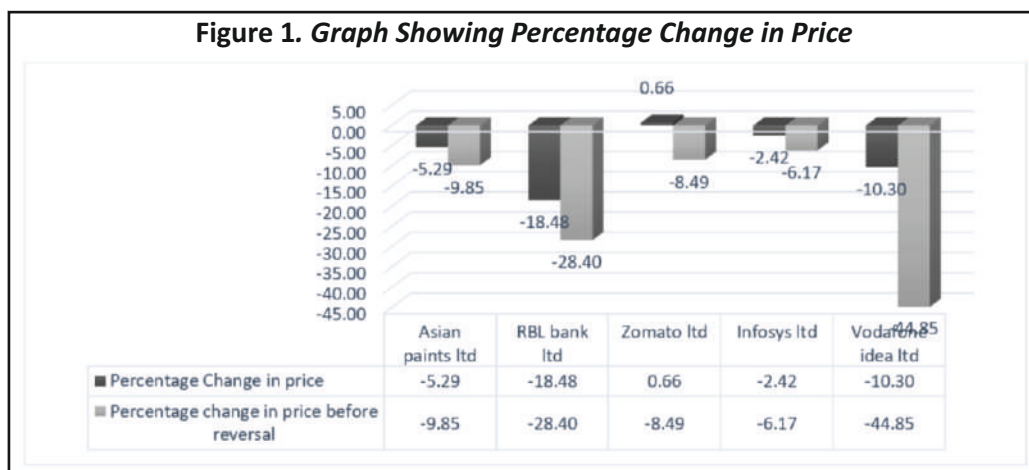
Impact of the News on Stock Holdings

- ↳ FII (%)—Details of holding for the required quarter not released yet.
- ↳ DII (%)—Details of holding for the required quarter not released yet.
- ↳ Retail (%)—Details of holding for the required quarter not released yet.

Analysis of the News Related to Management and Directors

From Figure 1, we can infer that :

- ↳ The price fell in all the cases except for Zomato, maybe because the news regarding the change was voluntary and not forced.
- ↳ All the stock fell after the days of the news.
- ↳ Fundamentally strong companies like Infosys and Asian paints saw less fall.
- ↳ The extent of the fall was related to the severity of the news.

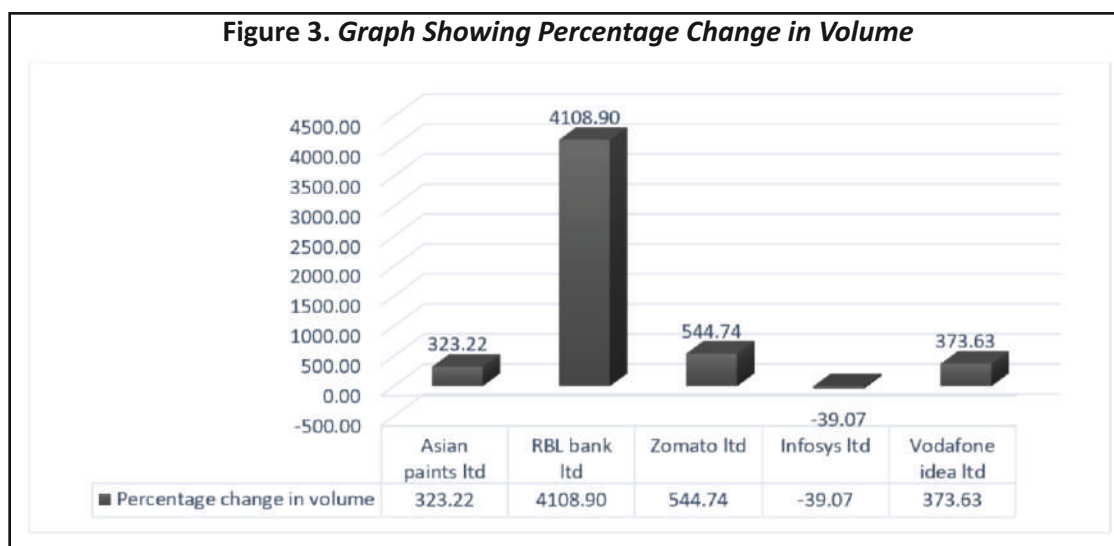


From Figure 2, showing the change in holding, we can infer that:

- ✧ FII reduced its stake in all the stocks except for Zomato, where the change in management was normal resignation.
- ✧ DII increased its stake in fundamentally strong stocks.
- ✧ Retail holdings saw an increase when there was a major fall in price.

From Figure 3, we can infer that:

- ✧ In almost all the cases except for Infosys, there was a rise in volume at least three times the previous day's volume.



Analysis of the News Related to Government Policies and Regulations

From Figure 4, we can infer that:

- ✧ All the stocks continued to rise after the day the news broke.
- ✧ There was a major increase in the stock price after the day the news appeared as the momentum continued.

From Figure 5, we can infer that:

- ✧ The stocks continued to move in the same direction after the day the news broke.
- ✧ The move after the day of news is significant and major.

From Figure 6, we can infer that :

- ✧ FII reduced their stake in all stocks regardless of positive or negative news.
- ✧ DII increased its stake in positive news and reduced its stake in negative news, except in the case of PVR.

Figure 4. Graph Showing Percentage Positive Change in Price

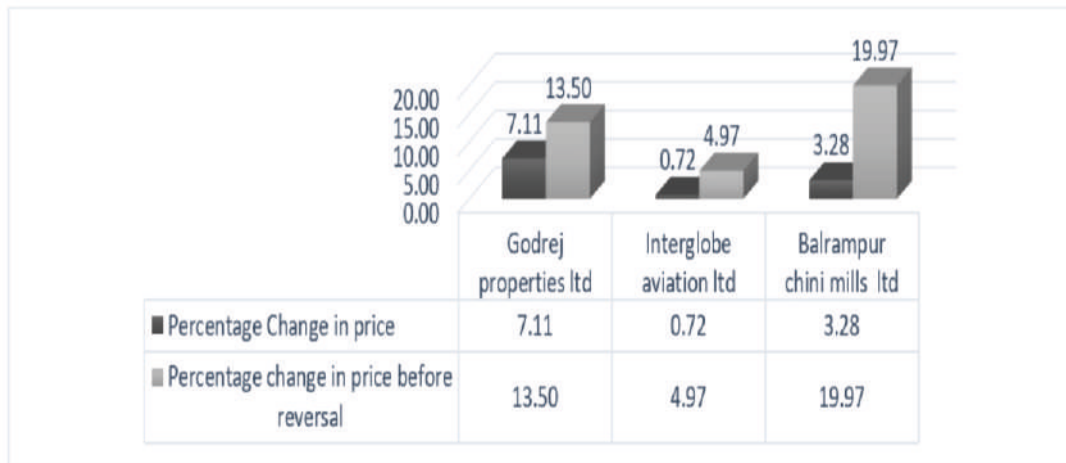


Figure 5. Graph Showing Percentage Negative Change in Price

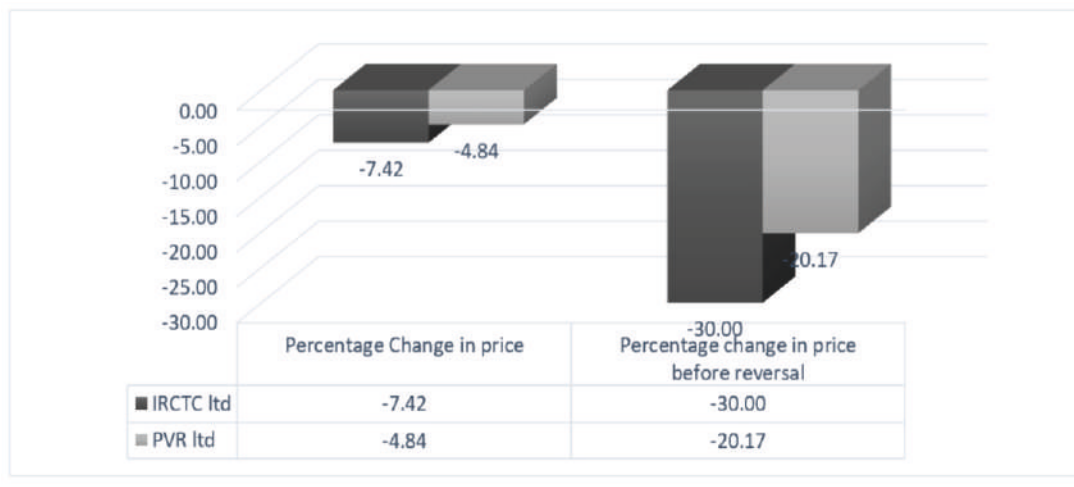


Figure 6. Graph Showing Percentage Change in Holdings

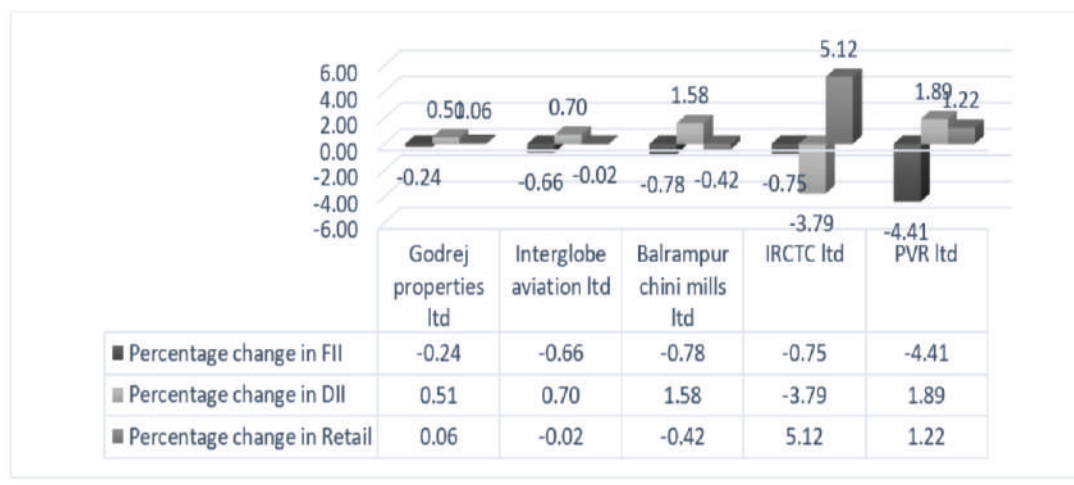
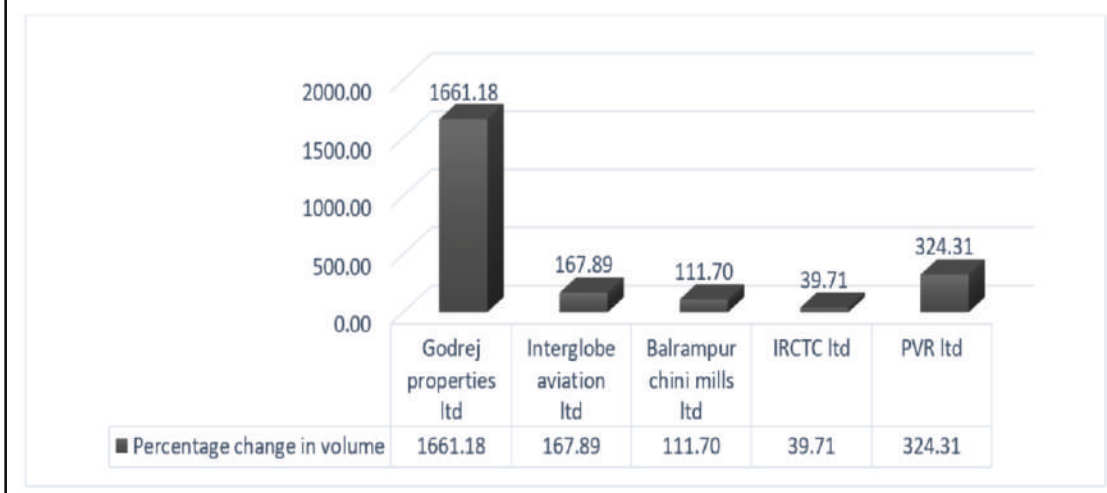


Figure 7. Graph Showing Percentage Change in Volume



⇒ Retail holdings did not show much movement in cases of positive news, but their holdings increased significantly in cases of negative news.

From Figure 7, we can infer that :

⇒ There was a significant rise in volume in all the cases—almost double in four of five cases.

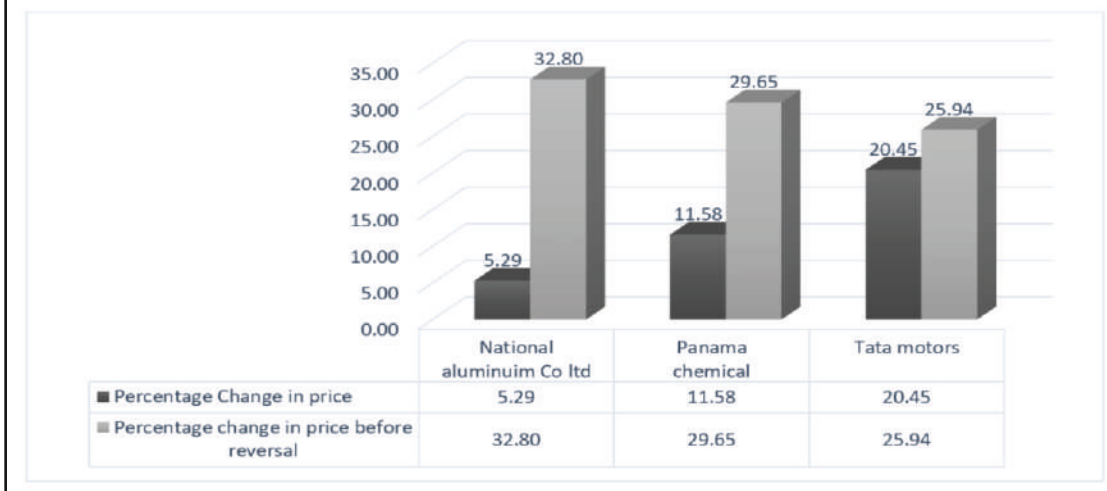
Analysis of the News Related to Investors

From Figure 8, we can infer that :

⇒ The move in the stock price is a lot more on the day of the news than the other categories.

⇒ The stocks continued to show momentum after the day of the news.

Figure 8. Graph Showing Percentage Positive Change in Price

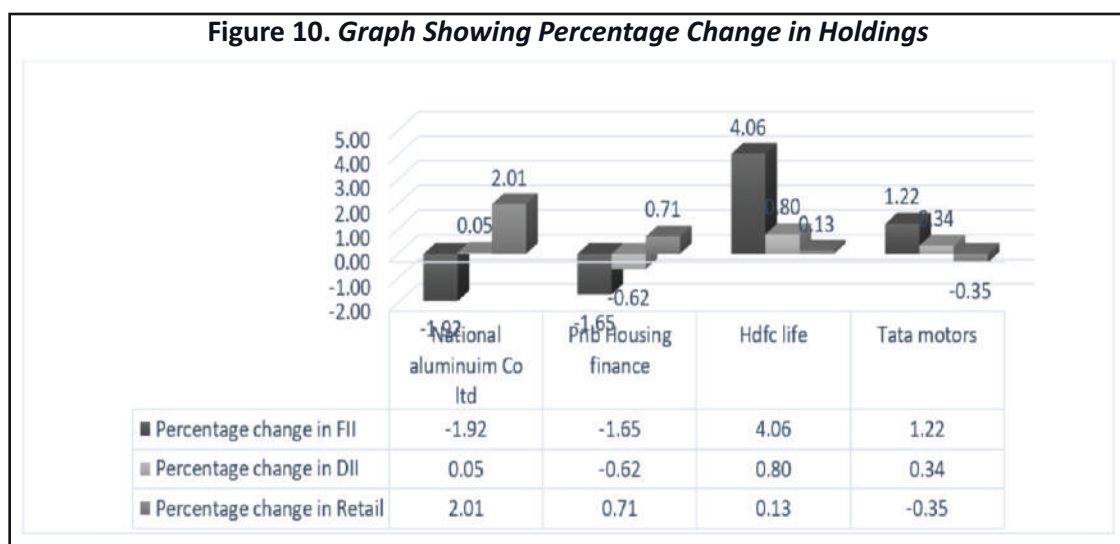
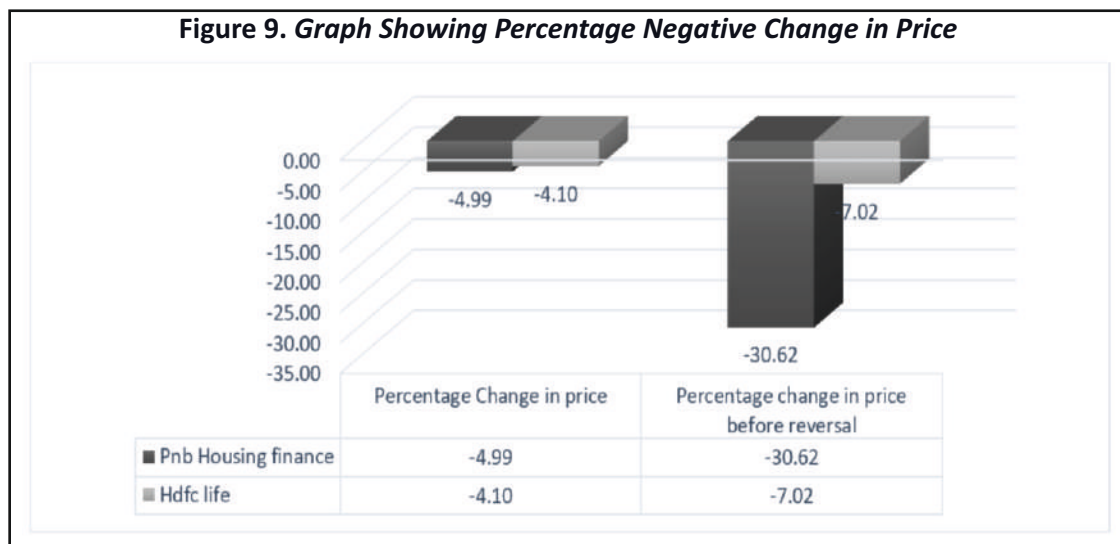


From Figure 9, we can infer that :

- ✧ The move continued in the same direction after the day of the news.
- ✧ The move on the day of the news was less in PNB Housing Finance Ltd. because the stock hit a lower circuit.
- ✧ Since HDFC Life Ltd. was falling because of the block deal, the stock reached the price of the block deal and then reversed from those levels.
- ✧ The holdings for Panama chemicals are not shown because the required holdings for the quarter were not released.

From Figure 10, we can infer that :

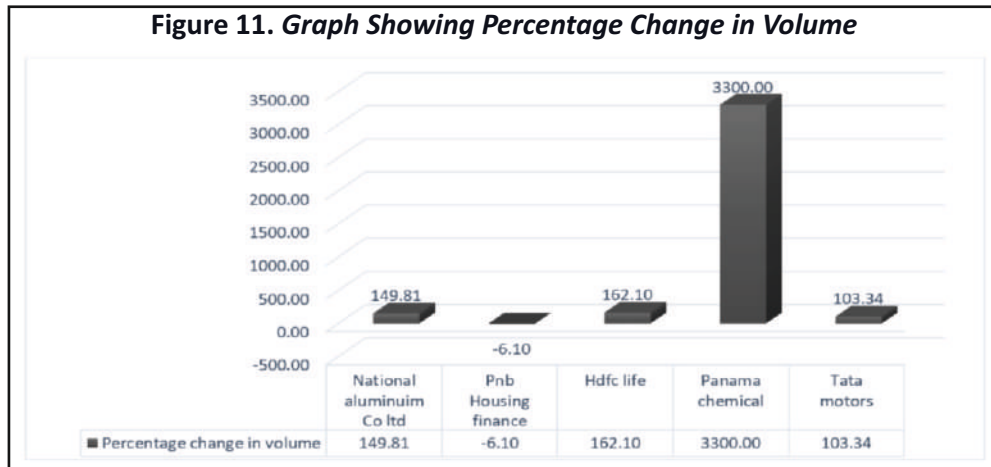
- ✧ FII took the opportunity to significantly increase its stakes in HDFC Life after the block deal.



- ⇒ DII showed no noticeable change in holdings except for HDFC Life, where they increased their stake.
- ⇒ Retail investors increased their stake in National Aluminium significantly, maybe because an ace investor had invested in that stock.

From Figure 11, we can infer that :

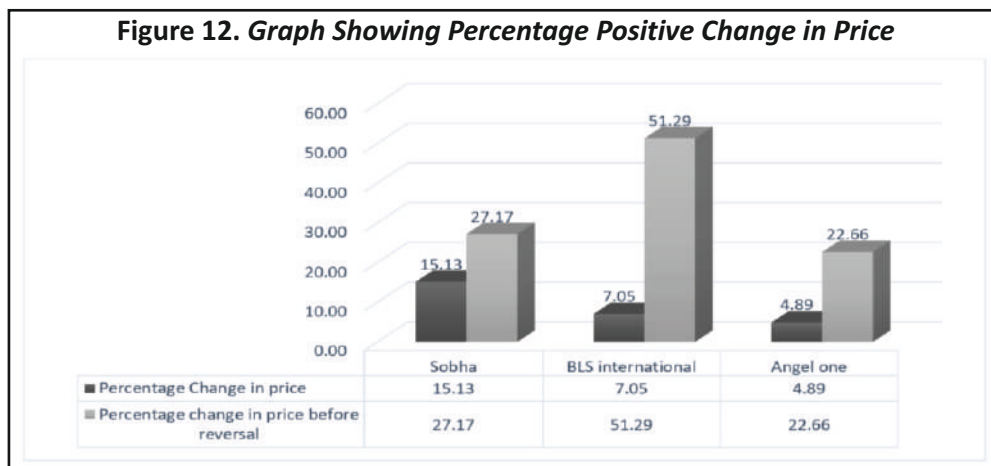
- ⇒ There was a rise in volume in almost all the cases on the day of the news.
- ⇒ In the case of PNB Housing Finance, there was a decrease in volume because the stock hit a lower circuit, and trading was stopped.



Analysis of the News Related to Business Activities

From Figure 12, we can infer that :

- ⇒ The stock prices continued to rise after the day of the news.
- ⇒ There was a significant move after the day of the news showing that momentum continued.

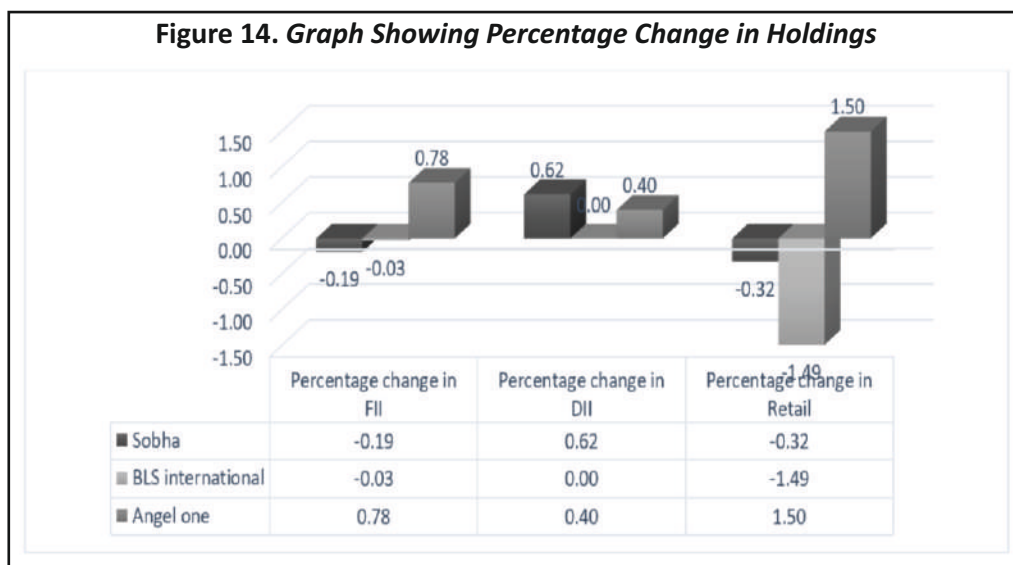
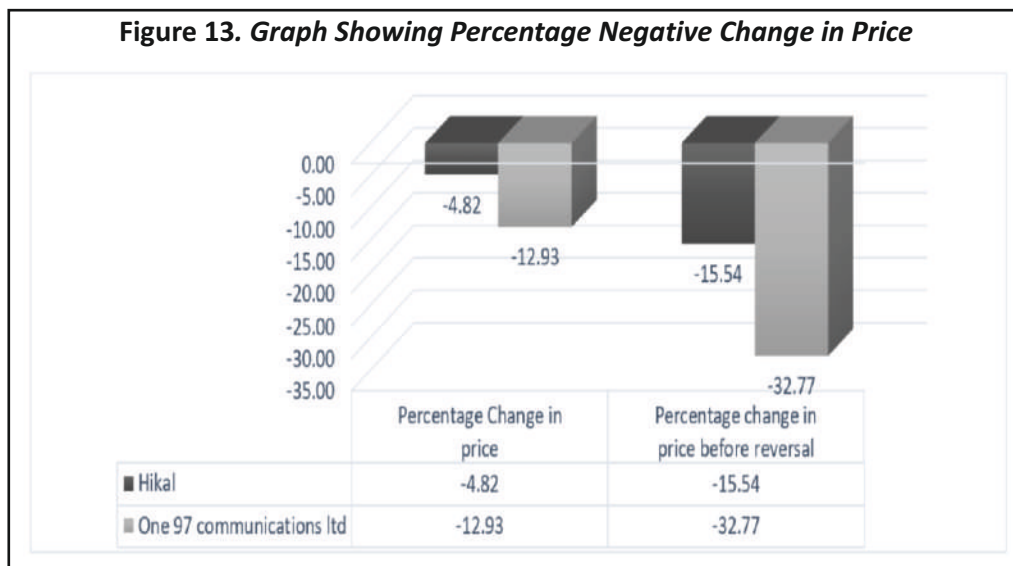


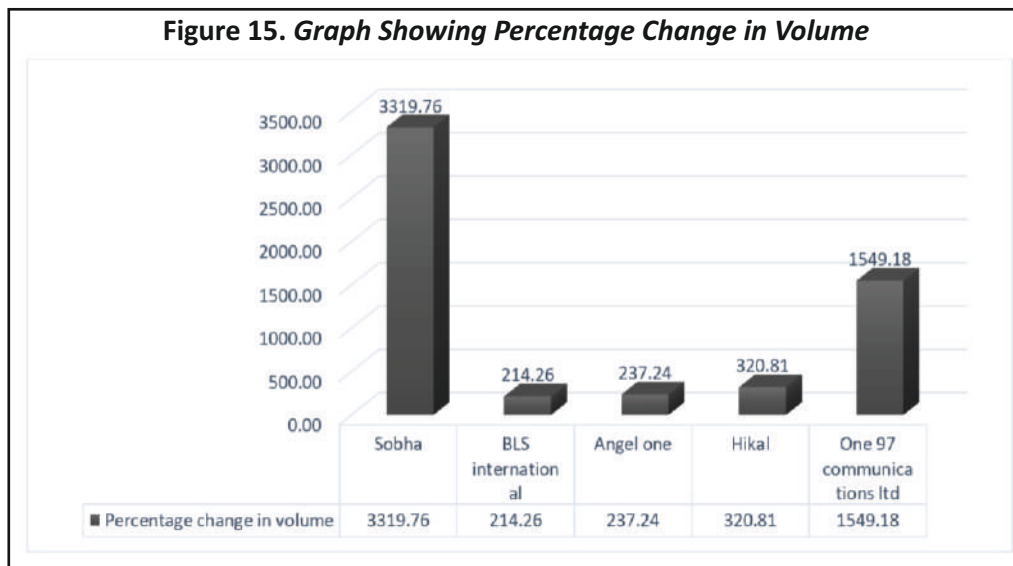
From Figure 13, we can infer that :

- ↳ The stocks continued to move in the same direction after the day of the news, and the move was significant.
- ↳ The holdings details of One97 Communications Ltd. and Hikal Ltd. were unavailable for the relevant quarter.

From Figure 14, we can infer that :

- ↳ All FII, DII, and retail increased their stake in Angel One.
- ↳ Retail investors significantly reduced their stake in BLS International Ltd.





From Figure 15, we can infer that :

✎ There was an increase in volume in all the stocks on the day of the news.

Findings

From our analysis, we can say the common findings of all four categories are as follows:

- ✎ The stock continued to move in the same direction after the day of the news.
- ✎ In most cases, the move over the next few days was higher than the move on the news day.
- ✎ FII mostly reduced stake after any news, regardless of positive or negative.
- ✎ DII changed their holdings according to the stocks. In the case of fundamentally strong stocks, they increased their stake and reduced their stake in fundamentally weak stocks.
- ✎ Retail investors mostly increased stakes in stocks that fell the most or if some ace investors had bought a stake.
- ✎ When retail investors took major positions, it was mostly opposed to the institutions.
- ✎ In almost all cases, there was a major rise in the volume and volatility of the stock.

Conclusion

The study aimed to understand how market news affects stock behavior and investor decision. The news was categorized into four different groups to understand how different types of news affect a stock. The analysis required the change in price and volume on and after the day of the news and the investor shareholding to see the change after the news.

We found that on the day of the news, there was a major move in the stock price and volume, making the stock highly volatile. However, the stocks, in most cases, carried the move in the same direction after the day of the news. The move on any given day was not as much as on the day of the news. Still, if we consider the move the stock made till reversal, the move was significant and more than the move on the day of the news in most cases.

The analysis gave us an idea of the shareholders' behavior after the news and how the institutions and retail individuals react differently to a piece of news. The institution focuses on the long-term impact of the news on the fundamental of the company. In contrast, retail usually tries to buy the stock which has fallen the most or follow the investment of an ace investor.

Knowing what impact news can have on the stock can help a trader select stocks for short-term positions. News can help a market participant in finding a stock with a potential move. Still, they should always use technical and fundamental analysis of the stock before taking any positions to reduce the risk involved and increase the reward simultaneously.

Research Implications

Our research helped us understand how stocks and investors react to the news. From our findings, we saw how a stock continues to move in most cases in the same direction after the day of the news. One can use this to take a short-term position in a stock after a proper stock analysis. We also found how retail investors mostly buy stocks. They purchase stocks that have fallen the most or where some prominent investor has made a position, suggesting that they do not do proper research before investing. This approach can be why we see most retail investors lose money. We would encourage retail investors to do proper study and analysis before investing in stock to reduce risk and increase the reward.

Limitations of the Study and Scope for Further Research

The limitation of our research are as follows:

- ↳ The sample size of stocks for this research is only 20. Therefore, the results would have been more accurate if the sample size had been larger.
- ↳ For the change in shareholdings, the changes are affected by the news, but they may also have been affected by additional factors like earnings and market valuations which were not taken into account.

Our research shows that news has a major role in stock volatility and investor decision. Multiple research can be done on these topics, from analyzing the impact of news focused on a specific category or a sector to completely focusing the research on investor behavior and how news impact their decision-making process.

Authors' Contribution

Mr. Kushal Dey framed the research idea and defined the research objectives. Mr. Ayush Singh designed the research framework, selected the news article, and collected the required data for the study. Mr. Kushal Dey and Mr. Ayush Singh worked on the data interpretation and analysis. The numerical computations were done by Mr. Ayush Singh using Microsoft Excel 2013. Mr. Ayush Singh wrote the manuscript in consultation with and under the supervision of Mr. Kushal Dey.

Conflict of Interest

The authors certify that they have no affiliations with or involvement in any organization or entity with any financial or non-financial interest in the subject matter or materials discussed in this manuscript.

Funding Acknowledgement

The authors received no financial support for the research, authorship, and/or publication of this article.

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