PROJECT REPORT ON

"A STUDY ON IMPACT OF FUTURE CONTRACTSON CASH MARKET VOLATILITY"

Submitted By MUNIRAJU S

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Submitted To

VISVESVARAYA TECHNOLOGICAL UNIVERSITY, BELAGAVI

In partial fulfilment of the requirements for the award of the degree of

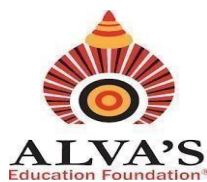## MASTER OF BUSINESS ADMINISTRATION

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Date: 10/09/2024

CERTIFICATE

This is to certify that **Muniraju S** bearing **USN 4AL22BA044**, is a bona-fide student of Master of Business Administration course of Alva's Institute of Engineering and Technology, Moodbidri for the batch 2022-2024, affiliated to Visvesvaraya Technological University, Belagavi. The Project report on" **A Study on Impact of Future Contract on Cash Market Volatility**" is prepared by him under the guidance of Dr. Vishnu Prasanna K.N, Professor, in partial fulfilment of the requirements for the award of the degree of Master of Business Administration of Visvesvaraya Technological University, Belagavi, Karnataka.

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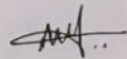**(Name & Affiliation)**

DECLARATION

I Mr Muniraju S (USN: 4AL22BA044) hereby declare that the project report entitled "
**A STUDY ON IMPACT OF FUTURES CONTRACTS ON CASH MARKET
VOLATILITY** " is prepared by me under the guidelines of Dr Vishnu Prasanna K N,
Professor of Finance, PG Departments of Business Administration, Alva's Institute of
Engineering and Technology, Mijar, Moodbidri.

I also declare that this project work is towards the partial fulfilment of the university
regulations for degree of MASTER OF BUSINESS ADMINISTRATION by Visvesvaraya
Technological University, Belagavi.

I have undergone a project for a period of 6 weeks. I further declare that this project is based ·
on the original study undertaken by me and has not been submitted for the award of any
degree/diploma from any other University/Institution

Date: 09/09/2024

Place: moodbidri

signature of the student

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I express my deep sense of gratitude to my internal guide **Dr Vishnu Prasanna K. N** Professor Dept. of the MBA., for his constant support and encouragement to carry out my project successfully without much difficulty.

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With regards,

Muniraju S

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EXECUTIVE SUMMARY

The interaction between futures markets and cash markets has been a subject of significant debate and research, particularly concerning how futures trading affects the volatility of the underlying cash markets. This project seeks to investigate the impact of futures contracts on cash market volatility, with a focus on whether these financial instruments serve as stabilizing mechanisms or contribute to increased price fluctuations.

Futures contracts allow investors to speculate on or hedge against future price movements of various assets. As derivatives, they influence the cash market through their role in price discovery and risk management. While proponents argue that futures trading enhances market efficiency and liquidity, critics contend that the speculative nature of futures can lead to increased volatility in the spot market.

The findings from this project will analyze the correlation between futures and cash market variables using historical data to determine how futures contracts influence volatility. The results will provide insights into the dual nature of futures markets: as tools for hedging and liquidity enhancement, and as potential sources of volatility through speculative trading. Ultimately, this research aims to contribute to a better understanding of the complex relationship between futures and cash markets, offering valuable implications for investors, regulators, and policymakers.

In conclusion, futures contracts have a profound impact on the volatility of cash markets, with their effects being context-dependent. By balancing liquidity provision with the risks of speculation, markets can leverage the benefits of futures trading while minimizing unwanted volatility.