

Cash volume slips amid muted returns

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Cash trading volume declined in 2022, even as benchmark indices outperformed their peers. The average daily trading volume (ADTV) for the cash segment fell 18 per cent year-on-year to ₹61,392 crore (NSE and BSE combined).

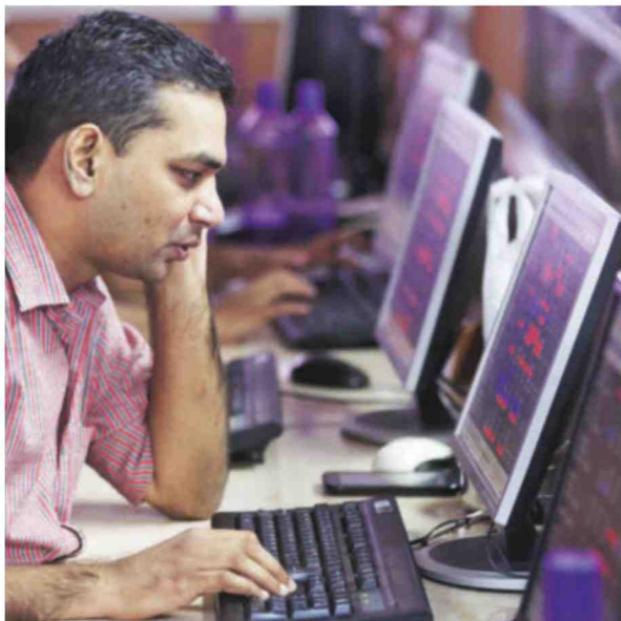
The ADTV for the futures and options (F&O) segment (NSE and BSE combined) stood at ₹125 trillion (notional turnover), up 117 per cent from the previous year.

Analysts said that though the Indian markets outperformed peers, the gains were not significant for retail investors who mostly dabble in cash trading. In 2022, the Sensex rose by 4.4 per cent and the Nifty50 by 4.3 per cent.

"A 4 per cent gain was not significant for retail investors to make money. When retail is not making money, participation reduces. There is also some fatigue after the jump in Demat accounts and excellent returns in the preceding two years. Volatility helps traders. For investors what helps is the gain in the stock. Volatility does not help cash investors, at all. For investors, it is the long-term rally that helps," said Prakarsh Gagdani, CEO of Spaisa Capital.

The gains in the broader markets were even less. The BSE Midcap rose 1.4 per cent and the BSE SmallCap fell 1.8 per cent.

"If you look at mid- and small-caps, they have corrected significantly. A lot of activity and volumes happen in mid- and small-caps. There was a significant correction and many customers faded out. The share of delivery is also coming down. Whatever cash volume is there, the por-



NUMBERS TELL A STORY

(in ₹ crore)

| CY | No. of days | Daily average turnover* | |
|------|-------------|-------------------------|---------------------|
| | | Cash segment | Derivatives segment |
| 2017 | 248 | 31,636 | 581,785 |
| 2018 | 246 | 36,021 | 915,306 |
| 2019 | 245 | 36,952 | 1,265,924 |
| 2020 | 252 | 57,202 | 2,027,468 |
| 2021 | 248 | 74,949 | 5,781,627 |
| 2022 | 248 | 61,392 | 12,561,741 |

* for the year
Source: Exchanges

Compiled by BS Research Bureau

portion of intraday volume is increasing. In 2022, there was no clear trend visible in the market, so people dabbled in short-term speculation," said Dhiraj Relli, managing director, HDFC Securities.

Relli said there were some movements of capital from equities to debt in the latter part of last year. Cash volume is likely to remain muted this year, too.

"The upside opportunity in broad indices after outperforming most of the markets

is limited. Most of the brokerages have given a target of 19,000-20,500, which means about a 10 per cent upside from the current level. With limited upside visibility in equities and the prospect of attractive risk-free return in debt, some money will move there. And people are playing the volatility through derivatives. There may not be a significant correction and cash volume will remain low," added Relli.