

## **Impact of GDP Growth on Stock Market Volatility: An Exploration**

Kumari Divya Rani, Department of Commerce, YBN University, Ranchi, Jharkhand

### **Abstract**

Gross Domestic Product (GDP) growth is widely regarded as a key indicator of economic performance and has important implications for financial market behaviour. This study explores the relationship between GDP growth and stock market volatility, focusing on how changes in economic growth influence investor expectations, market sentiment, and equity price fluctuations. The review examines theoretical and empirical perspectives linking macroeconomic performance with stock market dynamics. Higher GDP growth generally reflects increased economic activity, corporate earnings potential, employment, and investment opportunities, which may contribute to greater investor confidence and market stability. However, rapid or unexpected changes in economic growth can also generate uncertainty regarding inflation, interest rates, monetary policy, and future corporate profitability, potentially increasing stock market volatility. The relationship is therefore not necessarily linear and may vary across countries, market conditions, and economic cycles. The study further considers the role of external factors, including global economic conditions, financial crises, geopolitical developments, exchange-rate movements, and investor sentiment, which can moderate the relationship between GDP growth and market volatility. Particular attention is given to the importance of distinguishing between anticipated and unexpected GDP changes, as financial markets tend to incorporate available economic information into asset prices. The review highlights that understanding the interaction between economic growth and stock market volatility is important for investors, policymakers, and financial institutions in assessing market risks and designing appropriate economic and investment strategies. Overall, the study provides a conceptual foundation for further empirical investigation of macroeconomic growth and financial-market instability.

**Keywords:** GDP Growth, Stock Market Volatility, Economic Growth, Investor Sentiment, Macroeconomic Factors, Financial Markets, Equity Prices, Market Risk, Economic Cycles.