

# PERFORMANCE AND VOLATILITY OF INDITRADE CAPITAL LTD., IN SHARE TRADING

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**Abstract:** Many people enter into stock market using some strategies that will bring them success. Market indicators and other market information act as a guide for better investment. Investors and speculators face heavy losses due to lack of adequate awareness of market indicators. The investor or the speculators should keep abreast of himself with market news, market indicators, economic indicators and technical system so that he could invest in best avenues and get back the investment safely and get regular income out of it

**Keywords:** Market indicators, market information, better investment, market news, Share Trading.

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## 1. INTRODUCTION

Many people enter into stock market using some strategies that will bring them success. Market indicators and other market information act as a guide for better investment. Investors and speculators face heavy losses due to lack of adequate awareness of market indicators. The investor or the speculators should keep abreast of himself with market news, market indicators, economic indicators and technical system so that he could invest in best avenues and get back the investment safely and get regular income out of it.

Security analysis is essentially analysis of the fundamental value of shares and its forecast for future and prediction of future price changes through graphs. In other words security analysis includes Financial and Technical Analysis. It gives emphasis not only to the projection of prices and dividends but also to the risk and return of common stock. The potential price of a firm's common stock and the future dividend stream were to be forecasted and then discounted back to the present is the main doctrine of security analysis.

The Technical analysis concentrates on plotting the price movements of stock, drawing inferences from the price movements in the market. It is an approach by prediction of future prices through the forces like supply and demand. It is very much useful for a speculator who aims at profit margins.

### **VOLATILITY:**

Volatility is a statistical measure of the dispersion of returns for a given security or market index. Volatility can either be measured by using the standard deviation or variance between returns from that same security or market index. Commonly, the higher the volatility, the riskier the security. A variable in option pricing formulas showing the extent to which the return of the underlying asset will fluctuate between now and the options expiration. Volatility, as expressed as a percentage coefficient within option-pricing formulas, arises from daily trading activities. How volatility is measured will affect the value of the coefficient used.

Volatility is difficult to analyze because it means different things to different people. People are rarely precise when they talk about volatility. Also, there is a lot of misinformation about volatility. They consider volatility to be another name for loss. But this is not right. Volatility indicates ups and downs in the prices of securities which could result in either loss or profit. However negative aspect of volatility overpowers the positive aspect. People are more concerned about the loss as a result of volatile market.

#### ❖ **Volatility in Stock Markets**

Volatility is basically the variation from the average value over a measurement period. If the day to day variation of the price of the securities is more, it can be said that the volatility of it will be high, and conversely if the day to day variation is low, the value of volatility will be low as well. It is measured by the standard deviation of logarithmic returns during a certain period. In the financial year 2008-09 stock markets across the globe witnessed extreme volatility.

Over the years it has been observed that the correlation between Indian Stock Market and other world markets are on an increasing trend. This phenomenon should explain the reason for increased volatility exhibited by Indian markets during 2008-09 periods. When world markets move the valuation of Indian stocks are also affected.

#### **NEED FOR THE STUDY:**

The study was conducted to analyze the performance and volatility of inditrade capital ltd., in share trading. It also evaluates the performance of share stock mainly the identification of required rate of return and risk of a particular stock based upon different risk elements prevailing in the market and other economic factors. Stock Market volatility is unavoidable. It is the nature of the stock markets to fluctuate and turn red and green within short span of time. Volatility is an essential part of the stock market because it checks the nerve of the market. As a coin has two sides, the same way market has two aspects the positive and the negative. It can be seen that volatility has its long term impact in the market so an investor is required to take all possible measures to design his portfolio. Stock returns bear a good relationship with volatility as with increase in financial volatility stock prices fluctuates. An average investor gets very less returns as compared to the average market returns. So, an investor is required to understand the fluctuations in the bourses to earn the maximum profits out of his investment. Information plays a vital role and negative information can have more impact as compared to the positive news of Indian bourses. In 2004, stock market crashed due to unexpected defeat of NDA government and in 2008 in anticipation of recession in USA.

#### **OBJECTIVES OF THE STUDY:**

1. To identify the Relative Strength Index at Inditrade Capital Ltd.

#### **LIMITATIONS OF THE STUDY:**

1. The reliability and correctness of the study depends on the information provided in the annual reports of the company.
2. The financial performance is not compared with similar firm in the same industry.

## **2. RESEARCH METHODOLOGY**

#### **RESEARCH DESIGN:**

**Quantitative Research:** It refers to the data where it is expressed in form of numbers. The quantitative data is easy to analyze and interpret. The qualitative data in the other hand does not have definite value, it is just an approximation. Quantitative Research is accurate data.

#### **DATA COLLECTION:**

##### **Secondary data:**

The secondary data are the information that is acquired from the source of data which was already be collected by someone, or it may be available easily in the market. The data was collected from 1-June-2017 to 31-August-2017.

- BSE Historical Data
- Ministry of Statistics

- Various books on Portfolio Management
- Magazines, Journals and Papers on Portfolio Management
- Websites of Companies

**STATISTICAL TOOLS APPLIED:**

The analysis of data is carried out for secondary data by the following method.

➤ Relative Strength Index

❖ **RELATIVE STRENGTH INDEX (RSI)**

The relative strength index (RSI) is a technical indicator used in the analysis of financial markets. It is intended to chart the current and historical strength or weakness of a stock or market based on the closing prices of a recent trading period. The indicator should not be confused with relative strength.

The relative strength index is classified as a momentum oscillator, measuring the velocity and magnitude of directional price movements. Momentum is the rate of the rise or fall in price. The relative strength index computes momentum as the ratio of higher closes to lower closes: stocks which have had more or stronger positive changes have a higher RSI than stocks which have had more or stronger negative changes.

The relative strength index is most typically used on a 14 day timeframe, measured on a scale from 0 to 100, with high and low levels marked at 70 and 30, respectively. Shorter or longer timeframes are used for alternately shorter or longer outlooks. More extreme high and low levels 80 and 20, or 90 and 10 occur less frequently but indicate stronger momentum. For each trading period an upward change *U* or downward change *D* is calculated. Up periods are characterized by the close being higher than the previous close:

$$RSI = 100 - \frac{100}{1 + RS}$$

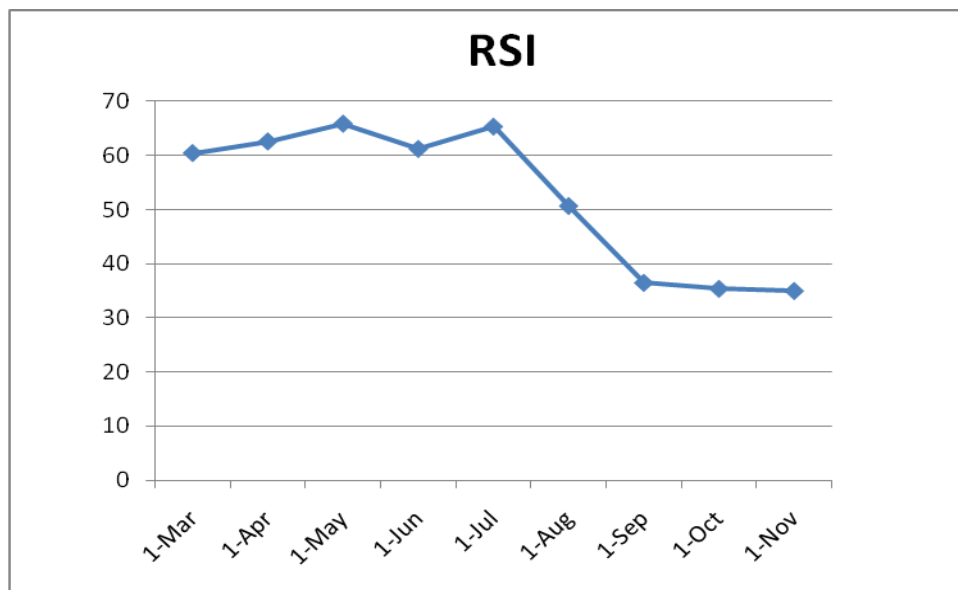
The exponential moving averages should be appropriately initialized with a simple average using the first *n* values in the price series.

**TABLE 1: SHOWING THE RELATIVE STRENGTH INDEX OF INDITRADE CAPITAL**

S.NO.	MONTHS	PRICE	RSI
1	Jan-17		
2	Feb-17		
3	Mar-17		
4	Apr-17		
5	May-17		
6	Jun-17		
7	Jul-17		
8	Aug-17		
9	Sep-17		
10	Oct-17		
11	Nov-17		
12	Dec-17		
13	Jan-18		
14	Feb-18		
15	Mar-18	1.524971	60.39558

16	Apr-18	1.669471	62.5394
17	May-18	1.924279	65.80353
18	Jun-18	1.574895	61.16346
19	Jul-18	1.879085	65.26674
20	Aug-18	1.026087	50.64378
21	Sep-18	0.574497	36.48764
22	Oct-18	0.547665	35.38652
23	Nov-18	0.538068	34.98336

### RELATIVE STRENGTH INDEX OF INDITRADE CAPITAL



### 3. FINDINGS

❖ It could be found from the Relative Strength Index analysis of Inditrade Capital that of 14 days RSI the highest Relative Strength Index value was recorded in the month of May 2014 value is 309.423 and lowest Relative Strength Index value was recorded in the month of March 2014 value is 1255.028. The average Relative Strength Index value recorded over the period is 2616.718 which indicate that the share is overbought during the analysis period.

### 4. SUGGESTIONS

- 1) Investors are interested in predicting the future behaviour of stock market. The efficient market hypothesis is yet to be acclaimed in the age of IT and Globalization. The existence of market for securities is of advantage to both the issuers and investors. To investors it gives an opportunity to select an optimal investment strategy.
- 2) Studying the fundamental factors which influence the market price and also the performance of the company is a part of any investor before going for investment. The investor should look at the price movements of the particular company over the years and should go for better portfolio.
- 3) An investor should be in a position to analyze the various investment options available to the investor and thus minimize the risk and maximize the returns. RSI (Relative Strength Index) is useful for comparing the relative systematic risk of different stocks and in practice; it is used by investors to judge a stock's riskiness.

### 5. CONCLUSION

There was evidence from all the indices of time varying volatility which exhibited the sign of clustering, high persistence and predictability in India stock market. The other important result is that returns responded differently to the arrival of negative and positive shocks. The volatility's asymmetric response to the arrival of news is reduced in the presence of

futures markets. As there are many types of investors in the markets, it is possible that their views contradict with some of them being very optimistic about the future whereas other being very pessimistic. Indian stock market has a short-run relationship with the developed economies but no long-run relationship exists. After 1991, Indian stock market has grown significantly due to various economic measures taken by the government. After liberalization, foreign capital was invited into different sectors resulted into market integration. In the nutshell, with the growth of technical facilities in the capital market and removal of investment barriers, the integration of Indian stock market along with international stock markets will increase in future.

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