

“THE STUDY OF SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT”

SUBMITTED BY

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ABSTRACT

This is an attempt to comprehend how classroom theories may be put into practice in the actual world. Investing in stocks, debentures, and bonds may be both rewarding and thrilling, but it is risky and demands analytical abilities. To benefit from securities, an investor needs have extensive financial knowledge as well as the ability to accept risk. Most people nowadays prefer to invest in various portfolios such as shares, debt, and bonds. However, they are incapable of managing them responsibly. As a result, this thesis was written with the intention of offering ideas for managing their portfolio in an effective measure of portfolio management.

INTRODUCTION

STOCK MARKET

- Stock markets are venues wherein customers and dealers meet to trade fair stocks of public corporations.
- Stock markets are essential additives of a free-marketplace financial system due to the fact they allow democratized get the right of entry to buying and selling and trade of capital for buyers of all kinds.
 - They carry out numerous capabilities in markets, inclusive of green fee discovery and green dealing.
 - In the United States, the inventory marketplace is regulated through the Securities and Exchange Commission (SEC) and neighborhood regulatory bodies.

Stock Analysis

The inventory evaluation aids buyers in gaining a higher knowledge of the economy, inventory marketplace, or securities. It involves analyzing historic and contemporary marketplace facts and growing a manner for deciding on applicable equities for trading. The identity of access and go out factors into and out of the investments is likewise a part of inventory evaluation. Fundamental analysis and technical analysis are huge kinds of inventory evaluation.

FUNDAMENTAL ANALYSIS

It's a logical and systematic method for estimating the destiny dividends & proportion charge as those represent the go back from making an investment in shares. According to this method, the percentage charge of an organization is decided via way of means of the essential elements affecting the Economy/ Industry/ Company which include Earnings Per Share, DIP ratio, Competition, Market Share, Quality of Management, etc. it calculates the authentic really well worth of the percentage-primarily based totally on it is a gift and destiny incomes potential and compares it with the cutting-edge marketplace charge to become aware of the mid-priced securities. Fundamental evaluation includes a three-step examination, which calls for:

- Understanding of the macro-financial surroundings and developments.
- Analysing the possibilities of the enterprise to which the corporation belongs.
- Assessing the projected overall performance of the organization

Concept of Technical Analysis

- Technical analysis is a process for anticipating price direction based on prior market data, typically price and volume.

Few core assumptions.

- Markets discount everything
- The how is more important than why
- Price moves in trends
- History tends to repeat

Below are some of the

charttypes:

- 1. Line chart
- 2. Bar Chart
- 3. Japanese

Important concept

- The opening price is the initial price at which a trade executes when the markets open for trading.
- The high - The highest price at which market participants were ready to deal on a given day.
- The Low - The lowest level at which market players were ready to deal on a given day.

The close – The Close price is the most important price because it is the final price at which the market closed for a particular period of time.

PROBLEM STATEMENT

Risk is concerned in each funding selection which can be very excessive or low. But every fairness percentage contains a unique risk. Therefore, earlier than taking any rational funding selection, it's properly for the buyers to research the candlestick styles withinside the charts. Also, it have to be clean withinside the thoughts of buyers that for the way tons tenure they may be geared up to maintain their cash withinside the unique stock.

NEED OF THE STUDY

- To Study and understand portfolio management concept.
- To Study and understand the security analysis concepts.
- To measure the risk and return of the portfolio of the companies.

LITERATURE REVIEW

In this research paper, we assess in advance research for funding, Asian capital marketplace, and Markowitz performance portfolio. The goal of this paper is to offer applicable literature withinside the area of Asian capital marketplace and global green funding portfolio. First, we are able to assessment theories approximately funding, rising capital marketplace in Asia, global portfolio and Markowitz green portfolio idea describing significance of an Investment portfolio and the way Asian capital markets are developing first and catching investor's attention.

RESEARCH METHODOLOGY

- I used a variety of ways to study and analyze the future of the organization by utilizing technical analysis. Bullish engulfing pattern
- Bearish engulfing pattern
- Bullish engulfing pattern
- Hammer candlestick
- Shooting Star Candlestick
- The data would be collected mostly from chartink.com, the National Stock Exchange (NSE), and tradingveiw.com.
- Determine the current status of the market at a glance by looking at the color and length of a candlestick
- Quickly analyze the market trend and make a purchase or sell decision

DATA ANALYSIS

HAMMER SINGLE STICK CANDLE

Hammers have a tiny true body and a lengthy bottom shadow, and they appear following price drop.

- The hammer candlestick indicates that sellers entered the market throughout the time, but by the end, the selling had been absorbed and purchasers had driven the price back to around the open.
- The close might be above or below the open, but it should be close to the open to keep the true body small.
- The bottom shadow should be at least twice as tall as the real body.
- Hammer candlesticks signal a possible upward price reversal.

SAIL



WIPRO



SHOOTING STAR

1. A shooting star occurs after a long period of time and indicates that the price may start to decline.
2. The formation is a beach because the price tried to rise sharply during the day, but the sellers then took the reins and pushed the price down into the open.
3. Traders often wait to see what the next candle (time) does following a shooting star. If the price goes down during the next session it may sell or be shorter.

HDFC BANK



VEDL



BEARISH ENGULFING

- The bearish engulfing pattern can occur anywhere, but it is most important if it occurs after price improvement. This could be an uptrend or a pullback to the top with a large downtrend.
- Ideally, both candles are of larger size compared to the price areas around them. Two very small bars can form a connecting pattern, but they are less important if both candles are large.
- A real body — the difference between the open and close value — of candlesticks is what matters. The actual body of the lower candle should cover the upper candle.
- The pattern has very little value in the volatile markets.

HINDUSTAN UNILIEVER



AXIS BANK



BULLISH ENGULFING

- The bearish engulfing pattern can occur anywhere, but it is more significant when it comes following a price increase.
- Ideally, both candles are greater in size than the price zones surrounding them, indicating an uptrend or a retreat to the top with a large decline. A linking pattern can be formed by two extremely small bars, although it is less necessary if both candles are huge.
- What important is the difference between the open and closing value of candlesticks.
- The bottom candle's true body should cover the higher candle. In turbulent markets, the pattern has relatively little value.

Pfizer Limited



Maruti Suzuki India Limited



PORTFOLIO MANAGEMENT

PORTFOLIO MANAGEMENT

An investor considering a security investment must make a decision from among a vast number of securities. His decision is influenced by the risk-return characteristics of specific stocks. He would try to select the most attractive stocks and distribute his assets among his group of securities. He is once again presented with the decision of which securities to hold and how much to invest in each. The investor has an endless number of portfolios or groups of securities to choose from.

PORTFOLIO SELECTION

Portfolio evaluation serves as the gateway to the next element of portfolio management, portfolio selection. The goal of portfolio construction should be to maximize returns while minimizing risk. The results of portfolio evaluation may be utilized to identify a collection of green portfolios. The best portfolio must be chosen for investing from this range of portfolios.

MARKOWITZ PORTFOLIO MODEL

Markowitz's portfolio model is entirely predicated on the assumption that purchasers are interested in maximizing returns while also developing the portfolio. In 1952, Markowitz proposed this idea. This concept is centered on the development of an effective portfolio.

Investor aims to maximize their return while minimizing the risk.

Markowitz's model focuses on Two attributes - risk &- return.

Markowitz says to include negative correlation in their portfolio.

A negative correlation is a situation when one security shows upward movement then the other is likely to show downward movement so that the negative effect of one is covered by the positive effect of the other.

According to Markowitz diversification is important.

for example holding stocks of textile, banking and electronic companies is better than investing all the money in a banking company stock.

An efficient portfolio is one that gives maximum return for a given level of risk for minimum risk for a given level of return.

Assumptions of Markowitz Portfolio Model

The Markowitz portfolio model has the following assumptions :

1. Mean return and risk.
2. Investors are risk-averse.
3. Investors are utility maximizers.
4. Correlation between securities.
5. Diversification can reduce risk.
6. Existence of an efficient portfolio and the efficient frontier.

CAPM (CAPITAL ASSETS PRICING MODEL)

The CPM theory was based on the work of Harry Markowitz.

This model helps in the identification of different securities as underpriced or overpriced.

an optimal portfolio for an investor is the one that provides the optimum level of return for the risk as assumed by the investor. CAPM brings the concept of leverage portfolio (Invest own fund and borrowed fund in risky assets)

CAPM assumes that an investor can borrow the fund at a risk-free rate and then invest the borrowed fund in risky assets along with his own fund. Investors use CAPM for finding expected returns. Then they compare his actual return with the estimated return and revise their portfolio accordingly.

CAPM is a version that describes the connection between anticipated return & hazard of making an investment in security. CAPM advocates the concept of the leveraged portfolio.

Assumptions of the CAPM

CAPM model is based on certain assumptions of investment behavior of investors and

1. Securities have two attributes
2. Investors are risk-averse
3. Risk-free and risky securities exist in the market
4. Efficient capital market
5. Homogenous expectations of investors

PORTFOLIO A

WIPRO LTD

DATE	SHARE PRICE(X)	(X-X')	(X-X') ²
18 April 2022	538.6	9.455	89.39702
19 April 2022	530.45	1.305	1.703025
20 April 2022	536.5	7.355	54.09602
21 April 2022	539.3	10.155	103.124
22 April 2022	537.7	8.555	73.18802
25 April 2022	529.35	0.205	0.042025
26 April 2022	529.25	0.105	0.011025
27 April 2022	518.95	-10.195	103.938
28 April 2022	522.55	-6.595	43.49403
29 April 2022	508.8	-20.345	413.919
TOTAL	5291.45		882.9123
EXPECTED RETURN(X')	529.145		
(X-X')²	882.9123		
RISK	29.71384021		

EXPECTED RETURN = $5291.45/10 = 529.145$

RISK = 29.713

TATA CONSULTANCY SERVICE

DATE	SHARE PRICE(X)	(X-X')	(X-X') ²
18 April 2022	3528.05	-30.415	925.0722
19 April 2022	3471.9	-86.565	7493.499
20 April 2022	3556.8	-1.665	2.772225
21 April 2022	3628.65	70.185	4925.934
22 April 2022	3612.55	54.085	2925.187
25 April 2022	3548.2	-10.265	105.3702
26 April 2022	3546.3	-12.165	147.9872
27 April 2022	3561.2	2.735	7.480225
28 April 2022	3584.3	25.835	667.4472
29 April 2022	3546.7	-11.765	138.4152
	35584.65		17339.17
Expected Return (X')	3558.465		
(X-X')²	17339.17		
Risk	131.6782822		

EXPECTED RETURN = $35584.65/10 = 3558.465$

RISK = 131.67

HDFC BANK

DATE	SHARE PRICE(X)	(X-X')	(X-X) ²
18 April 2022	1395.45	26.63	709.1569
19 April 2022	1342.2	-26.62	708.6244
20 April 2022	1354.3	-14.52	210.8304
21 April 2022	1374.35	5.53	30.5809
22 April 2022	1355.6	-13.22	174.7684
25 April 2022	1365.75	-3.07	9.4249
26 April 2022	1372.05	3.23	10.4329
27 April 2022	1372.55	3.73	13.9129
28 April 2022	1371.35	2.53	6.4009
29 April 2022	1384.6	15.78	249.0084
	13688.2		2123.141

EXPECTED RETURN(X')	1368.82
(X-X) ²	2123.141
RISK	46.07755419

EXPECTED RETURN = $13688.2/10 = 1368.82$

RISK = 46.077

PORTFOLIO – B

ICICI BANK			
DATE	SHARE PRICE(X)	(X-X')	(X-X') ²
18 April 2022	721	-27.595	761.484
19 April 2022	766.3	17.705	313.467
20 April 2022	755.55	6.955	48.37202
21 April 2022	762.35	13.755	189.2
22 April 2022	747.65	-0.945	0.893025
25 April 2022	752.2	3.605	12.99603
26 April 2022	753.75	5.155	26.57402
27 April 2022	736.7	-11.895	141.491
28 April 2022	747.15	-1.445	2.088025
29 April 2022	743.3	-5.295	28.03703
	7485.95		1524.602
EXPECTED RETURN(X')		748.595	
(X-X') ²		1524.602	
RISK		39.04615218	

EXPECTED RETURN=7485.95/10 =748.596

RISK == 39.046

KOTAK MAHINDRA BANK

DATE	SHARE PRICE(X)	(X-X')	(X-X') ²
18 April 2022	1750.4	6.675	44.55563
19 April 2022	1707.5	-36.225	1312.251
20 April 2022	1721.3	-22.425	502.8806
21 April 2022	1760.85	17.125	293.2656
22 April 2022	1727.75	-15.975	255.2006
25 April 2022	1728.85	-14.875	221.2656
26 April 2022	1742.7	-1.025	1.050625
27 April 2022	1741.5	-2.225	4.950625
28 April 2022	1765.65	21.925	480.7056
29 April 2022	1790.75	47.025	2211.351
	17437.25		5327.476
EXPECTED RETURN(X')		1743.725	
(X-X') ²		5327.476	
RISK		72.9895609	

EXPECTED RETURN = 17437.25 =1743.725

RISK==72.989

INFOSYS LTD			
DATE	SHARE PRICE(X)	(X-X')	(X-X')^2
18 April 2022	1,621.40	39.36	1549.21
19 April 2022	1,562.00	-20.04	401.6016
20 April 2022	1,587.70	5.66	32.0356
21 April 2022	1,618.80	36.76	1351.298
22 April 2022	1,585.45	3.41	11.6281
25 April 2022	1,561.10	-20.94	438.4836
26 April 2022	1,581.00	-1.04	1.0816
27 April 2022	1,552.80	-29.24	854.9776
28 April 2022	1,582.60	0.56	0.3136
29 April 2022	1,567.55	-14.49	209.9601
	15,820.40		4850.589
EXPECTED RETURN(X')	1582.04		
(X-X')^2	4,850.59		
RISK	69.64617003		

EXPECTED RETURN = $15,820.40/10 = 1582.04$

RISK = 69.64

PORTFOLIO A

THE RISK AND RETURN OF EACH SECURITY IN PORTFOLIO A IS:

SI.NO	COMPANY	RETURN	RISK
1	WIPRO LTD	529.145	29.713
2	TATA CONSULTANCY SERVICE	3555.8	131.67
3	HDFC BANK	1368.82	46.077

PORTFOLIO B

THE RISK AND RETURN OF SECURITY IN PORTFOLIO A IS:

SI.NO	COMPANY	RETURN	RISK
1	ICICI BANK	748.596	39.046
2	KOTAK MAHINDRA BANK	1743.725	72.989
3	INFOSYS LTD	1582.04	69.64

INTERPRETATION

According to the preceding numbers, portfolio A firms outperform portfolio B companies in terms of overall return. However, when we analyze risk, it is evident that risk is lower for firms in portfolio B as compared to portfolio companies. According to Markowitz, an efficient portfolio has "minimum risk, maximum reward." As a result, it is recommended for an investor to design his portfolio in such a manner that he may maximize his returns by assessing and adjusting his portfolio on a constant basis.

CONCLUSION

It's important to remember that no technical indication is flawless. None of them consistently provide signs that are 100 percent accurate.

The smartest traders are always on the lookout for warning signs that the signals from their preferred indicators may be misleading. Technical analysis, well done, can improve your profits as a marketer. However, what you can do more to improve your wealth in trading is to spend more time and effort thinking about the best way to handle things when the market revolves around you, rather than just thinking about how you will spend your money .

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