

Market Fluctuations as a guide to Investment Decisions

Theory:-

- Common stocks or stocks even of investment grades are subject to recurrent and wide fluctuations in their prices
- Investor should be interested in the possibilities of profiting from these pendulum swings

There are two possible ways:-

1- **By the way of Pricing**

2- **By the way of timing**

Pricing

It's an endeavour to buy stocks when they are quoted below their fair value and to sell them when they rise above such value:-

How to value? [Difficult Job]

1. Valuations technique consists of
 - Quantitative Analysis [PE ratio, Dividend Yield, so much of Math is involved]
 - Qualitative Analysis [Management, Product, pricing, Place, positioning,
 - Micro [Company Specific]
 - Macro [Economy Analysis]
2. Less ambitious form of pricing is when you buy make sure you do not pay too much
3. We are convinced and has satisfactory results from pricing of either type [Short selling]



Timing

1. This is kind of technical Analysis --- You can say
2. Study of Historical price volume graphs – [Head and Shoulder, Bollinger Bands to name few]
3. There are so many tools and software – Dow Theory
4. In short by timing we mean the endeavour to anticipate the action of stock market
5. (Buy or Hold when the future course is deemed to be upward and to sell or refrain from buying when the future course is downward) [a lot of brain power is engaged in this novelty]
6. We are equally sure that investor or trader places his emphasis on timing, in the sense of forecasting he will end up as a speculator and with speculators financial results

Notes: –

- This distinction may seem rather tenuous (less sensible) to the layman and it is not commonly accepted in the stock market.
- As a matter of business, it is believed that the investor and speculators in common stocks should devote careful attention to market forecast
- I believe the investor can scarcely take seriously the lots of predictions which appear almost daily. [on TV, newspaper, Gossips Bank nifty movement upwards or downwards.]

- Why Investor or trader in stock market addicted to market forecasting?
- Answer is simple he is been persuaded [subconsciously] that it's important to form some opinion of the future course of stock market by media or by their investment advisor.

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Stocks to be considered for the study:

Investment Grade Quality Companies

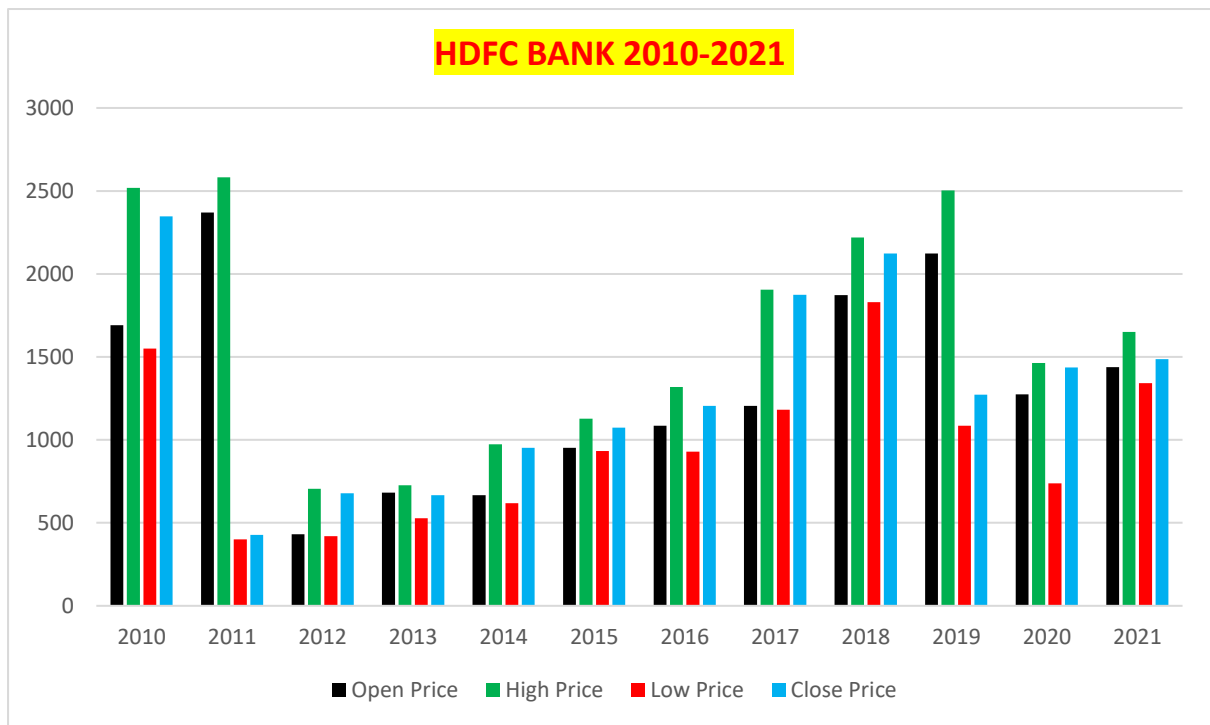
1. HDFC BANK
2. KOTAK MAHINDRA BANK
3. TCS
4. INFOSYS
5. HUL
6. MARUTI SUZUKI
7. MAHINDRA & MAHINDRA
8. HERO MOTO CORP
9. BAJAJ FINANCE
10. TATA MOTORS

Second Line Companies

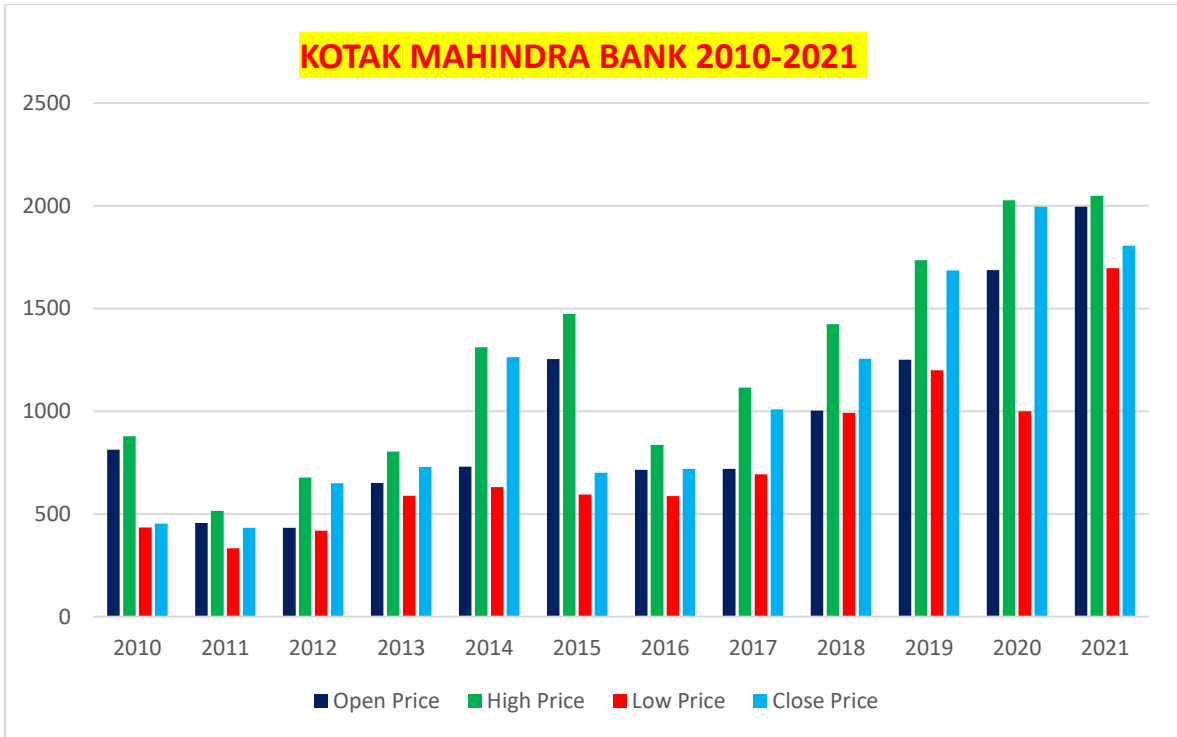
1. INDIA BULLS HOUSING FINANCE
2. YES BANK
3. VODAFONE IDEA
4. PNB
5. DLF
6. ADANI GREEN
7. ADANI PORTS
8. CENTRAL BANK OF INDIA
9. TVS MOTORS
10. EMAMI LTD

{ Investment Grade Quality Companies }

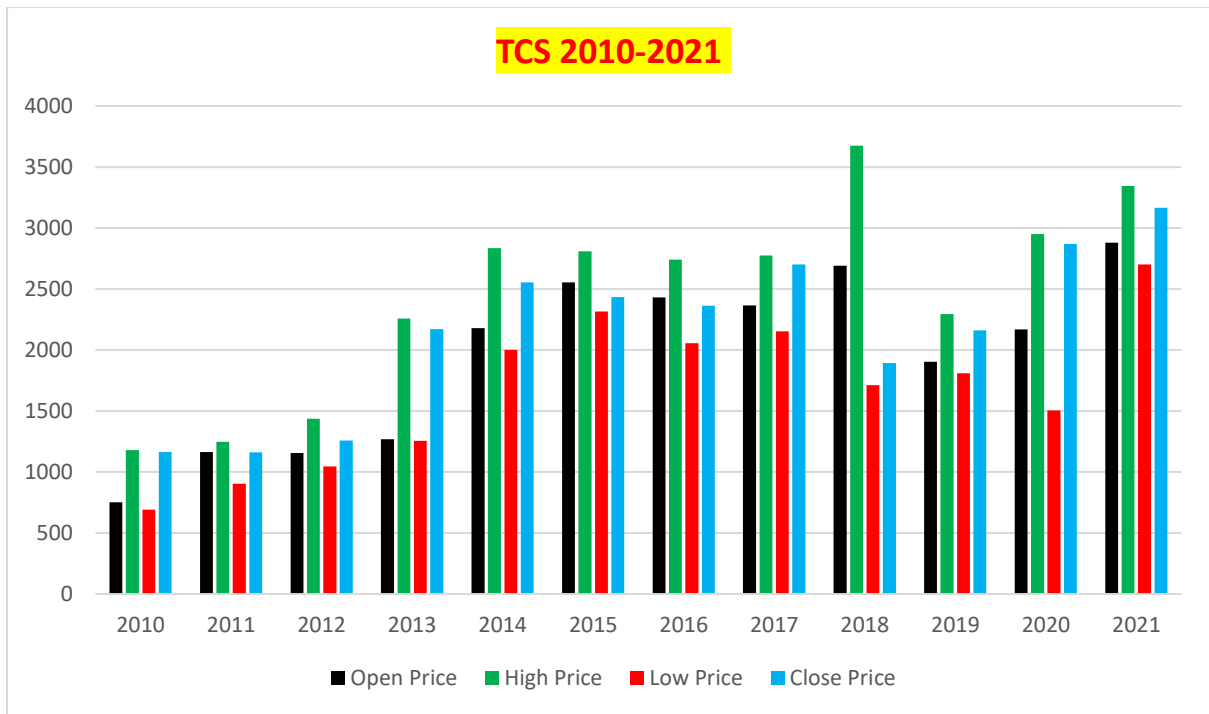
[HDFC Bank]



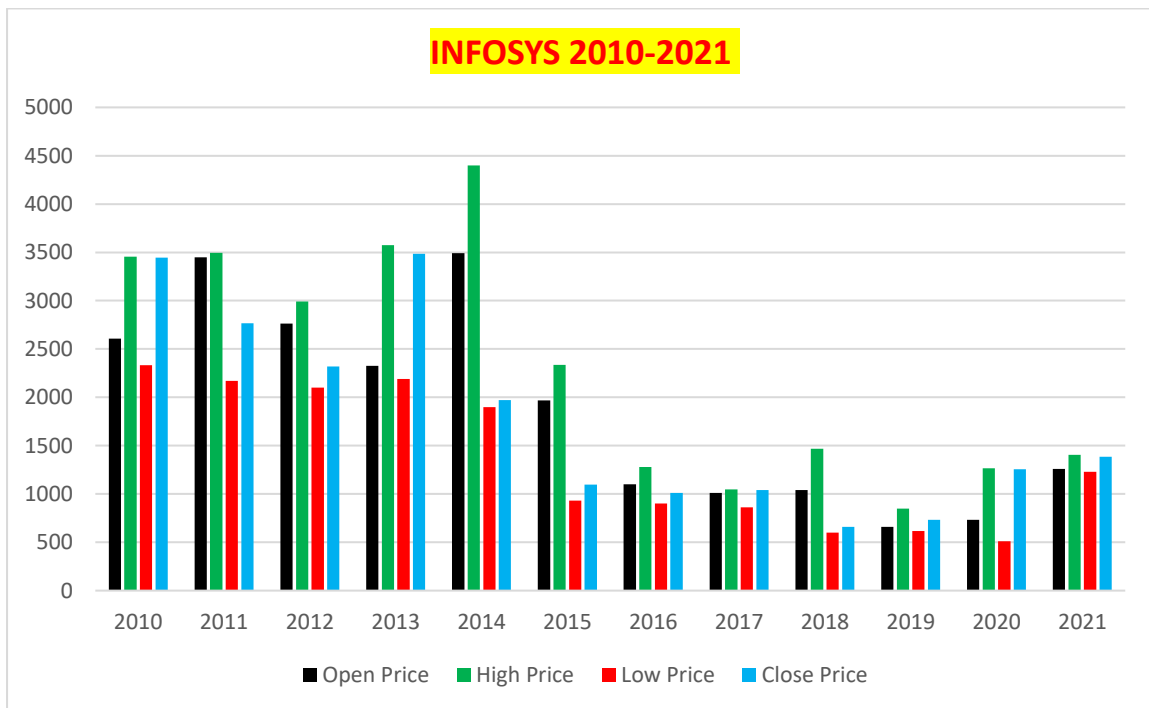
[Kotak Mahindra Bank]



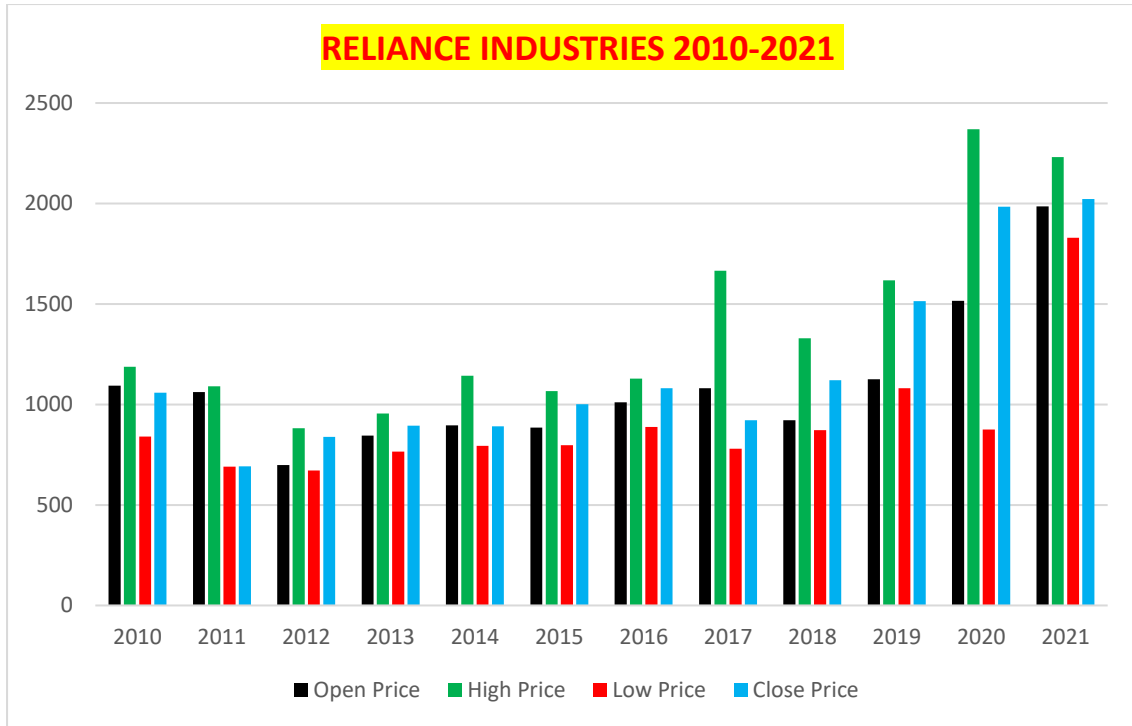
[TCS]



[Infosys]

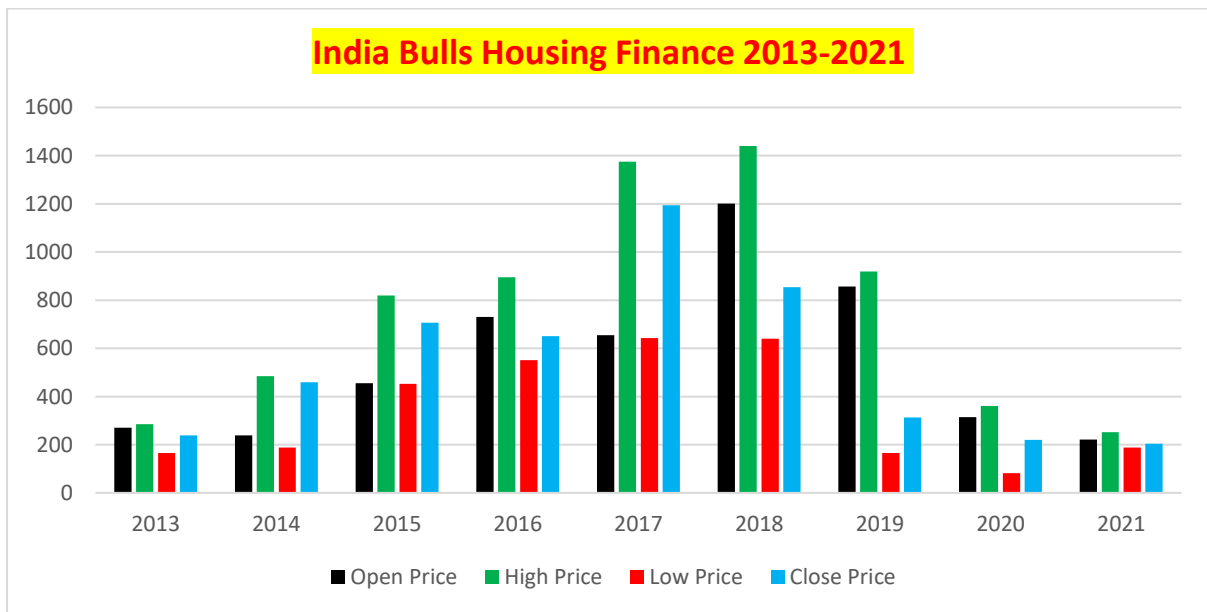


[Reliance]

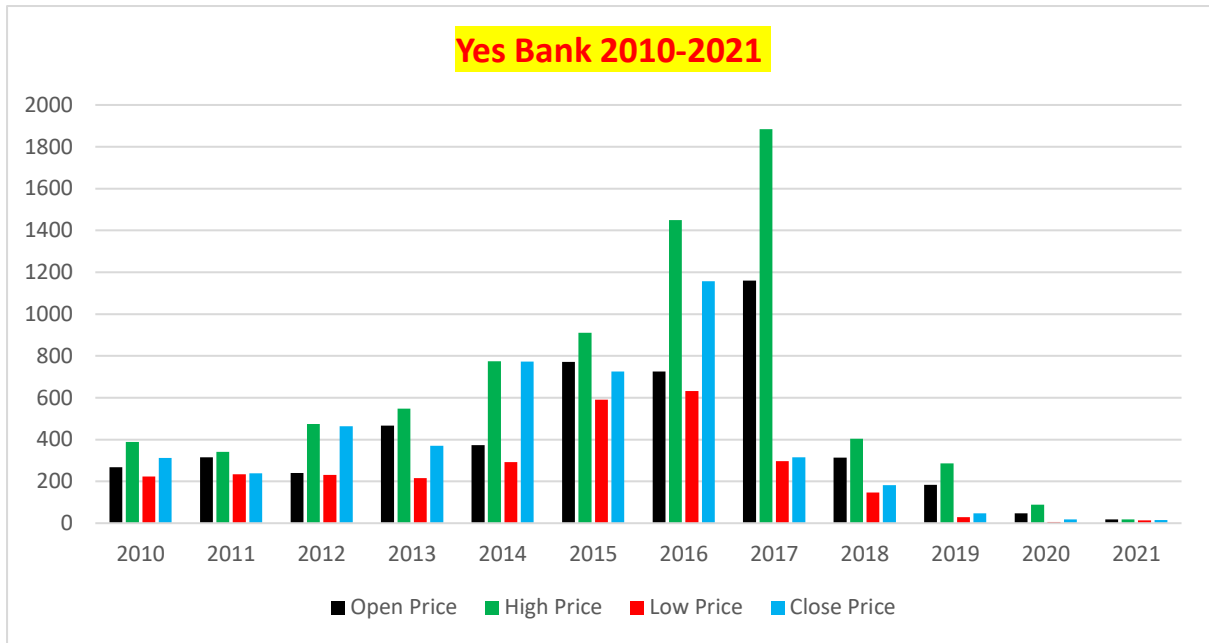


{ Second Line Companies }

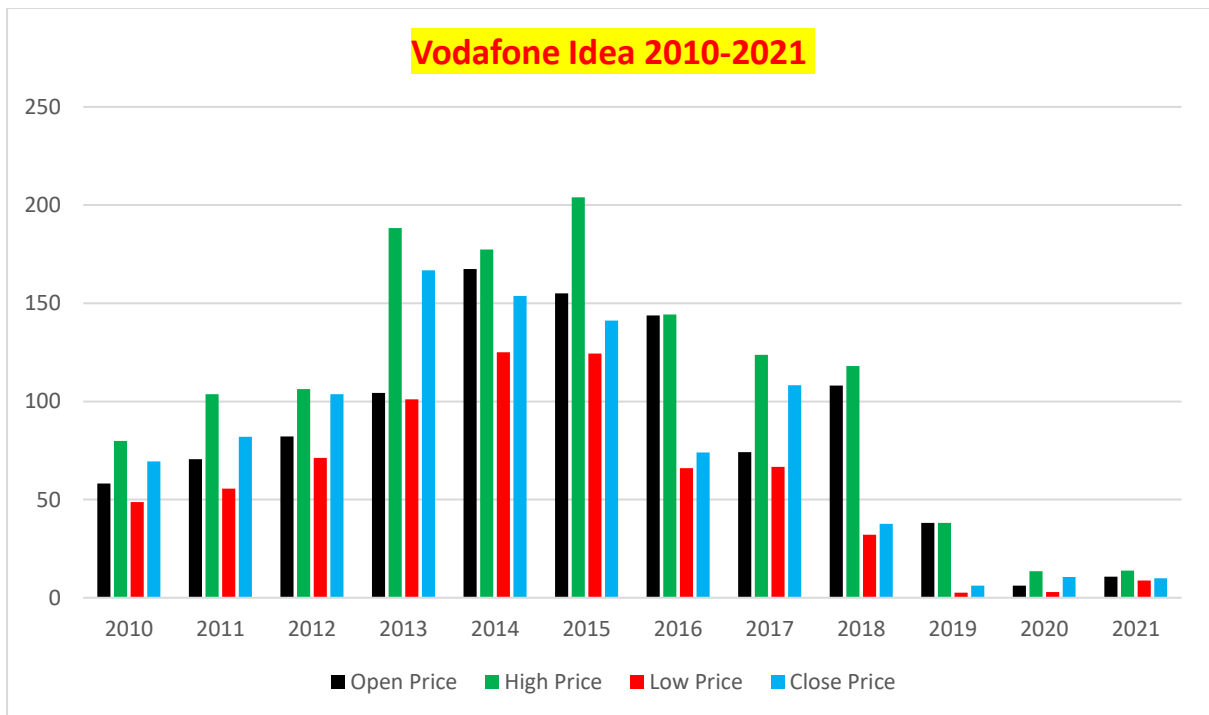
[India bulls Housing Finance]



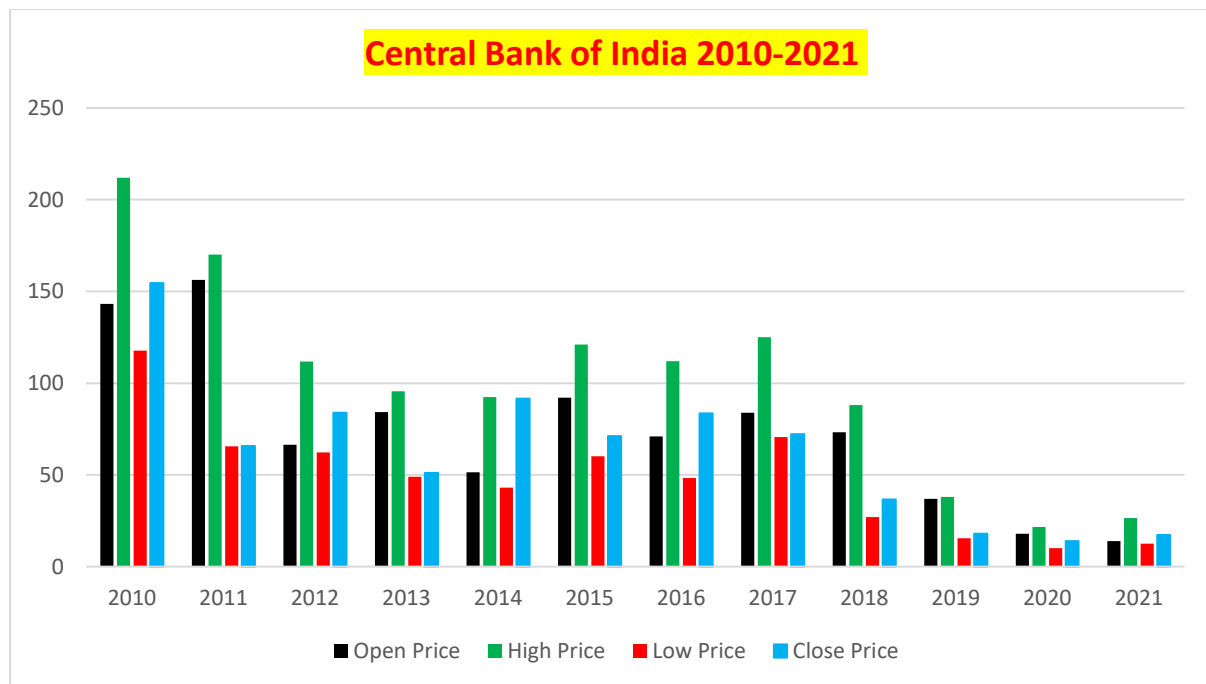
[Yes Bank]



[Vodafone idea]



[Central Bank]



Two Morals from Graphs

1. Stock Market often goes wrong and sometimes an alert and courageous investor can take advantage of its patent errors
2. Most business change in character and quality over the years, sometimes for the better, perhaps more often for the worse.

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=====**Let's take the advantage of wide market fluctuations**=====

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