



INVESTOR SENTIMENTS AND MARKET BEHAVIOUR

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Abstract:

In the recent trends it is important to understand the importance of stock market as a source of investment. It is noted in the research study that most of the youngsters are interested to have the knowledge of stock market. As mentioned in the title investment sentiments refers to the attitude of the investors as to the anticipated price development in the market. Whereas market behavior means the increase or decrease in the stock prices. It is nothing but understanding why there will be sharp fall or rise in the prices of the stocks. It is the understanding of the various factors that affect the stock prices like technical factors, fundamental factors etc. the fundamental factors include trading the news, financial reports, seasonal factors, natural and world events, price history etc. This research study helps us in identifying the factors that make the investors to invest in the stock market and commodity derivatives, to identify the stock market and commodity market awareness among the retailers and also to identify the factors that change the market behavior. Stock market is such a fascinating subject that attracts each and every individual towards making an investment as it helps in making more profit. Trading in stock market is not that easy as it need some analysis before making the trade set up. It is very important that investors collect more information about the stock market before making an investment because stock market trading not only increases the profit but also increases the losses. Therefore the ultimate investing decision is very important for an investor to make profit.

Key Words: Investment Decision, Stock Market, Trading, Financial Reports, Technical Factors.

Introduction:

Investment in stock market is one of the best sources of income. In fact it is the best avenue for making an investment who is ready to take more risk. Stock market investments involve huge risk and at the same time it gives more return as well. This concept we call it as risk return tradeoff. As risk increases return increases and as risk decreases return also decreases. Stock market is all about investing in equity shares of different companies and as the company grows the stock investment also grows. Therefore it is very important for the investors to know in which stock to invest. It's very important to do fundamental analysis of the particular stock in which the investor wants to invest, only then the investor can get good returns. Apart from stock (equity) market investment one can also invest in commodity derivatives and currency derivatives (forex market). here in commodity and currency derivatives the commodities and currencies are traded in contracts. It is also important to understand the types of derivatives like futures, options, forwards and swaps. In India futures and options are important for investment. The various commodities that are traded are (a) agricultural commodities like rice, wheat, pepper etc. (b) Precious metals like gold, silver, platinum (c) industrial metals like copper, aluminium etc. (d) energy like Brent crude oil, natural gas etc. in all these commodities an investor can invest in the form of derivative contracts (ex. Gold futures contract) and make good returns.

Objectives:

- To identify the factors that makes the investors to invest in stock market.
- To identify the stock market awareness with reference to intraday trading.
- To identify the factors that changes the market behavior.

Methodology:

The nature of the study of this project is analytical study. In analytical study one has to use the facts or information that is already available and analyze these to make analytical evaluation of the material. The research study is based on both primary data and secondary data. Primary data was collected from 100 respondents in Bangalore city with the help of a structured questionnaire. Secondary data was collected from various magazines, newspaper, journals and websites.

Scope of the Study:

This study gives a clear idea about the factors that make the investors to invest in stock market and also the stock market awareness with reference to intraday trading. This study also helps in understanding the factors that change the market behavior. The scope still extends towards analyzing the knowledge about commodity market as well as currency derivatives among the investors.

Limitations of the Study:

- Most of the respondents are youngsters only.
- The data was collected from only 100 respondents.
- All the limitations of primary and secondary data are applicable for the study

Review of Literature:

Rajendra N Paramanik; Vatsal Singhal, IIT Patna India (2020), in his article Sentiment Analysis of Indian Stock Market Volatility also explains that the influence of negative sentiment is more pronounced than positive sentiment. Haritha P H and Abdul Rishad (2020) in their article an empirical examination of investor sentiments and stock market volatility tries to examine the role of investor sentiments in market dynamics. According to Zhou (2018) investor sentiment indicates the distance of the assets value from its economic bases. Mushind and Veluri (2018) used trading volumes and return volatility for understanding the relationship between sentiments and returns. Kumara and Mahakud (2016) studied the impact of investor sentiment in the Indian capital market. Pramod Kumar Naik (2015) Central University of Rajasthan, Investor Sentiment and stock market returns and volatility: Evidence from NSEI explains the effect of individual and institutional investor sentiment on the market price of risk.

Brad M Barber and Terrance Odean 2013 University of California in their article Behaviour of Individual Investor explains that in theory the investor holds a well-diversified portfolio but in practical sense it is different as they trade frequently and take stock selection decision and undergo losses.

Baker and Wurgler (2006,2007) finds that usually when the sentiment is low, the returns are relatively high, whereas when the sentiment is high the returns are low. Verma and Verma (2007) in the article Impact of individual and institutional investor sentiment on the market price of risk, finds that the individual and institutional investor sentiments are driven by both rational and irrational factors. Natividad Blasco, Pilar Corredor, university of Zaragoza, Spain, Market Sentiment: A key factor of investors initiative behavior, explain the behavior among the investors in order to determine rational and emotional component factors and identify relationships among them.

Baker Malcolm and Jeffrey Wurgler 2007 in their article Investor sentiment in the stock market says that it is possible to measure investor sentiment and that waves of sentiment have clearly discernible, important, and regular effects on individual firms and on the stock market as a whole. Baker M Stein J C (2004) in the journal of financial markets explains market liquidity as a sentimental indicator.

Factors That Affect Market Behaviour:

There are many factors that affect the stock market behavior like financial results of the company, seasonal factors, natural and world events etc.

- **Quarterly Results of the Company:** It is noted that stock market reacts to the quarterly results of the company. Many investors compare the previous quarterly results with the present result and then take the investment decision.
- **RBI Monetary Policy Review:** It is RBI's monetary policy review that impacts the banking stocks. Banking stocks respond to the interest rates that are increased or decreased by RBI. In connection to this RBI monetary policy also affects the realty sector as well as the automobile sector as people will buy vehicles and flats through bank loans. Therefore if loans become costlier then people will postpone their purchases. Hence RBI monetary policy also has an impact on banking stocks, financial sectors, realty sector and automobile sector.
- **Company Valuations:** The company valuations help in assessing the real worth of the company. Under this company valuations investors have to look at the P/E ratio, EPS, P/B ratio and book value as well. All these company valuations have an impact on the stock prices to which the investors consider before making any investment.
- **Economic Conditions:** Various economic conditions like exchange rate, interest rate, GDP, inflation, FII, FDI, IIP data etc. of different countries have an impact on stock prices. The economic conditions can be accessed by reading newspaper, magazines, journals etc. Investors have to understand the positive and negative impact of these economic conditions before making an investment decision.
- **Natural and World Events:** Natural calamities and other world events like war, economic downfall of a country, political disturbance of different countries etc. have a negative impact on the stock market. Thus an investor has to see to this news and then make a trade set up.

Table 1: Source of Information

Sources	Number	Percentage
Media/newspaper	55	55%
Family/friends	15	15%
Market professionals	20	20%
Self Analysis	10	10%
Total	100	100%

Source: Primary Data

Table 2: Showing awareness of stock trading and commodity trading

Particulars	Aware	Unaware
Stock Market Timing	45	55

Commodity Market	30	70
Intraday Trading	20	80
Currency Derivatives	28	72
T+2 Working	35	65

Source: Primary Data

Analysis and Interpretation:

From the above data we get a clear idea that 55% of the respondents get information from media and newspaper. It is also observed that only 15% of the respondents have family and friends as source of information. 20% of the respondents are influenced by market professionals and only 10% of the respondents do self-analysis before making investment decision or investing in stock market.

The attempt of this research study is to know the awareness of the investors about intraday trading revealed the following results. 55 respondents are not aware of the stock market timing. However only 20% of the respondents were aware of intraday trading system.

It was also found that only 30 respondents were aware of commodity market and its types whereas the remaining 70 respondents were not aware of commodities and it was also noted that 28% of the respondents marked aware for currency derivatives and the remaining 72% were not aware of currency market.

But the research shows that 65 respondents were unaware of T+2 working settlement. Presently the market timing is from 9.15 AM to 3.3.PM on all working days and it is observed from table 2 that 55% of the respondents were unaware of stock market timing.

Findings of the Study:

From the above research study it is found that media and newspaper plays a very important role in giving stock market information to the investors as 55% of the respondents have media and newspaper as their source of information. It is noted that 20% of the respondents get market information from professionals whereas only 10% of the respondents do self-analysis before making an investment. Friends and family also play a significant role in influencing the investors as the study says that 15% of the investors/respondents have family and friends as a source of information. It was also found that only 30 respondents were aware of commodity market and its types. It was also noted that 28% of the respondents marked aware for currency derivatives and the remaining 72% were not aware of currency market.

Conclusion:

From the above research study it is concluded that it is important to understand the importance of stock market as a source of investment. It is noted in the research study that most of the youngsters are interested to have the knowledge of stock market. It is important to understand the various factors that affect the stock prices like technical factors, fundamental factors etc. the fundamental factors include trading the news, financial reports, seasonal factors, natural and world events, price history etc. Stock market is all about investing in equity shares of different companies and as the company grows the stock investment also grows. Therefore it is very important for the investors to know in which stock to invest. It's very important to do fundamental analysis of the particular stock in which the investor wants to invest, only then the investor can get good returns. Stock market is such a fascinating subject that attracts each and every individual towards making an investment as it helps in making more profit. Trading in stock market is not that easy as it need some analysis before making the trade set up. It is very important that investors collect more information about the stock market before making an investment because stock market trading not only increases the profit but also increases the losses. Therefore the ultimate investing decision is very important for an investor to make profit.

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