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Investors Fallacy on Continuous Ups or Downs in Nifty 50

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ABSTRACT

This research studies Investors fallacy on continuous ups or downs in NIFTY 50. The researcher has taken sets of upward and downward trends in the Index. The research is being carried out only with the data available to the public or the genera; investors as it will have the combined net details of FII, Mutual Funds (investments made in nifty 50 stocks), DII, Unit linked policies and the trades of the Retail Investors. As the part of the Individual retail investors is low and limited we may not able to identify the investor's behavior during the short term trends. Researcher has taken Index (NIFTY) of capital market of India. It is a new area where very few researchers had done their research work.

Keywords: Capital market, NIFTY 50, Investors behavior.

1. INTRODUCTION

Indian Capital market which was most liked by the FII's as the country is having more growth potential. As the Index of the Indian stock market has reached the lifetime high of 11200 points and still looking for a time to go further. In this study we can able to see the short term trends in the Indian capital market and its impact in the individual retailers as they do enter into the market by seeing the index points moving upward and get trapped in the market and lose their savings, it created a bad image about the capital market in the minds of the retail investors. As the result it lacks in the countries capital formation, though the index is upward or downward from that we able to analyze the behavior of the retail investors.

2. OBJECTIVES

- To find the retail investors behavior by the Index volatility.
- To analyze the short term trend reversal in Indian stock exchange.
- To find out the investors fallacy in nifty fifty index.
- To find how the investors behave during short term trend.

3. RESEARCH METHODOLOGY

The design of any research project requires considerable attention to the research methods and the proposed analysis. For this study the researcher has chosen secondary data to find the performance of Index (Nifty) and the Investors behavior associated with it. All the data has collected from NSE website. The period of study ranges from 1/Nov/2009 to 30/Nov/2017. The area of study is limited to the investor's behavior according to the short term trend in the capital

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market. The data of the NIFTY index is analyzed from the period 2009 to 2017. Tools are used for analysis are Excel and Pearson correlation where Excel shows the average returns chart and SPSS shows correlation of index and T-test : Paired two sample for Means.

4. REVIEW OF LITERATURE

Kannadhasan M.(2015), contemplated the part of statistic factors viz. sex, conjugal status, age, occupation, instruction, and wage as separating factor among levels of money related risk tolerance(FRT) and money related risk conduct (FRB) of Indian retail financial specialist. It was discovered that Gender, Age, Occupation and Income are the differentiator of the money related chance conduct. If there should arise an occurrence of FRB Gender, Age, Education and occupation are the separating factor.

BhatAbass Mohd, Dar Ahmad Fayaz (2013) studied the role of emotions in individual investment behavior describe and conduct a quest on what factors, investment characteristics, Associate in Nursing call-making processes affected individual capitalists Associate in analyzed the emotional factors that within the back of an investor once he makes an investment decision. **Bhattacharya et al., (2012),** discovered that scarcely 5% of the investors look for contributions from consultants and even that exhortation is normally disregarded.

5. DATA ANALYSIS AND INTERPRETATION

OCCURRENCE OF CONTINUOUS UP'S & CONTINUOUS DOWN'S

DOWN	NO. OF OCCURRENCE
10 days down	1
11 days down	1
6 days down	5
7 days down	7
8 days down	3
9 days down	2

UP	NO. OF OCCURRENCE
9 days up	3
8 days up	6
7 days up	5
6 days up	11
13 days up	1
11 days up	2
10 days up	3

TABLE NO 1

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INTERPRETATION

From the above table it is interpreted that the occurrence of the continuous ups in the index. It shows that 6 days up occurs 11 times in the last 10 years and nifty was continuously 8 days up for 6 times, followed by 7 days up occurs for 5 sessions, and for 4 times 9 days continuous up, 10 days, 11 days, 13 days occurs 3 times 2 time and 1 time respectively. And the 7 continuous downs occurs 7 times, nifty was down for 6 days for 5 times, 8 day down happens for 3 sets, 2 times 9 continuously days were down 1 time 10 and 11 days the nifty index was down or closed red.

OCCURRENCE OF SHORT-TERM UPWARD & DOWNWARD TRENDS AND CORRECTIONS TIMES AND IN %

UP	NO. OF OCCURRENCE	NO. OF REVERSALS	% OF NO. OF REVERSALS
9 days up	3	3	100
8 days up	6	6	100
7 days up	5	5	100
6 days up	11	11	100
13 days up	1	1	100
11 days up	2	2	100
10 days up	3	3	100
10 days down	1	1	100
11 days down	1	1	100
6 days down	5	5	100
7 days down	7	7	100
8 days down	3	3	100
9 days down	2	2	100

TABLE NO 2

INTERPRETATION

From the above two tables we comes to know that whenever Nifty Index falls or rises continuously for 6 and more days in a row, it gets reversal in the coming days. The above table evidences that the Nifty was being fallen and raised continuously for the specified days and it was reversed every time that is 100% sure that the market will reverse when there is continuous raise or fall in the market for 6 and above days. It clearly confirms that in the last 10 years from 2009 to 2017 the continuous fall or raise occurs 50 time and the market has reversed in that 50 times. It proves that the market will recover or correct itself once it falls or raise steeply.

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NUMBER OF TRENDS AND TIMES OF EACH TRENDS OCCURRENCE

ROW LABELS	COUNT OF COUNT
10 days down	1
10 days up	3
11 days down	1
11 days up	2
13 days up	1
6 days down	5
6 days up	11
7 days down	7
7 days up	5
8 days down	3
8 days up	6
9 days down	2
9 days up	3

TABLE NO 3

INTERPRETATION

We can able to witness that the short-term trend reversal happens for sure and it occurs frequently when the index surges or plunge. The occurrence of short-term trend reversal frequently happened in 6 days and it happed for 11 times and proves that the reversal happens for sure. The 13 days up and 11 days up and down too convey that continuous falls for more than 10 days to have a reversal in the Nifty Index.

TREND REVERSAL TOTAL POINTS UP OR DOWN AND NUMBER OF DAYS TREND REVERSALS

TOTAL UP/DOWN	REVERSAL POINTS	DAYS OF REVERSAL	TREND	% CHANGE
424.95	150.95	2	10 days down	35.52
269.45	58.20	2	10 days up	21.60
391.60	25.45	1	10 days up	6.50
674.80	426.00	7	10 days up	63.13
558.70	223.20	4	11 days down	39.95
545.30	124.35	5	11 days up	22.80
359.35	79.40	5	11 days up	22.10
424.70	88.80	1	13 days up	20.91
421.75	46.60	3	6 days down	11.05
443.95	88.15	1	6 days down	19.86
224.85	78.10	1	6 days down	34.73
244.65	9.90	1	6 days down	4.05
342.40	70.80	1	6 days down	20.68

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324.75	39.25	1	6 days up	12.09
162.20	188.55	8	6 days up	116.25
328.95	22.20	1	6 days up	6.75
221.35	293.35	3	6 days up	132.53
381.70	48.05	1	6 days up	12.59
544.75	45.65	1	6 days up	8.38
255.90	119.50	2	6 days up	46.70
365.60	57.00	3	6 days up	15.59
282.10	47.50	3	6 days up	16.84
214.80	59.90	2	6 days up	27.89
219.95	83.70	3	6 days up	38.05
275.10	114.25	4	7 days down	41.53
335.35	213.75	3	7 days down	63.74
426.00	368.95	7	7 days down	86.61
411.25	102.05	1	7 days down	24.81
298.45	75.30	2	7 days down	25.23
153.45	411.85	13	7 days down	229.89
417.35	179.15	4	7 days down	42.93
287.75	12.25	1	7 days up	4.26
381.55	32.25	1	7 days up	8.45
387.75	44.85	1	7 days up	11.57
368.95	140.35	2	7 days up	38.04
368.95	211.45	5	7 days up	57.31
511.00	34.00	1	8 days down	6.65
308.30	163.51	7	8 days down	163.51
381.90	492.60	9	8 days down	128.99
389.50	20.20	1	8 days up	5.19
212.65	52.15	2	8 days up	24.52
376.45	81.90	2	8 days up	21.76
416.20	20.70	1	8 days up	4.97
365.55	37.75	2	8 days up	10.33
241.35	101.00	2	8 days up	41.85
424.85	105.20	4	9 days down	24.76
313.55	365.55	8	9 days down	116.58
384.30	55.75	2	9 days up	14.51
622.95	22.60	1	9 days up	3.63
492.60	456.25	5	9 days up	92.62

INTERPRETATION

Percentage Change is calculated by totaling the fall or raised points after the short trend movement of the Index and dividing that by the total of the trend i.e. total of the continuous. It evidences that whenever the index moves downside or upside for 10 plus days it gives around 20% reversal or correction. It conveys that whenever the market fall for continuous 11 days the investors can expect 40 % return in the recovery sessions. The index point Nifty raises for 11

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days continuously and corrected for 5 trading sessions. When it is continuously up for 11 days it will correct it for about 22% so they can go for a short, by shorting the can able to get profit out of it. When the market is down for 100 days in a row we could expect a recovery for above 30% investors can go for a long so that they can able to get profit out of it. The minimum reversal % is 6 and maximum reversal is possible up to 60% in an average it gives the return of 30% when the market happen to be up for 10 days continuously. In a total of times the 9 days trend upward movement happened and it got corrected every time it happens and will bounce back surely with the average of 70%. It conveys that the index falls for 8 trading sessions it will definitely recovery back. The occurrence of 6 days continuous up in the Nifty index occurs frequently and capture 11 times in the last 10 years data. As the occurrence is high the correction happen is also high and 100% happened.

AVERAGE REVERSAL

UP/DOWN	AVERAGE % REVERSAL
10 days down	35.52
10 days up	30.41
11 days down	39.95
11 days up	22.45
6 days down	18.07
6 days up	39.42
7 days down	73.53
7 days up	23.93
8 days up	18.1
8 days down	99.72
9 days down	70.67
9 days up	36.92
13 days up	20.91

The table shows the average percentage of reversal or the recoveries the index gets after the continuous surge or plunge. The maximum return reversal happens is during the fall. 8 days down has given the maximum percent of return and followed by 7 days and 9 days fall gave the highest reversal. Though the occurrence is more in number in the average 6 days up fails to give the highest return though the actual recovery is constant and attained easily so the risk with the investor will be low that the higher days.

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MOVING AVERAGE

6 days up	6.748746	#N/A	#N/A
6 days up	8.379991	#N/A	#N/A
6 days up	12.08622	9.071652	#N/A
6 days up	12.58842	11.01821	#N/A
6 days up	15.59081	13.42182	2.327925
6 days up	16.838	15.00574	1.873255
6 days up	27.88641	20.10507	4.782289
6 days up	38.0541	27.59284	7.601413
6 days up	46.69793	37.54615	9.196782
6 days up	116.2454	66.99914	29.54311
6 days up	132.5277	98.49033	34.96421

From the Moving average graph we can identify that the trend forms a S curve, which implies a distribution with a long tail. The movement is upward and it shows that the next occurrence might have good or higher percent of recovery that the previous.

T-TEST: PAIRED TWO SAMPLE FOR MEAN

Mean	3.06
Variance	6.873878
Observations	50
Pearson Correlation	0.860959

From the above table it is interpreted that the Mean is 3.06 which indicates that reversal or the correction will be deeper or will be more effective when the reversal or the correction days are extending. As when the reversal or the correction happens for a day it had a low return but when the days are extended the recovery or the correction is much deeper and effective. Next we can able to see the Pearson Correlation, i.e. 0.860 which conveys that there is a strong relationship between the numbers of days of up/down and the total days of recovery or the market reversal. The days of reversal and the return percentage is positively correlated, so we can come to the conclusion that whenever the recovery days are high it has the higher chance of getting more returns than expected.

6. FINDINGS

- Sentiments of Investors play an important role in taking decisions during the short term trend.
- The reversal or the correction extends depends on the strength of the market and the global cues.
- Whenever there is a continuous fall or raise the market will get recovered or corrected.

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- The number of days of reversal or correction depends on the other factors too.
- On an average all the short term trends will give decent returns.
- Short covering by FII plays a vital role in the short term trends.

7. SUGGESTIONS AND CONCLUSION

Investors need to be patient and aggressive, so that they can make profits out of the short term trends by entering in to the respective calls, CE (during continuous falls) or PE (during continuous ups). They should follow the history and to analyze it correctly, be active during the short term trends so that we can't get trapped by not entering in the wrong side i.e. entering in CE when NIFTY is continuously up for 6 days and above and vice versa., be able to enter and to exit (CE or PE) at the correct time and should not invest all the money at once (if the trend periods extends) as the time will help them to average the buying price of the stock or the Option (CE or PE).When enters on the end of sixth day as it shows the signal to enter into the contracts, but it will be in the same direction (up or down), it strengthen up the reversal or correction chances. This study helps the investors to know about the short term trends in the market. As the retail investors in India being driven by their sentiments were one of the major reason for them to lose their money in the capital market. It confines that the more the number of days the market falls or rises the probability of getting the high return is high.

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