A Five-Week Stock Analysis of Select Companies: An Investor's Perspective

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Abstract: ***The Stock prices are determined by a few fundamental aspects of the company and speculators of the market use another method. This method involves determining the stock prices using the historic price movements, which is the technical analysis. The present paper focuses on the analysis of stock relating to Banking sector, Metal sector, pharma sector, energy sector, automobile sector covered for a brief period August to September 2022.***

Keywords: Stock Prices, Sector, Markets, analysis

1. Introduction

Stock market prediction has always caught the attention of many analysts and researchers. Popular theories suggest that stock markets are essentially a random walk and it is a fool's game to try and predict them. (Shah et al., 2019) The prediction and speculation about the values of the stock market especially the values of the worldwide companies are a really interesting and attractive topic. In this paper, the researcher's cover the topic of the stock value changes and predictions of the stock values using fresh scraped economic news about the companies. The Stock market forecasters focus on developing a successful approach to predict stock prices. The vital idea to successful stock market prediction is not only achieving best results but also to minimize the inaccurate forecast of stock prices. (Nemes & Kiss, 2021)

Stock market plays a pivotal role in financial aspect of the nation's growth, but stock market is highly volatile and complex in nature. It is affected by significant political issues, analyst calls, news articles, company's future plans of expansions and growth and many more.

Stock market prediction has been an interesting research topic for many years. Finding an efficient and effective means of predicting the stock market found its way in different social networking platforms such as Twitter. Studies have shown that public moods and sentiments can affect one's opinion. (Nemes & Kiss, 2021).

The present paper would discuss the investor's analysis which was predicted during the five-weekperiod ie., last week of August and September, 2022

2. Review of Literature

(Udoka et al., 2018) This study examined the effect of macroeconomic determinants of stock price movements in Nigeria. To achieve this objective, data were gathered on macroeconomic variables such as gross domestic product, exchange rate, inflation, interest rate and absolute stock price were captured for the purpose of analysis. The autoregressive distributive lag (ARDL) model was used in analyzing the macroeconomic determinants of stock price movement in Nigeria.

(Sukamto, 2018) This study was conducted to determine the effect macro economic variable of inflation, interest rate, and exchange rate against the stock price index on Indonesia stock exchange, and look for variables that effect most dominant among the three variables in the stock price index. Type of research is quantitative research, using multiple regression analysis, F test, t test and standardized coefficient as a tool of analysis in this study.

(Vasileiou, 2021) In this study, we examine the efficiency of the US stock markets during the COVID-19 outbreak using a fundamental financial analysis approach, the constant growth model and a behavioral model including a Google-based Index. We juxtapose the released news and the performance of the US stock market during the COVID-19 outbreak and we show that during some periods the health risk was significantly underestimated and/or ignored.

(Benavides, 2021) The objective of this research work is to show the relevance of asymmetries in estimating volatility. The methodology consists in the application of ARCH-type models and implied volatilities of options (IV) to estimate Value-at-Risk (VaR). These for a portfolio of stock index futures for various time horizons. The empirical analysis is carried out for the futures contracts for the Standard and Poors 500 and Mexican Stock Exchange Indices.

3. Objectives of the Study

To analyse the overall stock price movements in various sectors

4. Methodology

Area of study

The study is confined to sectors like Banking sector, Cement, metal, Pharma, automobile, FMCG sector. The analysis is based on the predictions of the historic data.

Significance of the study

The research paper is prepared to bring out the significance of such price movements in every day especially weekly movements which can help investors take appropriate investment decisions. Especially when there is high volatility in the market, such changes can impact the decision making of the investors. This analysis helps us analysing the price movements of various sectors with respect to changes in the global sentiment.

Period of study

The study is focused on a short period, namely, weekly movements of stock prices August and September, 2022.

Type of study

The study is descriptive in nature.

Sampling technique

There were no samples taken, data interpretation based on the secondary information.

Statistical Technique

Technical analysis was conducted to analyse the stock price movements using spider software.

Limitation of study

The analysis is done based on the researcher's expertise, there may be some facts captured according to the researcher's understanding.

Analysis and Discussion

Weekly View on Markets (29 Aug to 3 Sept 2022)

(Source: Equity Pandit)

Nifty closed at 17558 on Friday with a loss of 1.12% for the week. Daily chart of Nifty shows consolidation as we can see small candles formation and volume remaining steady. Nifty has support at 17400 followed by 17200 levels. It is a "buy on dip" market and any fall due to global factors is good buying opportunity. We can see many candles formation with prominent lower shadows on the chart above, when Nifty was at around 17200 level earlier. Candles with n 1.47%. Banknifty gained 1.2% for the week. The price action in wider market shows strength and it is a buy on dip market. Volatility is high in market with Indiavix is at 18.21. This high volatility and big intraday swings make it very difficult for traders to asses market movement and take buy or sell decisions during live market. Traders should wait for the markets to start trending again.

Banks were leading the market this week followed by energy sector. Most of the sectors were consolidating. Pharma and healthcare sector was down more than 1% during the week. Market trend is up on weekly chart and there is no cause for panic.

Much awaited statement of US Fed chairman at conference at Jackson Hole was in line with expected line. With raising inflation in US, it is blamed that Fed was behind the curve in controlling inflation and hence it was not expected that any soft statement would not come out on inflation. Indian market may give a kneejerk reaction to the statement, but will recover fast. Indian economy has better macro and micro fundamentals at present. Even though market rallied sharply from 15100 level of Nifty to 17900 levels, valuations of market is not expensive. Historical PE of Nifty has gone up marginally, from 20.03 to 20.96, backed up by good earnings of the companies in Q1. Nifty midcap index rallied from 27908 to 31112 during this period, but PE has gone up from 21.7 to 23.72.

Small cap index has gone up from 8812 to 9596 and PE has come down from 19.38 to 17.51. I had expressed that small cap sector would move faster in my earlier weekly view, as valuations were becoming attractive. One year forward PE for Nifty is around 17.8. This is a fair value investment proposal when compared with earning yield of fixed income asset class. Equity is a growth asset; will always command higher valuation compared with fixed income asset.

Price to book value of Nifty is 4.1, midcap index is 3.32 and small index is 3.23. Mid and small cap sectors are available at better valuation on this basis. Any sharp correction will be bought by informed investors as valuations become attractive.

Stock Market Analysis: Weekly View on Markets (05 to 10 Sept 2022)

(Source: Nifty 50 stocks)

Nifty closed at 17539 on Friday with a marginal loss of 0.11% for this week. High volatility was seen with deep cut on Monday, followed by remarkable recovery from the support level of 17200 as shown on the chart. Market was range bound on Thursday and Friday and held up above crucial support levels. The price action on weekly chart of Nifty and the broader market suggest that the market will ultimately brake-out on upside and Nifty is likely to test 18000 level during this month.

Broader market outperformed Nifty index during this week. Banknifty posted a gain of 1.1%, Midcap index gained 0.93% and small cap index gained 0.21%. Reality, Auto, FMCG companies and Banks gained around 1 to 3% during the week. IT sector dragged the market with cut of 3.3%, Pharma & healthcare, energy, oil & gas, commodity sectors were weak with cut of 0.5 to 1.5% for this week.

Volatility increased in the market by 7% and Indiavix is at elevated level of 19.55 level. Traders need to be cautious as market is likely to see huge swings in the short term.

GDP figures for the first quarter of FY23 have come at 13.5%. But this is on a low base of previous year. GDP figures show improvement in comparison with pre-covid period. GDP was at \$2.9 trillion in 2019 and now it is at \$3.8 trillion. India has become 5th largest economy overtaking UK which is a proud moment for all Indians. PMI manufacturing index for August is at 56.4 which indicates expansion in industrial activity. GST collections for August have come in at 1.43 lk crores. Auto sales numbers for August has shown improvement. All these high frequency indicators show that growth in economy is picking up. Crude is trading around \$93/BRL. G-7 countries have planned to put price cap on Russian oil & gas imports. We will have to wait and watch this development and its impact on world oil markets.

RBI governor has told that inflation is likely to come down to below 6% by the end of 2023. With this background, I do not expect the markets to give big correction from current level. Global inflation and economic slowdown pose a risk for our markets as well. There could be reaction in market due to some global news, but the correction will be short lived and will be good buying opportunity in Indian market.

Mutual Fund investors should continue their SIPs and investments. Investors can expect good returns in coming 2 to 3 years as our economic growth picks up and corporate earnings improve.

Weekly View on Markets (19 to 24 Sept 2022)

(Source: Author's interpretation using Spider Software)

Nifty closed at 17530 on Friday after a highly volatile week with a loss of 1.7% for this week. IndiaVix climbed to 19.82 from 17.72. There was all round sell off on Friday due to weak global cues. We have seen risk off sentiment ahead of US Fed meeting next week wherein markets expect a sharp rate hike in US. RBI is also set to raise the interest rate in next meeting. There was selling in broader markets as well. Nifty mid cap and small cap indices have lost 1.69% and 1.2% respectively. Major sell off was seen on Friday in mid and small cap stocks. Banks have outperformed during this week and Banknifty gained 0.89% for the week. Metal and energy stocks were resilient during the week. Nifty IT index was down more than 7% as IT stocks tumbled during this week. Reality, pharma, media, FMCG and consumption stocks lost between 1% to 3%. Nifty closed near support zone of 17500 as shown on the chart. I expect Nifty to pull back from the support level. Any sharp correction below 17400 will be bought by informed investors and we will see sharp rebound from lower level. Market move will depend upon outcome of Fed meeting and commentary of Fed on future inflation scenario in US. WPI inflation figures in India for August 2022 show improvement over July. WPI inflation has come at 12.41 for August 22 from 13.93 in July 22. Indian macro economic fundamentals look better compared to global scenario. But, it cannot remain isolated from global economy and some impact of global inflation and rate hikes will affect Indian trade and commerce. We see the same sentiment in the stock markets as well. Indian market is rearing to go up, but facing headwinds from global markets. We see a good rally in Indian markets whenever global market trade in green. Indian markets are outperforming global markets due to good economic and corporate fundamentals. Even though we see day to fluctuation in markets based on global and other news, Indian markets are in long term bull market. I recommend investment in current uncertainties. Stock prices and mutual fund NAVs are good when situation looks bad; Prices and NAVs will be high when situation looks good. We have to take a long term view and use corrections to buy. My experience with this strategy has been highly rewarding.

(Source: Stock analysis using Spider Software)

Weekly View on Markets (26 to 30 Sept 2022)

Nifty closed at 17327 on Friday with a cut of 1.16% for this week. We have seen that Nifty opened in the green every day, then encountered selling pressure and ended up in red by the end of the day. FII have sold 2445 crores and DII have sold 1868 crores in Sept month till now. Dollar Index hit historical high of 112 during this week after

FOMC raised interest rate by 75 basis points. This is one of the steepest interest rate hikes in recent times. Fed has kept policy stance hawkish as it may take few more rate hikes in near future. US bond yields crossed 3% and this steep hike in yields makes US bonds more attractive. There is “risk off” sentiment globally and money is moving into US dollars. This huge demand for USD had pushed Dollar Index to historical high of 112. INR has depreciated sharply and touched 82 against USD during this week. RBI has sold more than 15 billion USD to stabilize INR. Forex reserve with RBI has dropped to 625 billion from around 700 billion USD.

We have seen sell off in Banknifty, midcap and small cap sectors during this week. Bank Nifty was down by 3.02%, Mid cap Index was down by 1.32% and small cap Index was down by 1.69%. Defensive sectors like FMCG, Consumption and Pharma have shown resilience during turbulent times and gained between 1% to 3%. Banks have seen sharp cuts, reality, energy, oil & gas, Infra, IT were all down by 1.5% to 4% during this week.

Technically, Nifty has closed near support zone as shown on the chart. Short term moving averages also show sell signal on the chart. Nifty weekly chart structure is intact and does not call for panic. Medium to long term technical outlook remains bullish despite the sell off during this week.

Weekly charts of mid and small cap Indices also present similar view for mid to long term. Based on chart reading, I believe that these sharp corrections are buying opportunity for long term investors.

5. Conclusion

Fundamentally, Indian economy is gaining ground. Most of the high frequency indicators support growth in corporate sector. Balance sheet of corporate sector has improved with less leverage and higher capacity utilisation. Earning cycle has bottomed out and we can expect better company profits in coming quarters. Good monsoon had added to the positive outlook on rural consumption and agricultural sector. Indian market is trading at a premium valuation compared to the other emerging markets. Strong economic fundamentals and pick up in corporate earnings in India make it attractive investment destination. We have to learn to live with short term turbulence and focus on long term opportunity to make money in stock markets. Indian stock market has delivered CAGR return of 14.5% for last 20 years. Nifty and Sensex have multiplied 18 times in 22 years despite many crises and drawdowns. Economy and markets are technology enabled in recent times and expected to accelerate growth in coming years. As researcher, one can see a big opportunity for investors to remain invested in good companies or Mutual Funds to reap benefits from this growth in India.

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