



## FUNDAMENTAL ANALYSIS vs. TECHNICAL ANALYSIS: A CHOICE OF SECTORAL ANALYSIS

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### ABSTRACT

The paper explores the analytical tools in evaluating sectoral stocks. In particular focus has been set to understand the genesis of fundamental and technical analysis in evaluating the sectoral stocks. To ascertain this effectively, fundamental and technical analysis have been carried out among stocks of selected sectors. Further, an effort has been made to develop “stock selection criteria” for stocks of these sectors. Also, the strategies used by the investors in evaluating these sectoral stocks have been analyzed.

**KEYWORDS:** Fundamental analysis, Technical analysis, Stocks, Scripts.

### INTRODUCTION

India is one of the fastest growing economies of the world, with an average GDP growth rate of around 7.0% over the last few years. It has emerged as the world's fastest growing wealth creator, thanks to its buoyant stock market and higher earnings. The name “stock market” when comes into the mind, everyone has different opinion. One feels it is risky to invest in stock market, others may perceive that it is game of gambling. Many of the investors may feel its great opportunity to make profits in the stock market. The opinion differs from person to person and investor to investor. However, looking into the recent trends in the stock market of its volatility, if the investor asks himself about why the stock market behaved this way, the answer is, the factors may be many. One has to develop a bird's view over the stock market, and analyze every factor with tools and techniques so that he/she may not go wrong in the investment decisions.

One of the tools may be technical analysis which helps to study the market action, primarily through the use of charts, for the purpose of forecasting future price trends. The movement of the scrip price and its behavior can be explained in a more illustrative form by using the technical analysis. It provides better insight to make decisions on the stock investments. It considers only the actual price behavior of the market or instrument.

This paper presents a brief introduction to the stock market, fundamental versus technical analysis for the selection of the stocks for better returns. The main objective behind the project is to understand the investment decisions, when comparing fundamental analysis with that of the technical analysis. Further, the core area of this work focuses on technical and fundamental analysis of 5 sectors, their choices/selection criteria, which tells an investor when to buy or sell a share. This work has made use of the secondary data for calculating the returns, and hence making decisions on investments in the stocks. This paper is byproduct of the major concurrent project carried out in “GUPTA EQUITIES PVT LTD”, Hubli branch. Respondents of

Hubli and Dharwad cities of Karnataka state, India are the sample units of investment for the primary data.

### GENESIS OF STOCK MARKET IN INDIA

The origin of the stock market in India goes back to the end of the eighteenth century when long-term negotiable securities were first issued. However, for all practical purposes, the real beginning occurred in the middle of the nineteenth century after the enactment of the Companies Act in 1850, which introduced the features of limited liability and generated investor interest in corporate securities.

An important early event in the development of the stock market in India was the formation of the native share and stock brokers' Association at Bombay in 1875, the precursor of the present day Bombay Stock Exchange. This was followed by the formation of associations/exchanges in Ahmedabad (1894), Calcutta (1908), and Madras (1937). In addition, a large number of ephemeral exchanges emerged mainly in the buoyant periods to recede into the oblivion during depressing times subsequently.

Stock exchanges are intricacy inter-woven in the fabric of a nation's economic life. Without a stock exchange, the savings of the community, the sinews of the economic progress and productive efficiency would remain underutilized. The task of mobilization and allocation of savings could be attempted in the olden days by a much less specialized institution than the stock exchanges. But as the business and industry expanded, and the economy assumed more complex nature, the need for 'permanent finance' arose. Entrepreneurs needed money for long term whereas investors demanded liquidity – the facility to convert their investment into cash at any given time. The answer was a ready market for investments, and this was how the stock exchange came into being.

Stock exchange means anybody of individuals, whether incorporated or not, constituted for the purpose of regulating or controlling the business of buying, selling or dealing in securities. These securities include;

- (i) Shares, bonds, debentures or other marketable securities of alike nature in or of any incorporated company, or other body corporate
- (ii) Government securities
- (iii) Rights or interest in securities

The Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) of India are the two primary exchanges in India. In addition, there are 22 Regional Stock Exchanges. However, the BSE and NSE have established themselves as the two leading exchanges and account for about 80 per cent of the equity volume traded in India. The NSE and BSE are equal in size, in terms of daily traded volume. The average daily turnover at the exchanges has increased from Rs 851 crores in 1997-98 to Rs 1,284 crores in 1998-99, and further to Rs 2,273 crores in 1999-2000 (April - August 1999). NSE has around 1500 shares listed with a total market capitalization of around Rs 9, 21,500 crores.

The BSE has over 6000 stocks listed and has a market capitalization of around Rs 9, 68,000 crore. Most key stocks are traded on both the exchanges and hence the investor could buy them on either exchange. Both exchanges have different settlement cycles, which allow investors to shift their positions on the bourses. The primary index of BSE is BSE Sensex comprising of 30 stocks. NSE has the S&P NSE 50 Index (Nifty) which consists of fifty stocks. The BSE Sensex is the older and more widely followed index. Both these indices are calculated on the basis of market capitalization and contain the heavily traded shares from key sectors. The markets are closed on Saturdays and Sundays. Both the exchanges have switched over from the open outcry trading system to a fully automated computerized mode of trading known as BOLT (BSE On Line Trading) and NEAT (National Exchange Automated Trading) System. It facilitates more efficient processing, automatic order matching, faster execution of trades and transparency; the scrips traded on the BSE have been classified into 'A', 'B1', 'B2', 'C', 'F' and 'Z' groups. The 'A' group shares represent those, which are in the carry forward system (Badla). The 'F' group represents the debt market (fixed income securities) segment. The 'Z' group scrips are the blacklisted companies. The 'C' group covers the odd lot securities in 'A', 'B1' & 'B2' groups and Rights renunciations. The key regulator governing Stock Exchanges, Brokers, Depositories, Depository participants, Mutual Funds, FIIs and other participants in Indian secondary and primary market is the Securities and Exchange Board of India (SEBI).

## FINANCIAL MARKET

The financial market includes Money market and Capital market. Securities market is an important, organized capital market where transaction of capital is facilitated by means of direct financing using securities as a commodity. Securities market includes primary and secondary markets.

### PRIMARY MARKET

The primary market is an intermittent and discrete market where the initially listed shares are traded first time, changing hands from the listed company to the investors. It refers to the process through which the

companies, the issuers of stocks, acquire capital by offering their stocks to investors who supply the capital. In other words primary market is that part of the capital markets that deals with the issuance of new securities. Companies, governments or public sector institutions can obtain funding through the sale of a new stock or bond issue. This is typically done through a syndicate of securities dealers. The process of selling new issues to investors is called underwriting. In the case of a new stock issue, this sale is called an initial public offering (IPO). Dealers earn a commission that is built into the price of the security offering, though it can be found in the prospectus.

### SECONDARY MARKET

The secondary market is an on-going market, which is equipped and organized with a place, facilities and other resources required for trading securities after their initial offering. It refers to a specific place where securities transaction among many and unspecified persons is carried out through intermediation of the securities firms, i.e., a licensed broker, and the exchanges, a specialized trading organization, in accordance with the rules and regulations established by the exchanges.

A bit about history of stock exchange they say it was under a tree that it all started in 1875. Bombay Stock Exchange (BSE) was the major exchange in India till 1994. National Stock Exchange (NSE) started operations in 1994. NSE was floated by major banks and financial institutions. It came as a result of Harshad Mehta scam of 1992. Contrary to popular belief, the scam was more of a banking scam than a stock market scam. As per the old methods of trading in BSE people assemble on what is called a ring in the BSE building. They had a unique sign language to communicate apart from all the shoutings. Investors weren't allowed for access, and the system was opaque and misused by brokers. The shares were in physical form and prone to duplication and fraud.

NSE was the first to introduce electronic screen based trading. BSE was forced to follow the suit. The present day trading platform is transparent and gives investors prices on a real time basis. With the introduction of depository and mandatory dematerialization of shares, chances of fraud reduced further. The trading screen gives top 5 buy and sell quotes on every scrip.

A typical trading day starts at 9:15 am ending at 3.30 pm, Monday to Friday. BSE has 30 stocks which make up the Sensex. NSE has 50 stocks in its index called Nifty. FIIs, Banks, Financial Institutions, Mutual Funds are the biggest players in the market. Also, there are the retail investors and speculators. The last ones are those who follow the market from morning to evening; Market can be very addictive like blogging though stakes are higher in the former.

### BULL AND BEAR MARKETS

There are two classic market types used to characterize the general direction of the market. Bull markets exist when the market is generally rising and typically are the resultant of a strong economy. A bull market is typified generally by the rising stock prices, high economic growth, and strong investor confidence in the economy. Bear markets are the opposite. A bear market is typified by

falling stock prices, bad economic news, and low investor confidence in the economy.

A key to successful investment during a bull market is to take advantage of the rising prices. For most, this means buying securities early, watching them rise in value and then selling them, when they reach a higher value. However, as simple as it sounds, this practice involves timing the market. Since no one knows exactly when the market will begin its climb or reach its peak, virtually no one can time the market perfectly.

The opposite of a bull market is a bear market when prices are falling in a financial market for a prolonged period of time. A bear market tends to be accompanied by widespread pessimism. A bear market is slang when stock prices have decreased for an extended period of time. If an investor is "bearish" they are referred to as a bear because they believe a particular company, industry, sector, or market in general is going to go down.

### **COMMON UNDERSTANDING OF THE FUNDAMENTAL AND TECHNICAL ANALYSIS**

Fundamental analysis is an investing approach where in an investor tries to choose winning stocks by studying a company's earnings history, balance sheet, management, product line and other factors that will affect its profitability and growth.

Fundamental analysis seeks to determine future stock prices by understanding and measuring the objective "values" of the equity. Whereas the study of stock charts, known as the technical analysis believes that the past action of the market itself will determine the future course of the prices.

Technical analysis has become increasingly popular over the past several years, as more and more people believe that the historical performance of a stock is a strong indication of the future performance of that stock.

People using fundamental analysis have always looked at the past performance of the company by comparing fiscal data from previous quarters and years to determine the future growth. The difference lies in the technical analyst's belief that securities move according to very predictable trends and patterns. These trends continue until something happens to change the trend, until this change occurs price levels are predictable.

### **DIFFERENCES BETWEEN FUNDAMENTAL AND TECHNICAL ANALYSIS**

- At the most basic level, a technical analyst approaches a security from the charts while a fundamentals analyst starts with the financial statements
- By looking at the balance sheet, cash flow statement and income statement, a fundamental analyst tries to determine a company's value. In financial terms, an analyst attempts to measure a company's intrinsic value. In this approach, investment decisions are fairly easy to make – if the price of a stock trades below its intrinsic value and in such a situation it will result into a good investment. Although this is an oversimplification, fundamental analysis goes beyond just the financial statements. Technical traders on the other hand believe that there are no reasons to analyze a company's fundamentals because these are all

accounted for in the stock's price. Technicians believe that all the information they need about a stock can be found in its charts.

- Fundamental analysis takes relatively a long-term approach to analyze the market compared to the technical analysis. While technical analysis can be used on a timeframe of weeks, days or even minutes, fundamental analysis often looks at data over a number of years.
- Not only is technical analysis of more short term than fundamental analysis, but the goals of purchase (or sale) of a stock are usually different for each approach. In general, technical analysis is used for a trade, whereas fundamental analysis is used to make an investment. Investors buy assets believing that the stock prices may increase in value, while traders buy assets believing that they can sell it to somebody else at a greater price.

### **SECTORAL WATCH**

#### **IT sector**

The performance of the IT sector is bleaker on the profit and profitability fronts. Growth in net profit for the sector during the "March 2009 quarter" was the slowest since past several quarters. This is also true in case of profitability of the IT sector. The somber performance has come on the back of an appreciating rupee and slower growth in the BFSI segment. For FY10, though IT companies have maintained their "cautiously optimistic" stand, the guidance given by large and mid-sized companies reflects their confidence in maintaining growth. During the "June 2009quarter", depreciation in the rupee against the dollar might have helped companies post better margins. As per industry experts, every 1% fall in the rupee will improve companies operating profitability by over 30-35 bps.

Most IT companies have hedged their future earnings in the currency forwards market. Companies typically hedge 30-75% of their future earnings. This reduces the impact of currency fluctuations on their revenues and profitability when the rupee is appreciating. But this will result in erosion of profitability when the rupee starts depreciating. Though a depreciating rupee will increase hedging losses, this may be more-than-compensated by gains on the operational front as companies have flexibility to rework their hedging strategies, depending upon the rupee's fluctuation.

Over the long term, the IT sector is set to see moderate growth, given fattening revenue base of the sector and slowing US economy. This may be reflected in companies' current valuations. IT exporters with a strong business model and ability to take advantage of global sourcing opportunities by relocating their delivery base tide through the bad patch. Also, companies that have India-centric strategies woven through niche market offerings look promising. Investors with a horizon of 2-3 years can accumulate scrip's of top-tier companies like TCS and Infosys.

The Indian information technology (IT) industry has played a key role in putting India on the global map. Thanks to the success of the IT industry; India is now a power to reckon with. According to the National

Association of Software and Service Companies (NASSCOM), the apex body for software services in India, the revenue of the information technology sector has risen from 1.2 per cent of the gross domestic product (GDP) in FY 1997-98 to an estimated 5.8 per cent in FY 2008-09.

India's IT growth in the world is primarily dominated by IT software and services such as Custom Application Development and Maintenance (CADM), System Integration, IT Consulting, Application Management, Software testing, and Web services.

#### **Automobile Sector**

On the canvas of the Indian economy, automotive industry occupies a prominent place. Due to its deep forward and backward linkages with several key segments of the economy, automotive industry has a strong multiplier effect and is capable of being the driver of the economic growth. A sound transportation system plays a pivotal role in the country's rapid economic and industrial development. The well-developed Indian automotive industry ably fulfils this catalytic role by producing a wide variety of vehicles: passenger cars, light, medium and heavy commercial vehicles, multi-utility vehicles such as jeeps, scooters, motorcycles, mopeds, three wheelers, tractors etc. Automotive Industry comprises of automobile and auto component sectors, and is one of the key drivers of the national economy as it provides large-scale employment, having a strong multiplier effect. Being one of the largest industries in India, this industry has been witnessing impressive growth during the last two decades. It has been able to restructure itself, absorb newer technology, align itself to the global developments, and realize its potential. This has significantly increased automotive industry's contribution to the overall industrial growth in the country.

Growth Drivers of Indian Automobile Market:

- Rising industrial and agricultural output
- Rising per capita income
- Favorable demographic distribution with rising working population and middle class urbanization
- Increasing disposable incomes in rural agri-sector
- Availability of a variety of vehicle models, meeting diverse needs and preferences
- Greater affordability of vehicles
- Easy finance schemes
- Favorable government policies
- Robust production

#### **Automobile Industry**

One of the major industrial sectors in India is the automobile sector. Subsequent to the liberalization, the automobile sector has been aptly described as the sunrise sector of the Indian economy, as this sector has witnessed tremendous growth. Automobile Industry was de-licensed in July 1991 with the announcement of the New Industrial Policy. The passenger car industry was however de-licensed in 1993. No industrial licence is required for setting up of any unit for manufacture of automobiles except in some special cases. The norms for Foreign Investment and import of technology have also been progressively liberalized over the years for manufacture of vehicles including passenger cars in order to make this

sector globally competitive. At present 100% Foreign Direct Investment (FDI) is permissible under automatic route in this sector including passenger car segment. The import of technology/technological upgradation on the royalty payment of 5% without any duration limit and lump sum payment of US \$ 2 million is also allowed under automatic route in this sector. With the gradual liberalization of the automobile sector since 1991, the number of manufacturing facilities in India has grown progressively. The cumulative production data for April-January 2010 shows production growth of 23.07 percent over the same period of the previous year.

#### **Domestic Sales**

Passenger Vehicles segment during April-January 2010 grew at 25.21 percent. Passenger Cars grew by 24.75 percent, Utility Vehicles grew by 21.95 percent and Multi Purpose Vehicles grew by 37.05 percent in this period. The overall Commercial Vehicles segment registered positive growth at 30.39 percent during April-January 2010 as compared to the same period during the previous year. Medium & Heavy Commercial Vehicles (M&HCVs) registered growth at 20.58 percent; Light Commercial Vehicles grew at 39.66 percent. Three Wheelers sales recorded a growth rate of 25.77 percent in April-January 2010. While Passenger Carriers grew by 32.54 percent during April-January 2010, Goods Carriers grew at 4.20 percent. Two Wheelers registered a growth of 23.74 percent during April-January 2010. Mopeds, Scooters and Motorcycles grew by 31.73 percent, 20.56 percent and 24.32 percent respectively.

#### **Exports**

During April-January 2010, overall automobile exports registered a growth rate of 13.24 percent. Passenger Vehicles segment, Three Wheelers and Two Wheelers segments grew by 33.92 percent, 4.60 percent and 8.84 percent respectively in this period. Commercial Vehicles recorded growth of - 7.52 percent.

#### **Real Estate Sector**

Real estate is one of the fastest growing sectors in India. Market analysis pegs returns from realty in India at an average of 14% annually with a tremendous upsurge in commercial real estate on account of the Indian BPO boom. Lease rentals have been picking up steadily and there is a gaping demand for quality infrastructure. A significant demand is also likely to be generated as the outsourcing boom moves into the manufacturing sector. Further, the housing sector has been growing at an average of 34% annually, while the hospitality industry witnessed a growth of 10-15% during 2008. Apart from the huge demand, India also scores on the construction front. A McKinsey report reveals that the average profit from construction in India is 18%, which is double the profitability for a construction project undertaken in the US. The importance of the Real Estate sector as an engine of the nation's growth can be gauged from the fact that it is the second largest employer next only to agriculture, and its size is close to US \$ 12 billion and grows at about 30% per annum. Five per cent of the country's GDP is contributed by the housing sector. In the next three to five years this contribution to the GDP is expected to rise to 6%. The Real Estate industry has significant linkages with several other sectors of the economy and over 250

associated industries. One Rupee invested in this sector results in 78 Paisé being added to the GDP of the State. A unit increase in expenditure in this sector has a multiplier effect and the capacity to generate income as high as five times. If the economy grows at the rate of 10%, the housing sector has the capacity to grow at 14% and generate 3.2 million new jobs over a decade. The relaxed FDI rules implemented by India last year has invited more foreign investors, and real estate sector in India is seemingly the most lucrative ground at present. Private equity players are considering big investments, banks are giving loans to builders, and financial institutions are floating real estate funds. Indian property market is immensely promising and most sought after for a wide variety of reasons.

### **Oil and Natural Gas Sector**

The origin of oil & natural gas industry in India can be traced back to 1867 when oil was struck at Makum near Margherita in Assam. At the time of Independence in 1947, the Oil & Gas industry was controlled by international companies. India's domestic oil production was just 2,50,000 tons per annum and the entire production was from one state - Assam.

The foundation of the Oil & Natural Gas Industry in India was laid by the Industrial Policy Resolution, 1954, when the government announced that petroleum would be the core sector industry. In pursuance of the Industrial Policy Resolution, 1954, Government-owned National Oil Companies ONGC (Oil & Natural Gas Commission), IOC (Indian Oil Corporation), and OIL (Oil India Ltd.) were formed. ONGC was formed as a Directorate in 1955, and became a Commission in 1956. In 1958, Indian Refineries Ltd, a government company was set up. In 1959, for marketing of petroleum products, the government set up another company called Indian Refineries Ltd. In 1964, Indian Refineries Ltd was merged with Indian Oil Company Ltd to form Indian Oil Corporation Ltd.

By the end of 1980s, the petroleum sector was in the doldrums. Oil production had begun to decline, whereas there was a steady increase in consumption, and domestic oil production was able to meet only about 35% of the domestic requirement. The situation was further compounded by the resource crunch in the early 1990s. Government had no money for the development of some of the then newly discovered fields (Gandhar, Heera Phase-II and III, Neelam, Ravva, Panna, Mukta, Tapti, Lakwa Phase-II, Geleki, Bombay High Final Development schemes etc). This forced the Government to go for the petroleum sector reforms which had become inevitable, if India had to attract funds and technology from abroad into the petroleum sector.

### **Banking Sector**

India has been considerably shielded from the global recession. Firstly, we are not very dependent on the exports for our GDP and have a good consumer base in India. Secondly, we are a saving prone economy, unlike western economies which are consumption prone. Thirdly, when banks across the world are falling like a pyramid of playing cards; we are safe, steady and strong, with our banks which have acted like a strong backbone of our economy during economic turmoil. And just like the Fast Moving Consumer Goods (FMCG) sector, there is

tremendous growth potential in the banking sector, because, firstly the rural masses have the habit of saving and spending only when needed. Secondly, their small credit requirements for agriculture, cottage industry and marriages etc.

Tapping the rural market by banks becomes all the more important, not only for the banking sector, but all other industrial sectors as well. If there is growth in the banking sector, it benefits the other sectors as well. By this, it is meant that in this sector, the trickledown theory of economic growth or top down approach works, if we keep the banks at the apex in India Inc. Reasons being, as banks promote savings in the economy, they speed up the capital formation and then become the source of finance of trade and credit for the industry. Then they provide credit to enable entrepreneurs in their ventures, which promotes production and employment. This production and employment generates income; consumption and supply demand, by increasing the spending power of people. And a sum total of all these reduces poverty, and provides better life.

The unorganized sector of lending is believed to be acting as a problem to the growth impetus in these sectors. In several villages, farmers still go to traditional money lenders like zamindars for meager sums of a few hundred or thousand rupees, and get into debt trap for their whole lives. As a result, farmer suicides, bonded labor, naxalism, political and social unrest on top of it, poor financial management; which if had been done smartly would have helped in the economic growth of their own self economy. Thus, future development of India and the growth of India Inc. lies in the financial inclusion, by tapping the rural markets through banks. This will not only help corporates in fulfilling their social responsibilities, but is important for fuelling growth in other industries, and to keep the economy growing. Truly, there are fortunes at the bottom of pyramid.

### **ASSUMPTIONS FOR THE ANALYSIS OF SECONDARY DATA**

- Rate of return (ROR) in percentage is calculated on the basis of buying of the stocks on the first day of the month, and selling of the stocks on the last day of the month. It is calculated using the relation,  $ROR = \left[ \frac{P_1 - P_o}{P_o} \right] * 100$ , where  $P_o$  is the buying price and  $P_1$  is the selling price.
- For technical analysis the stock is bought on the day when its price was the lowest and sold when it was the highest. Based on these transactions there are a number of cycles for the buy and sell of these stocks for the *five* sectors.
- Holding period for the fundamental analysis is assumed to be *one* year.
- Holding period for the technical analysis is calculated from the difference of the price fluctuating from low to high. Returns for technical analysis are calculated on the basis of the time gap from the buy point to the sell point, i.e., how many days a stock was held by the investor till it was sold.

### Trade Cycles for all the Stocks under Technical

#### Analysis:

- IT sector had 176 cycles in a year.
- Automobile sector had 187 cycles in a year.

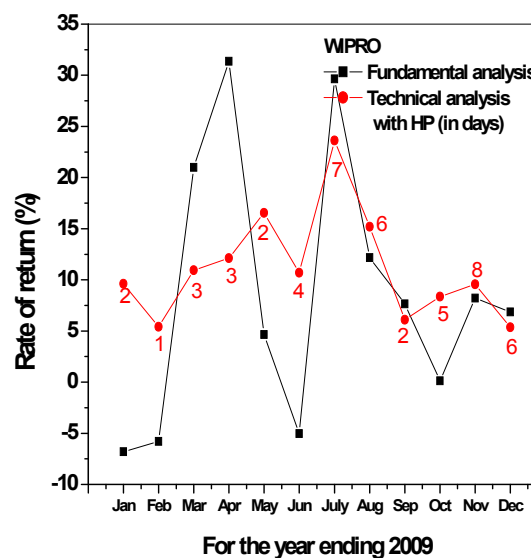
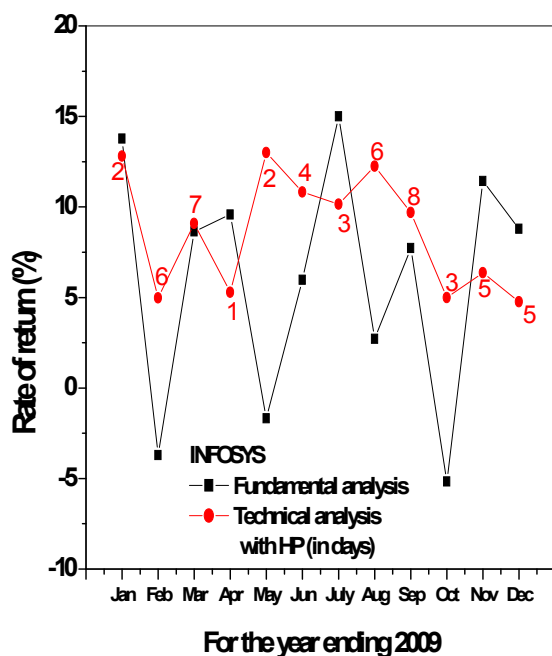
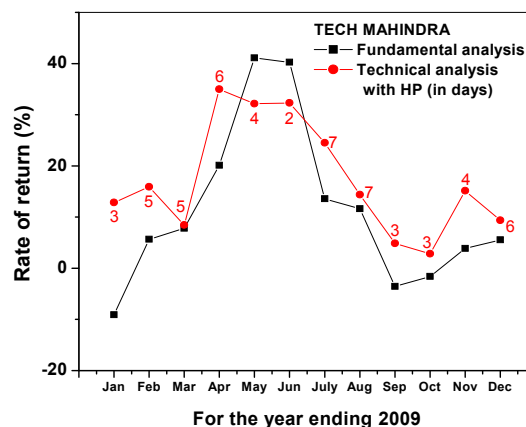
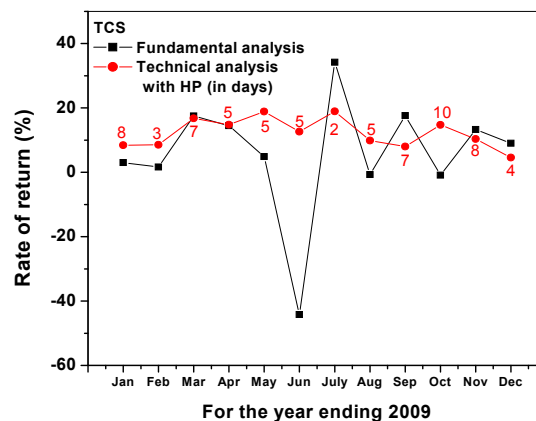
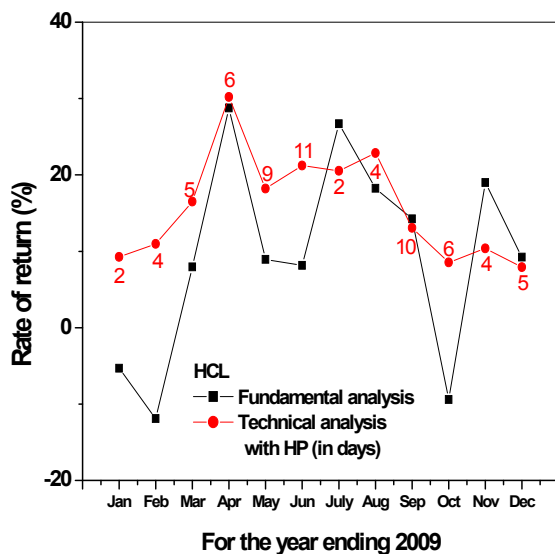
- Real Estate sector had 191 cycles in a year.
- Oil and Natural Gas sector had 181 cycles in a year.
- Banking sector had 217 cycles in a year.

### RESULTS AND ANALYSIS OF SECONDARY DATA

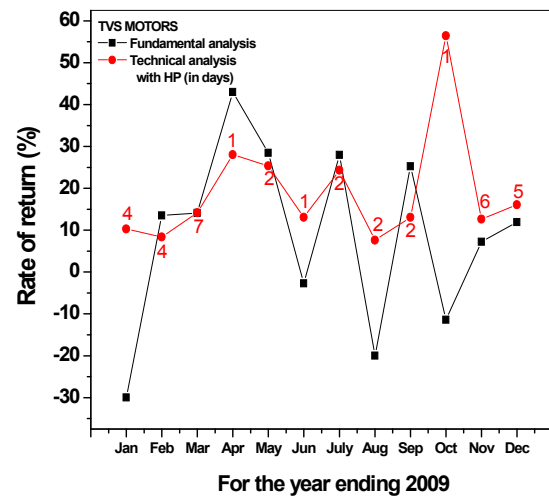
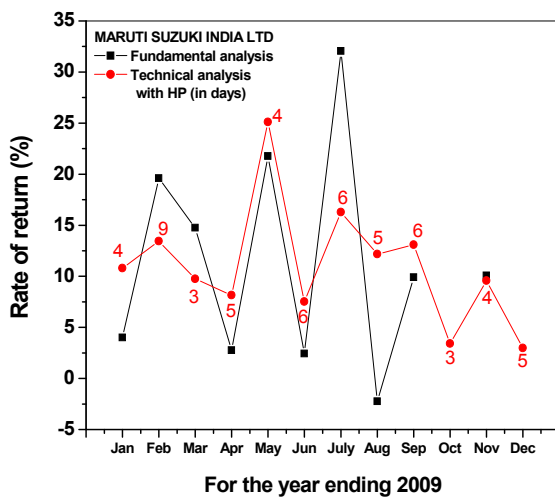
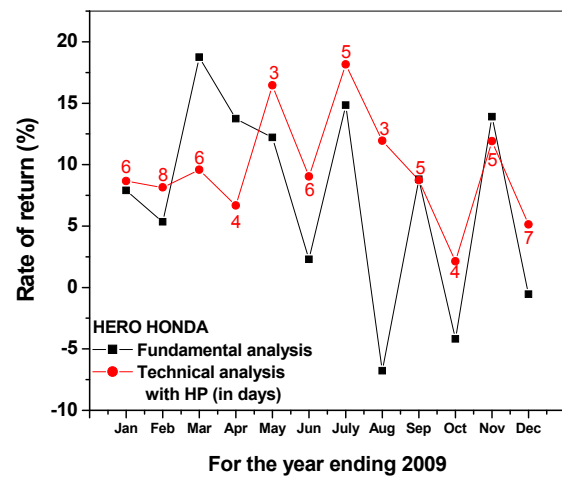
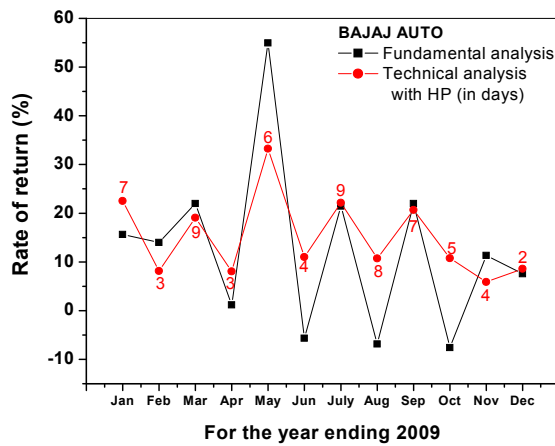
#### Fundamental vs. Technical Analysis

Graphical representation of the Sectoral stock movements for the year 2009

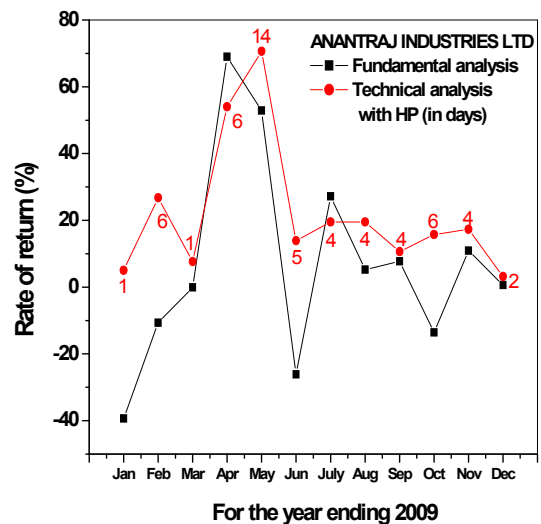
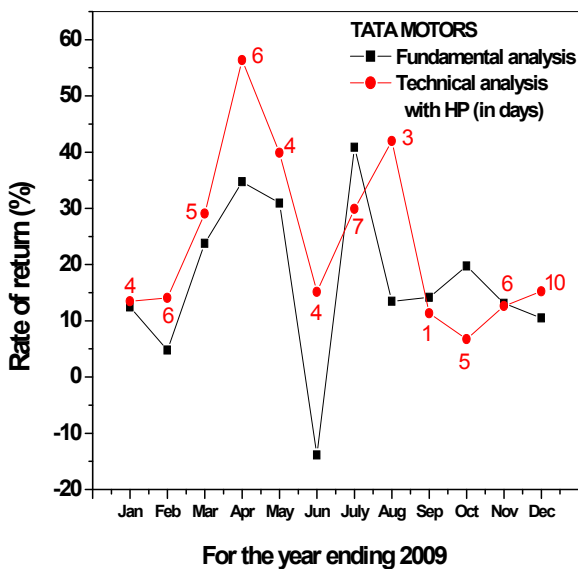
#### IT Sector



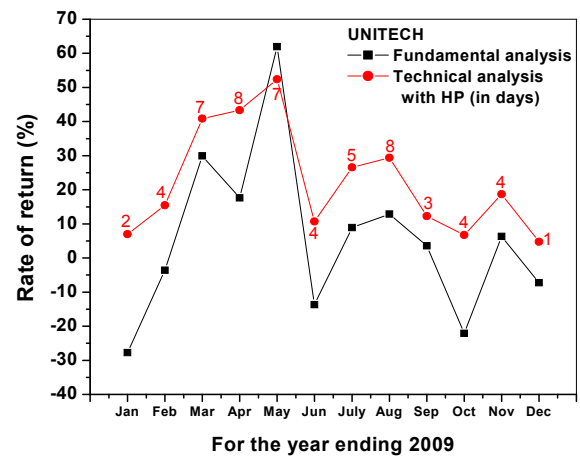
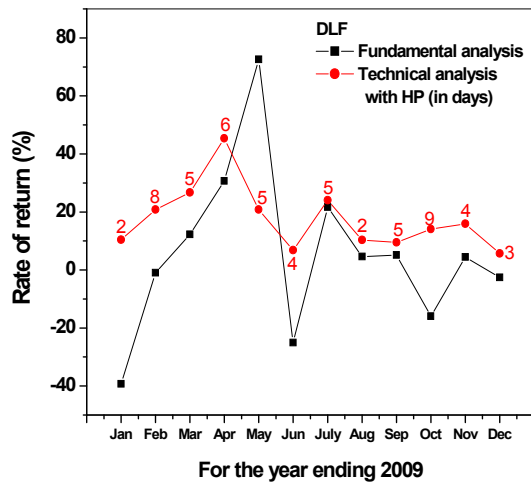
## Automobile Sector



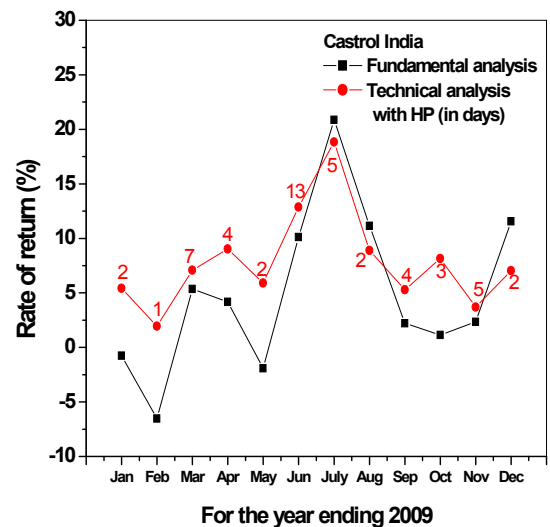
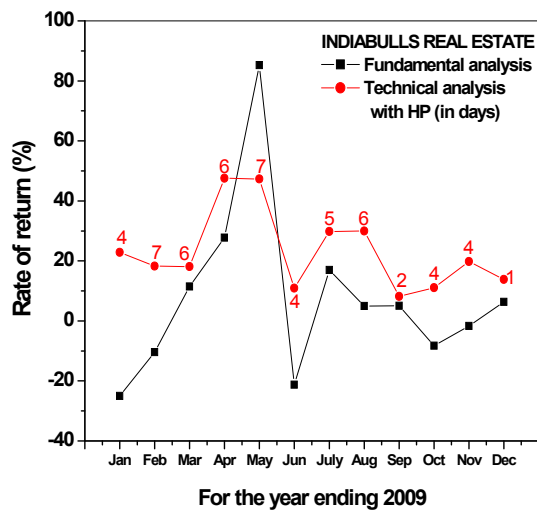
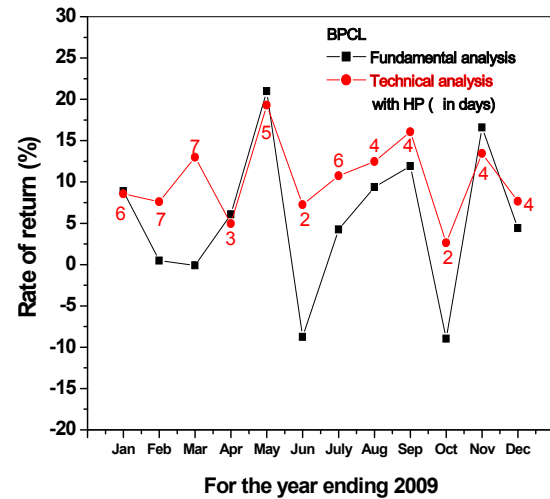
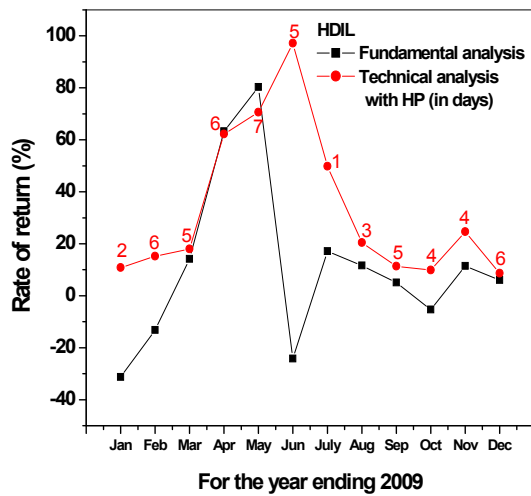
## Real Estate Sector



## Fundamental Analysis vs. Technical Analysis

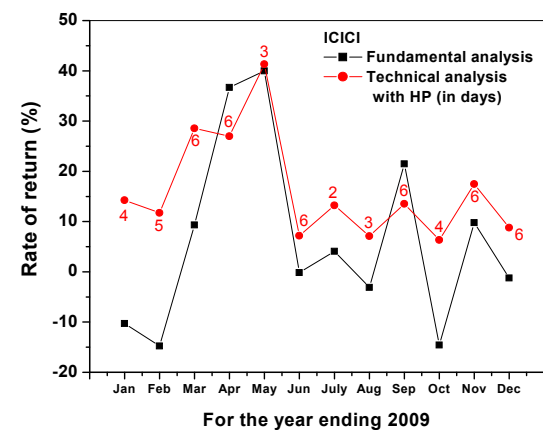
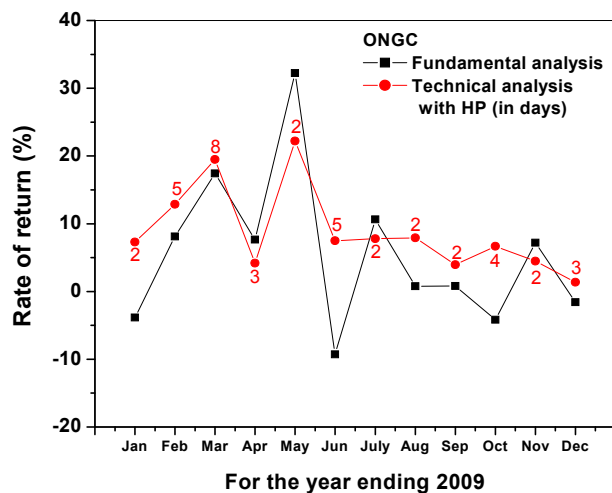
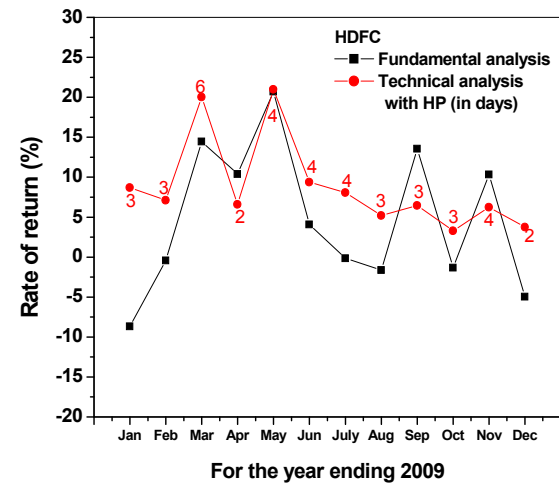
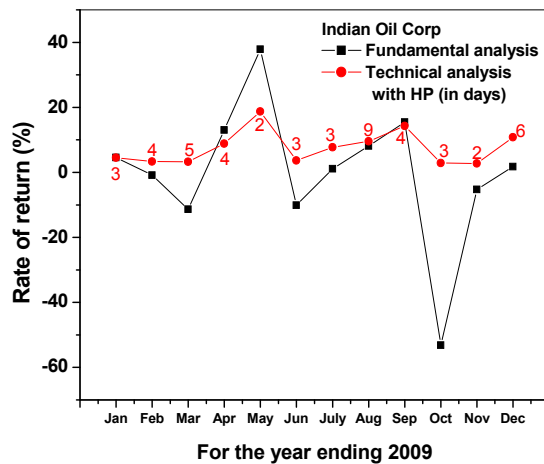
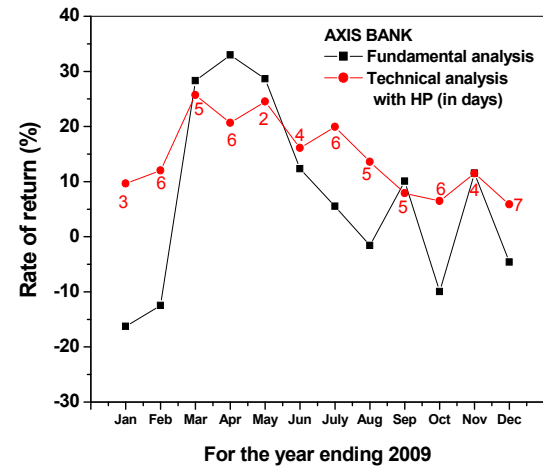
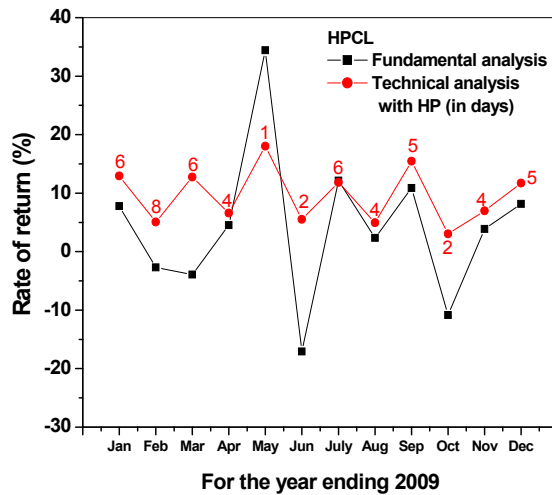


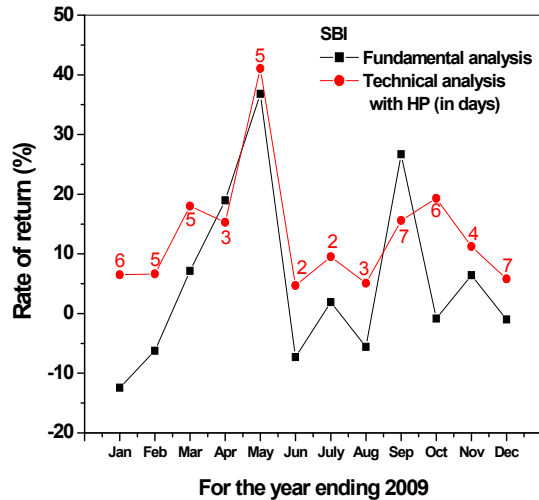
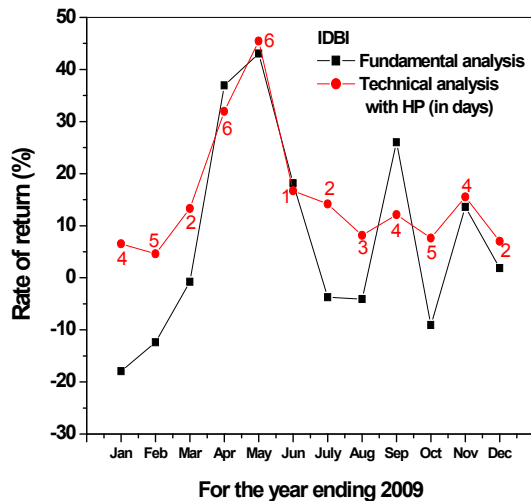
## Oil and Natural Gas Sector





## Banking Sector





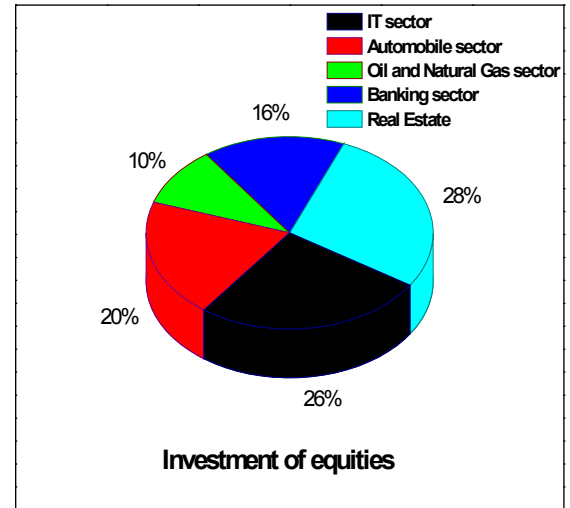
### ANALYSIS OF THE RESULTS

The graphs represent the movement of stocks (in terms of rate of returns) for the IT, Automobile, Real Estate, Oil and Natural Gas, and Banking Sectors respectively from January to December for the year 2009. Both Fundamental and Technical analysis have been used for evaluating the stock movements. Holding period of the stocks for the fundamental analysis is assumed to be *one* year. Holding period of stocks for the technical analysis is calculated from the difference of the price movement from low to high, and is depicted in the graph for each month during the year 2009. Returns for technical analysis are calculated on the basis of this holding period. It is clear from both these analysis that investing in the Real Estate stocks are more profitable, since they have yielded higher returns among all the sectors. Further, one should go for the fundamental analysis as compared to the technical analysis in selecting the stocks, since the overall results indicate higher returns for the fundamental analysis. This is obvious since the fundamental analysis examines the

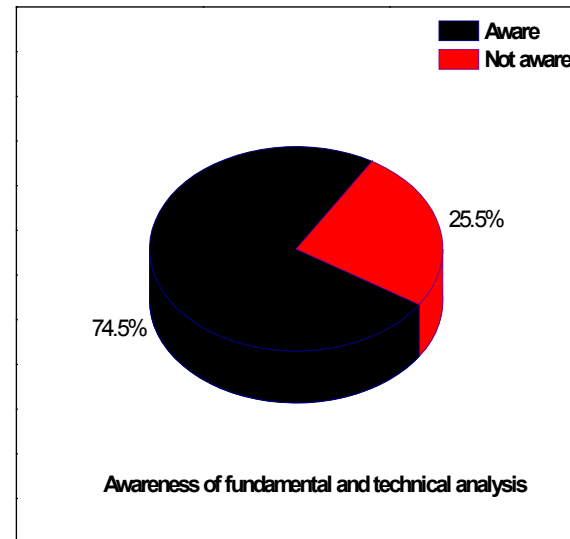
company's financials, its rapport and hence is the appropriate analysis.

### ANALYSIS OF PRIMARY DATA

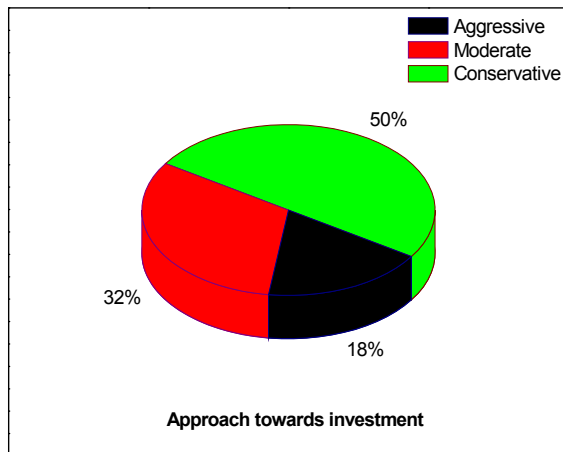
Primary data is collected from about 500 investors. Analysis of the data is depicted pictorially through the pie diagrams as shown below;



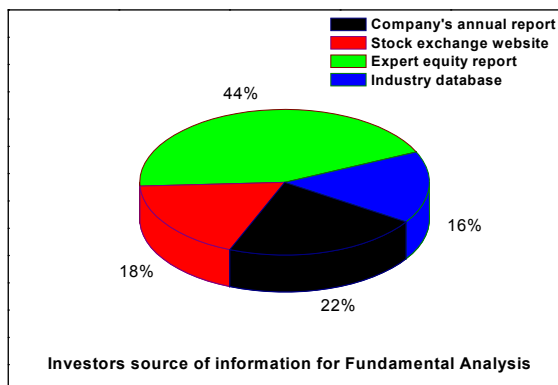
**Fig 1.** Depicts the opinion of the respondents regarding the investment in Equities. It is clear that about 28% of the respondents invest their equities in Real estate sector.



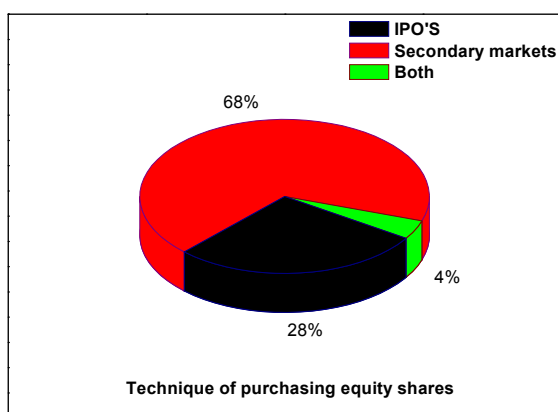
**Fig 2.** Depicts the investors awareness of fundamental and technical analysis. It is clear that about 76% of the respondents are aware about the fundamental analysis



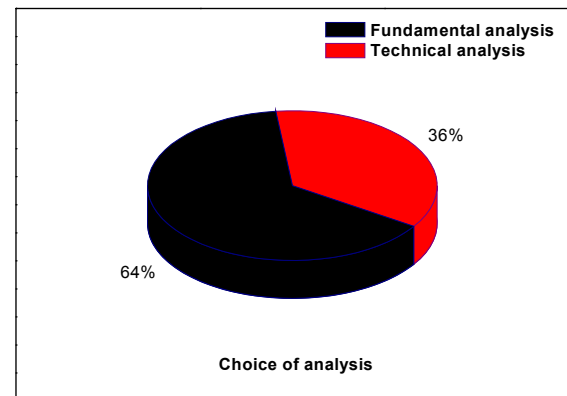
**Fig 3.** Depicts the opinion of the respondents to describe themselves as to what kind of attribute they specify. It is clear that 50% of the respondents describe themselves to be more conservative.



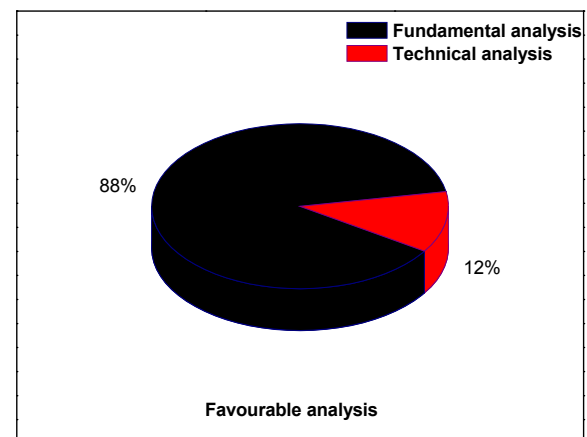
**Fig 4.** Depicts the opinion of the respondents' sources of information while selecting the stocks in fundamental analysis. It is clear that 44% of the respondent's opinion regarding their choice for selecting stock of fundamental analysis as reviewing expert equity report.



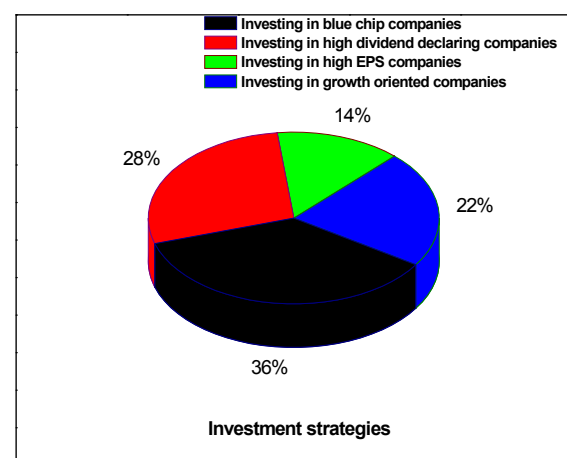
**Fig 5.** Depicts the opinion of the respondents' method of purchasing equity shares. It is clear that 68% of the respondent's purchase equity shares through secondary market.



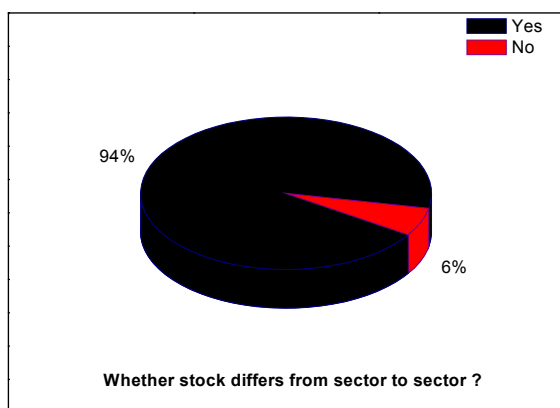
**Fig 6.** Depicts the opinion of the respondents' preferences of both the analysis. It is clear that 64% percent of the respondents prefer fundamental analysis.



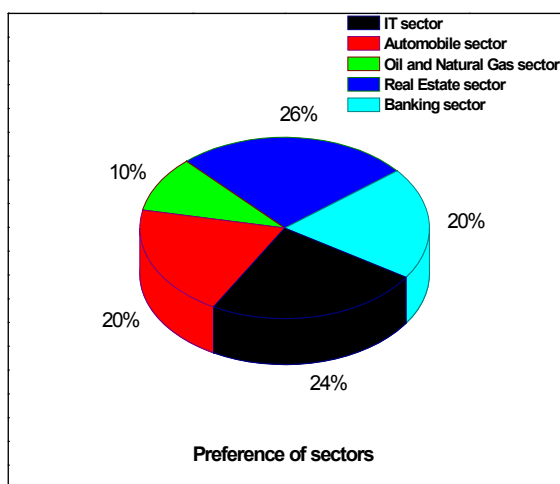
**Fig 7.** Depicts the opinion of the respondents towards the analysis which has benefited them the most. It is clear that 88% of the respondents are with fundamental analysis.



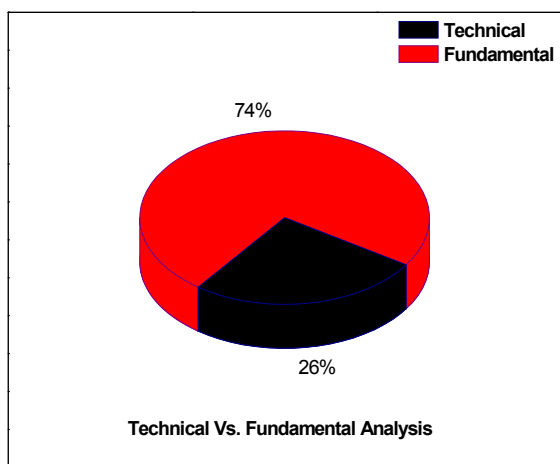
**Fig 8.** Depicts the opinion of the respondents regarding investment strategies. It is clear that 36% of the respondents are investing in blue chip companies.



**Fig 9.** Depicts respondents' opinion of whether stock differs from sector to sector. It is clear that 94% of the respondents agree with the statement that stock differs from sector to sector.



**Fig 10.** Depicts the Preference of sectors (ranks). It is clear that 26% of the respondent's have ranked Real Estate at first place.



**Fig 11.** Depicts the opinion of the investors of Technical analysis to be more practical than fundamental analysis.

It is clear that 74% of the respondents denied the statement.

## CONCLUSIONS

Fundamental and Technical analysis of five sectoral stocks have been carried out. Interpretation of the secondary data clearly indicates Fundamental analysis to be the most preferred analysis in choosing stocks to get higher returns. This is supported by the fact that investors are aware, and are more oriented towards the Fundamental analysis as depicted from the analysis and interpretation of the primary data. Also, Real estate stocks have emerged as the most preferred stocks among the five sectoral stocks chosen for the cause. This clearly indicates the investors strongly believe in the company's past performance, and its true value.

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