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INDIAN STOCKS MARKET IS A GOLDEN OPPORTUNITY LOOKING AT LONG TERM TRENDS

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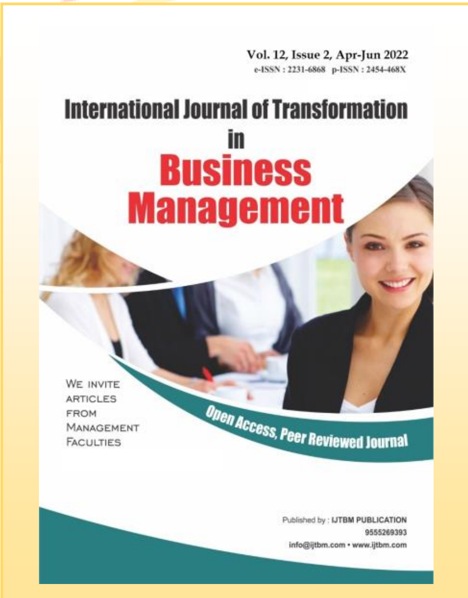

ABSTRACT

When stock prices drop by 10% or more from their previous high, this is generally considered to be a correction in the stock market. Market corrections may affect the price of any stock, index, commodity, currency, or other asset traded on an exchange. Of course, market corrections aren't always easy, and a 10% or more drop may significantly affect many investors' bottom lines. When markets and investors are healthy, corrections are necessary. Asset prices may need to adjust for the market to rebalance. There are two ways in which investors may gain from a market downturn: first, by buying assets at a discount, and second, by learning more about the volatility of the market. The inquiry made use of both primary and secondary resources. Data obtained via secondary means, primarily through the Internet. In terms of GDP, India's economy is third biggest in the world. In the years to come, it will reach unprecedented heights. India will have the world's third-biggest economy by 2035, according to projections by Goldman Sachs, the world's largest investment bank. The business study relied heavily on data collected from the companies' websites. The majority of the data comes from a questionnaire survey I conducted plus individual conversations with close friends and relatives.

Keywords: *stock market, Correction, Investment opportunities, Mutual fund*

INTRODUCTION

As a result of globalization, deregulation, and technological advancements, national stock markets have become the primary avenue through which developing market economies integrate their finances. The increasing reliance of countries on the savings of other countries, the shift in leverage preference of companies from debt-to-equity finance, and the rapid increase in the cross-border mobility of private capital inflows due to investors seeking portfolio diversification and better yields are all factors contributing to growing financial integration. The growth of markets and institutions, as well as the improvement of price discovery, are often cited as some of the advantages of financial integration that contribute to the improvement of savings, investment, and economic growth. However, there are hazards associated with interconnected financial markets, such as the spread of the 1997 Asian financial crisis and the resulting interruption of economic operations. The Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) account for the vast majority of trading activity in India's stock market (NSE). The BSE first appeared in 1875. In contrast, the NSE was established in 1992 and began operations in 1994. However, the trading method, trading hours, and settlement procedure are all the same for both markets. The BSE has 5,565 companies listed as of November 2021, but the NSE only had 1,920 as of March 31 of the same year.

LITERATURE REVIEW

Yashraj Varma et.al (2021) The global economy is in disarray as a result of the COVID-19 outbreak and the lockdown announcements made by governments throughout the world. This is the first time a health shock has had such a dramatic effect on the stock market. The value of India's key stock indexes has dropped by close to 40 percent, making it one of the developing markets with the largest decline. Therefore, we looked at how the pandemic might affect the primary index of the Indian stock market (NIFTY50) and its component sectors in the near future. We employed three variations of event research technique to reach our conclusions. The sectors make a huge difference in how we fare, and our findings are all over the place. It had a temporary effect on all industries, but the financial industry took the most hit. Pharma, consumer goods, and IT all fared well or just slightly worse. A number of hypotheses are put out as possible reasons for this. These findings might help investors insulate their stock portfolios from external shocks and make more informed choices to reduce their exposure to catastrophic losses.

Rajesh Babu Dasari et.al (2021) India's economy is the third largest in the world in terms of GDP. In the years to come, it will reach unprecedented heights. After the United States and China, the Global Investment Bank predicts that India will have the world's third-largest economy in the year 2035. It will expand until it accounts for 60% of the US economy. About now, the GDP growth rate is at 9%, but getting there has been a long and winding road. The economy and consumers at large are vulnerable to stock market fluctuations. A precipitous decline in stock prices may have far-reaching consequences for the economy.

Indrani Chakraborty et.al (2020) On March 11, 2020, the World Health Organization designated Covid-19 a "pandemic," and the next day, the Indian stock market fell sharply. This was mainly caused by a negative flow of foreign institutional investment (FII). Despite the fact that most industries will be negatively impacted by Covid-19, there are some that could not be as badly hit if the negative demand shock is mild or if businesses in such industries have robust balance sheets. The potential outcomes of the pandemic are discussed in this study. We argue that the trend of FII flow indicates which industries will expand and which will contract in the years to come. Using data collected from March 2, 2020, through May 22, 2020, we find that FII flow 'Granger causes' the performance of the stock market as assessed by its closing price. We also see that the effect of an external shock on FII has a destabilizing influence on the BSE Sensex closing price for the following 10 days, as determined by an examination of Impulse Response Functions. The stock price responses to the COVID-19 shocks are more favorable for companies that have been more profitable in recent years, have stronger growth potential in the stock market, and are independent. We also talk about the prospect of overseas institutional investors 'herding' in response to the recent stock market turmoil. The stock market may become much more unstable as arbitrage activity increases, notably short selling by arbitrageurs. Since March 23, SEBI has prohibited short selling in India in an effort to stabilize the market and preserve investor confidence in the aftermath of severe drops in stock prices caused by the Covid-19 outbreak. The question of whether or not the short-selling prohibition really works, however, persists.

Giridhar Maji et.al (2020) Although investments in the stock market have the potential to earn greater profit than other financial instruments, there is also the danger of market risk, which might result in a significant loss. Numerous would-be financiers stay away from direct stock market investments due to this inherent danger. These investors avoid picking individual stocks and choose instead to put their money into a variety of mutual funds run by professional portfolio managers. They spread the acquired wealth out across many equities to reduce exposure to risk and maximize return. In order to guarantee larger profits for the mutual fund's investors, they need to make several calculations and projections aimed at counteracting the volatility and unpredictability of the market. On the first phase of this study, individual stock price forecasts are made using a curve fitting/regression method, which is grounded in data mining. According to the results of the foregoing investigation, we provide a set of guidelines for the investment of the capital pool. This technique utilizes a buy-and-hold approach informed by both statistical aspects and fundamentals of the stock market. The suggested framework allocates funds first in a sector-by-sector fashion, and then within each sector, invests company-by-company, using a diversified approach to various companies to maximize returns while minimizing risks. In comparison to several benchmark and rated mutual funds in the Indian stock market, the suggested framework outperforms and delivers a decent return in experiments.

Prof. B.B. Chakrabarti et.al (2017) If two portfolios have the same payoffs but different prices, then there is an arbitrage opportunity where the trader may make a profit by selling the more expensive portfolio and buying the less expensive one. The prices of such portfolios are arbitraged back to their underlying value. Such arbitrage possibilities, which emerge as a result of market inefficiencies and are tended to by the market's rational investors and arbitrageurs, are a central tenet of classical theories. Due to information asymmetry and other risks involved in carrying out the arbitrage, these inefficiencies/opportunities do in fact exist from time to time. We have reviewed works that address the barriers to arbitrage and studies that examine arbitrage possibilities in the financial markets. Using the NIFTY 50 as a benchmark, this article identifies such arbitrage possibilities. There are two major portions to this paper: the Spot futures and the Put-Call options. A number of equities, including IDEA, ONGC, BPCL, COALINDIA, BHARTIARTL, INDUSINDBK, GAIL, YESBANK, KOTAKBANK, AUROPHARMA, BANKBARODA, TATAPOWER, MARUTI, HCLTECH, HEROMOTOCO, and ICICIBANK, have been found to be mispriced in the spot and futures markets. All of the equities are located in their respective traditional lagging markets. After accounting for all transaction costs, some of the remaining proceeds include: Shares of BPCL were priced at Rs.3.08, of COALINDIA at Rs.1.48, of BHARTIARTL at Rs.1.25, and of MARUTI at Rs.1.35. Multiple equities, including BHEL and BHARTIARTL (on 2/2/2107), had mispricing's in the spot and options markets. The results sections show the profits at various strike prices.

METHODOLOGY

Scope of the Study

This study is focused on the mutual fund company I've chosen, ICICI Prudential Mutual Fund, and covers topics such as the firm's background, operations, recent performance, services, best-performing funds, and more.

Twenty individuals were surveyed to get insight into the attitudes and preferences of the general public about the mutual fund sector, as well as the variables that influence their investing choices.

Data collection:

Secondary information was used for this study. Information was collected from a number of online resources and gleaned from technical charts. Information was gathered from January 2008 through April 2019 to study the market downturn.

Both primary and secondary information were used in the study. The study relies heavily on secondary sources of information found online. All of the information used in the analysis of the firms came directly from their websites. Primary sources include responses to a questionnaire as well as information gleaned through in-depth interviews with a small sample of my friends and family. Information about which is:

Population – people who invest in mutual funds

Sample – friends, family and relatives

Sample size – 20 people

Duration of study – 15 days

Place of study – Bhopal

Limitations of the study:

1. There is just not enough time in the day to adequately research a number of mutual funds given the sheer size of the mutual fund business.

2. The sample size is confined to only 20 people.

3. Some responses were not clear.

DATA ANALYSIS

Corrections & Returns

Period of Correction	Correction (%)	6 months later	1 Year Later	2 Year Later	3 Year Later	5 Year Later
Jan-2009 –Oct-2009	-59%	34%	101%	140%	93%	129%
Jan 2011 - Feb 2011	-11%	15%	14%	10%	25%	85%
Jan 2012 - Feb 2012	-15%	-2%	-1%	13%	17%	42%
May 2012 - June 2012	-8%	-13%	-9%	13%	38%	53%
Jul 2012 - Dec -2013	-20%	11%	27%	37%	88%	75%
Mar 2013 - Jun 2014	-11%	21%	24%	52%	74%	95%
Jul 2015 - Aug 2015	-12%	16%	42%	57%	56%	110%
Mar 2017 - Jun 2017	-11%	-5%	1%	18%	34%	
Aug 2017- Sep 2017	-12%	-1%	14%	28%	55%	
Oct 2017 - Feb 2018	-16%	21%	23%	56%		
Nov 2018 - Dec 2018	-7%	21%	27%			
Jan 2020 - Apr 2020	-9%	7%				
Aug 2020 - Oct 2020	-13%	+13%				
*Returns as on April 2021.						

In the chart above, you can see the adjustments made in each year starting in 2008. There's little doubt that a severe decline like the one in 2008 would eventually lead to a significant recovery. However, if we look at the most recent years, no such revisions have occurred. Over the last several years, corrections have varied between 7% and 12%. But here's the good news: if you averaged properly, even those declines would have boosted your profits.

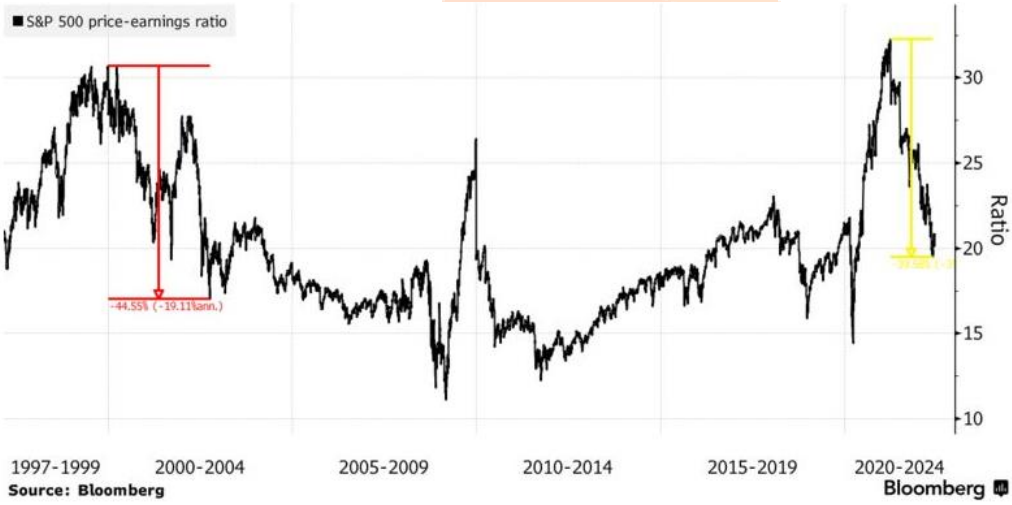

Figure 1. 500 price earnings ratios

Data representation and interpretation.

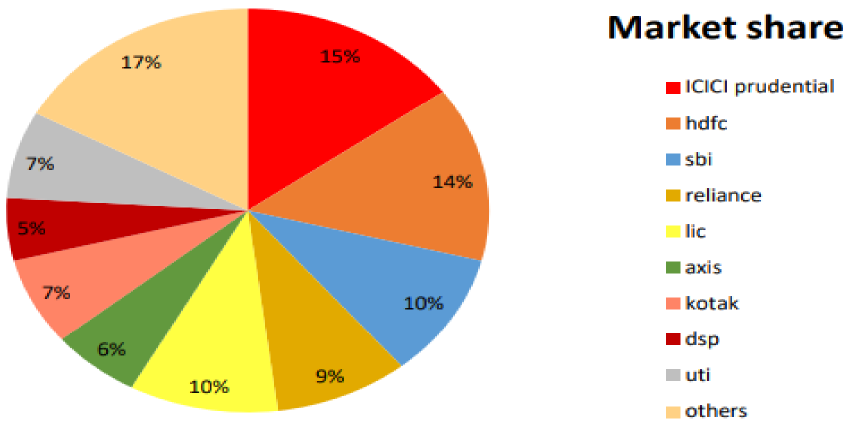

Figure 2. market share

According to the data shown above, ICICI Prudential Mutual Fund has a 15% market share, followed by HDFC Mutual Fund and SBI Mutual Fund.

Interpretation of the secondary data: -

(ICICI prudential AMC)

- The company's assets under management (AMU) have increased dramatically in recent years, with a projected 23.5% increase in 2020.

Interpretation of the primary data: -

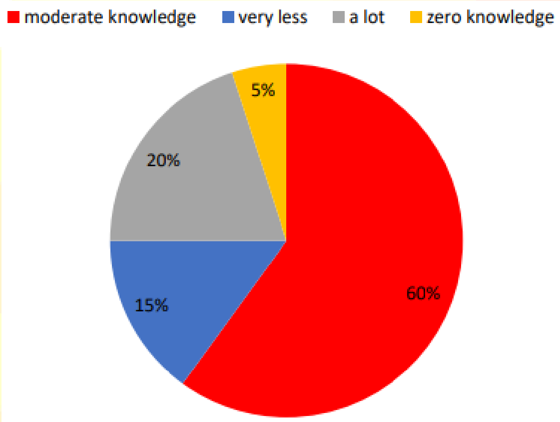

Figure 3. mutual fund

According to this graph, most individuals have a basic understanding of mutual funds, while only a small percentage are completely clueless.

- There are a few positive and encouraging signs for shareholders in the company's profit and loss statement.
- Overall, the company's spending is now 37.7 percent lower than it was this time last year.
- The company's total income has grown by 53%.

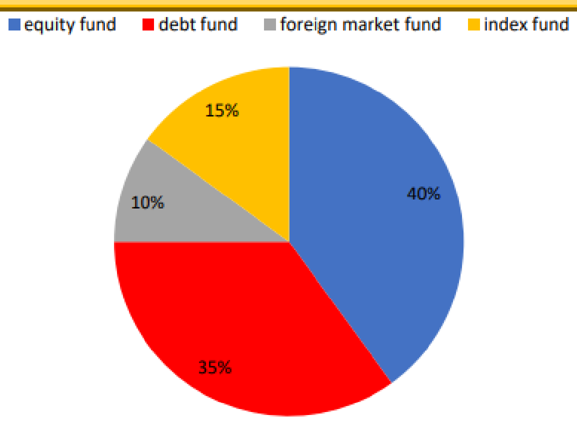

Figure 4. allocate your money

A majority of respondents are interested in investing in an equity mutual fund scheme, suggesting they are seeking long-term capital growth, while just a small percentage are considering investing in international markets.

Opportunities in the Indian Stock Market

There is a plethora of investing choices available to you in the Indian stock market. Stocks, commodities, derivatives, foreign exchange, and other markets are just some of the options available to you as an investor. Short-term and long-term profits may be made via trading stocks on the market.

Regular Gains

You may buy shares on the Indian stock exchange and get dividends on a regular basis. Dividends are annual distributions of a portion of a company's earnings made to its stockholders. Dividends may be paid out in a variety of ways, including cash, stock, or more shares.

Long-Term Gains

Long-term profits may be achieved via diversification, which includes investing in the Indian stock market. Your potential long-term earnings are further enhanced by the fact that, as the firm expands, the value of your shares climbs as well.

Divisibility and Financial Planning

Equities are a kind of tradable currency. Thanks to your careful budgeting, you now have the freedom to purchase or sell them. Divisibility is another benefit of stocks that allows you to liquidate a portion of your holdings in times of financial need. For long-term returns, you may sell a portion of your shares while keeping the rest invested.

How to Invest Smartly in the Stock Market

For optimum profits, investors should avoid following the crowd and instead focus on gathering all the information they can before making any stock market purchases. Stocks in companies you are familiar with are the best bet, according to experts.

Prior to purchasing shares in a firm, you should learn as much as possible about it financially. Some examples of such metrics include a company's revenue, the ratio of debt to equity, earnings per share, etc.

Keeping abreast of the latest developments in the economy and stock market is essential if you want to capitalize on the most promising possibilities and realize rapid returns. Never risk everything on the stock market. When you have extra money, it's best to put it into investments.

Stock Market Role in Economic Development

There is a lot of discussion over whether or not the stock market contributes to economic growth. Inducing liquidity in the economy is a well-known mechanism through which stock markets affect economic activity. Most of the advances that came forth during the early stages of the Industrial Revolution were made possible by a thriving financial market.

New findings in this field show that stock markets continue to be a key channel for boosting growth. Profitable ventures sometimes need for substantial cash to be committed over an extended period of time, but investors may be hesitant to part with their money for such a long time. Investments are safer and more appealing when stock markets are liquid.

Some of the ways in which the stock market helps the economy are outlined below.

1. **Aggregating investments and mobilizing capital:** Companies may get funding for growth via stock markets. For financial support, businesses often resort to selling stock to the general public. To do this, they issue stock to the public and list it on a stock market. Those interested in financing a company's growth may participate in public offerings by purchasing shares; the money obtained is then utilized for things like acquiring new assets or increasing headcount. Ultimately, this boosts business activity, which in turn propels the economy forward. Quantitative information on investment activity in India is available from the second quarter of 2004 through the first quarter of 2019 on TheGlobalEconomy.com. During that time span, India's value ranged from a low of 27.85% in Q1 2017 to a high of 38.140% in Q3 2008.

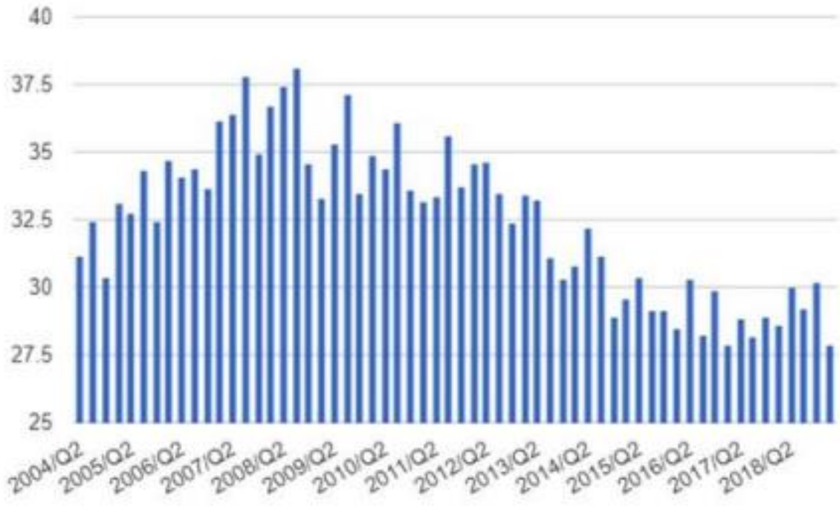

Figure 5. India investment as percent of GDP

2. Profile Enhancement: Publicly traded companies have more brand recognition than their privately owned competitors. Being listed on an exchange may boost a company's profile, bringing in investors and media attention that would otherwise be hard and costly to acquire. Stock trading is governed and governed by the stock exchanges. Few individuals would invest in stocks if stock exchanges didn't have laws and shareholder safeguards in place. Many more individuals join the investor class as a result of the stock market's strict regulation, which gives the common person the assurance they need to start buying equities. As their money increases, the investors are in a better position to have a larger economic impact. From 1983 to 2018, the World Bank compiles information on Indian public enterprises trading on stock markets. With a low of 1151 firms in 1983 and a high of 5999 in 1996, India had an average of 4370 companies across those years. The growth of the Indian stock market may be gauged by looking at the number of publicly traded firms. For this indicator to rise, it suggests that a greater proportion of businesses are using equity funding. Aside from GDP, another indicator of a country's economic health is the total number of publicly traded enterprises. More businesses may be found in economies that are farther along the economic spectrum.

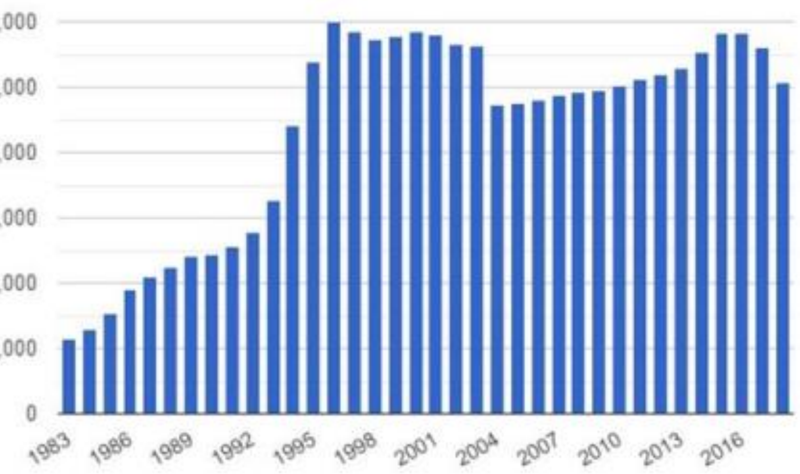

Figure 6. India listed company

3. Consumption and the Wealth effect: Investors' confidence in the market and their willingness to put money into it both grow during a bull market, when stock values are rising. They have a penchant for lavish purchases like homes and vehicles. When people's incomes rise, they tend to spend more money overall, contributing to economic expansion. There is a detrimental impact on wealth in the event of a bear market or a decline in stock prices. Consumers are less likely to spend money on products and services because they are less confident in the economy and their own financial futures. Since consumer spending accounts for a significant portion of GDP, this has implications for economic expansion. One frequent occurrence of the wealth effect was the drastic drop in personal wealth that occurred after the 2008 fall of the US housing market.

4. Increased Value traded: Compared to their privately owned equivalents, publicly traded companies command substantially greater valuations. Companies with a higher, but tamed, value may be able to provide their shareholders with more versatile stock options. The stock market makes it possible for everybody to own shares in the most successful corporations. Small and big investors alike may acquire a piece of a company's future via the stock market. Without a single location where stocks can be bought and sold, investing is out of reach for most people. If regular people can put money into these businesses, that money will grow. When these investors spend their newfound fortune, it stimulates even more economic activity.

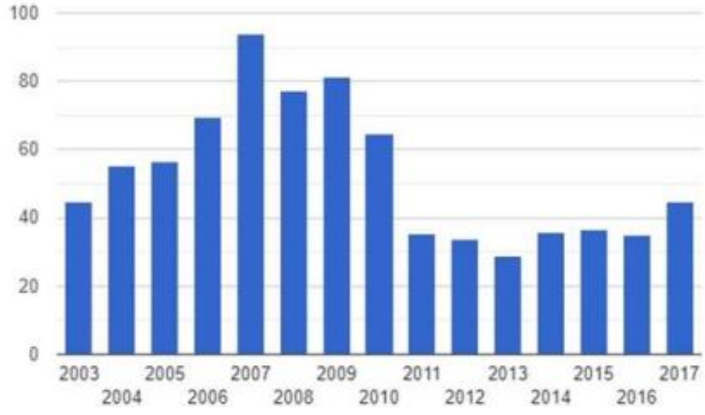

Figure 7. India stock market value traded

The value of stocks exchanged in India between 2003 and 2017 is reported by the World Federation of Exchanges. For India, the range was rather wide, from a low of 28.96% in 2013 to a high of 93.97% in 2007. exchanged, local and international, times their respective price multipliers. All numbers are tallied by hand (only one side of the transaction is considered). The data includes just those companies that have been approved for listing and trading. All figures are as of December 31st.

5. Reducing the cost of capital: It is significant that India has the fastest-growing major economy in the world right now. Whether or whether the present pace of development is sufficient to provide enough high-quality employment to keep up with a rising population is an open topic. Prior investment booms, in the mid-1990s and the years leading up to the global collapse in 2008, showed that a change in trend growth required private-sector leadership. The availability of capital at a reasonable rate is a necessary condition. You may approach this problem from one of three angles. Reforming the direct tax structure is a necessary first step. Indirect taxation has been radically altered by the implementation of the goods and services tax (GST), although in a haphazard fashion. Second, there is an excessively high interest rate on loans in India. India's inflation rate is much higher than the global average, which is a contributing factor. Maintaining low inflation rates should reduce borrowing costs. Third, as the price of intermediate items decreases, investment activity picks up speed. To rephrase, there needs to be affordable access to machines. Machinery and equipment costs have been decreasing compared to consumer prices for decades as a result of increased commerce and revolutionary technical advancements that have enabled more efficient manufacture of capital goods.

6. **Other factors:** There is a ripple effect on bond prices and retirement savings due to the stock market's volatility. The value of pension funds, which are heavily invested in the stock market, will decline if the price of shares drops. This will have an impact on pension payments in the future. As a result, those who rely on pension income may reduce their spending, which in turn reduces GDP growth. While a drop in stock prices is bad news for a country's GDP and economic expansion, it's good news for bond investors. When the stock market crashes, investors seek safety in alternative assets like bonds and precious metals. Comparatively speaking, the returns on these investments often exceed those on stock market shares.

CONCLUSION

Mutual funds have been popular for a variety of reasons, including their potential returns, alternatives, diversity, liquidity, tax efficiency, and other advantages. Mutual funds (MFs) may be a great way for those with little knowledge or means to get exposure to financial opportunities that are outside of their immediate area of influence. The purpose of this research is to highlight the significance and underlying concepts of market correction. There's also a link between course-correction and investment returns that needs to be looked at. Based on the findings, it is clear that real investments immediately affect stock market indicators and the real sector in a good way, hence stimulating a faster rate of economic development. There are a number of factors that have contributed to the rise of financial markets around the world. These include the growing importance of the private sector in many areas of economic activity, the advent of cutting-edge technological innovations, and the lightning-fast availability of financial data. The purpose of this is to show that despite significant falls, the Indian stock market was able to continue to reach new highs. In order to maximize their returns, individual investors in India should look at market timing data from the past.

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