AN ANALYTICAL STUDY ON THE VOLATILITY OF SECURITIES TRADE ON BSE SENSEX

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ABSTRACT

A stock or other security that represents a stake in a business. In a company's balance sheet, equity refers to assets contributed by the investors as well as retained earnings. When it comes to investment strategies, one of the most important assets is equity. In finance, equity refers to the possession of an asset after all debts owed to it have been paid off. The Indian stock market has recovered around 17% of its value.

Prices and returns fluctuate in a stock market for a number of reasons, including shifts in fundamental factors such as investor endowments, preferences, or alternatively risk perceptions, right or incorrect anticipations or expectations of investors and other market participants, variations in knowledge and mode of assessment, and temporary imbalances between demand for and supply of securities.

INTRODUCTION

It is obvious that the arrival of information, whether gradual or not, and market participants' correct or incorrect anticipation influence price fluctuation or volatility. Furthermore, speculators' position either corrects the situation by reducing the magnitude of volatility, or exacerbates fluctuations and thus destabilizes prices, Analysts and researchers are still concerned about volatility since a high level of volatility will disrupt the smooth operation of any stock market. It may also have an effect on the economy's growth and development by affecting investor trust and risk-taking capacity**.**

- **Types of volatility**

We can review volatility in three contexts:

- Historical volatility
- Implied volatility
- Projected volatility

Historical volatility

It refers to the changes in the price of a stock or an index over a set period of time. Volatility can be calculated using historical data on prices (or indices) and expressed using the

Beta and Coefficient Correlation methods. Regular and monthly data can be collected for this reason.
As a result, we can calculate the variance of any collection of data and compare it to historical data.

Implied volatility

Implied uncertainty is a crucial factor in deciding the premium on an option. While the standard deviation of the instantaneous rate of return on the stock cannot be observed, the entire input variable for a model like Black and Scholes can. We can estimate its prices using historical records, but there's another way to figure out what it's worth.

Projected volatility

This is the estimation of potential volatility based on historical volatility, current market research, and the investor's view. All option trading is, to a large extent, based on expected volatility.

NEED AND SCOPE OF STUDY

India has had a capital market for well over a century. Its significance in the mobilisation, distribution, and effective use of limited investment resources has only recently been recognised. Both secondary and primary markets have seen phenomenal qualitative and quantitative changes over the last decade. One of the most important characteristics of a well-functioning stock market is that it is effective.

OBJECTIVE OF THE STUDY

- To study the volatility of securities listed in the Bombay Stock Exchange (BSE).
- To analyze the present trend (Buying/Selling) of the company
- To suggest better investment decision based on calculated statistical tools of fifteen companies.
- To capture the trends, similarities and patterns in the activities and movements of the Indian Stock Market.

LIMITATIONS OF THE STUDY

- The analysis is made by taking into consideration of BSE Stocks only
- The scope is limited to only the risk & return analysis of the chosen stocks

DATA ANALYSIS

It refers to the study of trading securities in terms of their values, returns, and risk. Any investment is risky, and the expected return is proportional to the level of risk.
There are several different types of securities available for an investment. In the country's stock exchanges. Ownership instruments, such as stock shares, are known as ownership

securities. Recently, a range of new securities have been issued by businesses to raise funds for their ventures, including convertible debentures and deep discount bonds, zero coupon bonds, flexi bonds, floating rate bonds GDRs Euro currency bonds, and so on. Investors must select which securities are worthwhile to include in their investment portfolio. The situation necessitates a thorough examination of the available data. The first step in the portfolio management process is to conduct a security audit. It looks at how individual securities perform in terms of risk and return. Buying underpriced securities and selling overpriced securities is a basic securities investment strategy. However, the issue is determining how to classify such securities, also known as mispriced securities. This is the essence of security research.

Data Analysis and Interpretations

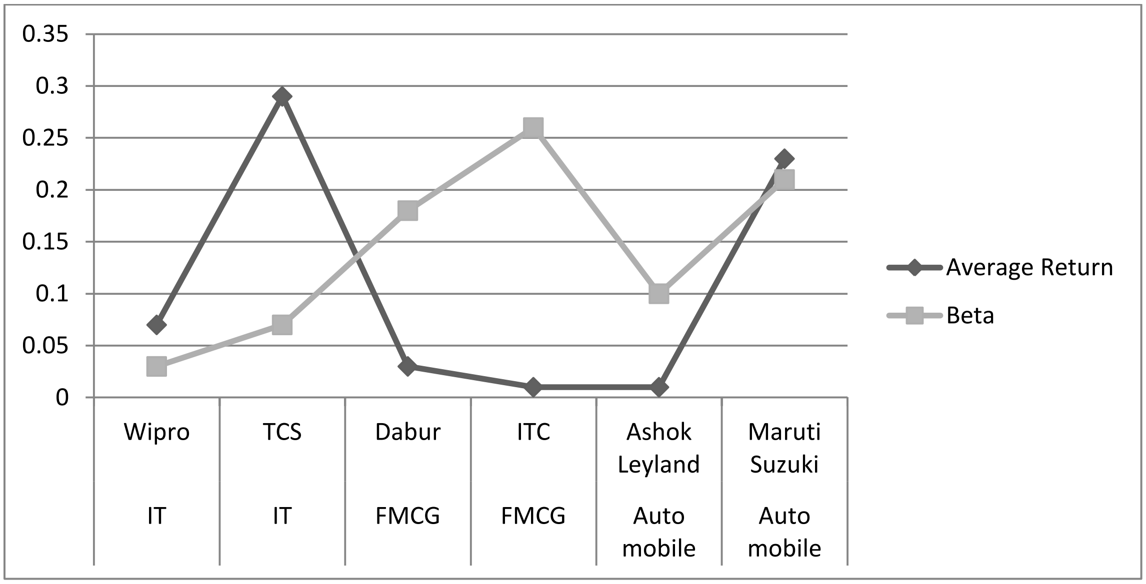
Data analysis is done for the selected IT, FMCG, Automobile sectors

Sectors	**Selected Securities**
IT	WIPRO
	HCL Technologies
FMCG	Dabur India Ltd
	ITC
Automobile	Ashok Leyland
	Maruti Suzuki

Comparison of all the sectors

Sectors	**Companies**	**Average Return**	**Beta**
IT	Wipro	0.07	0.03
IT	TCS	0.29	0.07
FMCG	Dabur	0.03	0.18
FMCG	ITC	0.01	0.26
Auto mobile	Ashok Leyland	0.01	0.1

Auto mobile	Maruti Suzuki	0.23	0.21



Interpretation

From the above table and graph we can interpret that all the sectors are showing Positive returns only, to the investors in this season they as to hold the securities for further benefits

Suggestions

1. If a trader is entering a new industry, he must first pick stocks to buy in that industry after doing extensive research.
2. While risk and return analysis is sufficient for making stock market decisions, using both technical and fundamental analysis at the same time would minimise forecasting errors.
3. Investors who are willing to take a risk will invest in the banking sector, which could produce positive returns in the long run.
4. Risk-averse investors should put their money into the Automobile market, which has a strong track record.
5. Though Technical Analysis is considered more of an art than a science, and it may not have received the respect it deserves from an academic standpoint, it has been discovered that when used in conjunction with a discipline, it can be very effective.
6. It can be used in conjunction with fundamental analysis, i.e., fundamental analysis can be used to make Buy/Sell decisions, while technical analysis can be used to determine the best time to buy or sell.

Conclusions

Before investing his or her investible wealth in a stock, any prudent investor evaluates the risk associated with that stock. The actual return on a stock can differ from the expected return, and the risk is measured in terms of return variability. Investors in general like to assess risk because it lets them manage their portfolios in such a way that they minimise risk.

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