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A Study on Winning in Emerging Markets: A Road Map for Strategy and Execution

Sidharth Choudhary[1] and Neel Kumar S[2]
BBA Student[1] and Research Intern[2]
IFIM College (Autonomous), Electronics City, Bangalore
sidharth.choudhury@ifim.edu.in[1] and neelkumar@ifim.edu.in[2]

Abstract: *This research paper focuses on how to overcome the difficulties in entering the equity market and find out techniques and strategies to overcome them in an operative manner. The paper also analyses some of the most common difficulties a retail trader faces. In addition, it provides a solution to counter those causes by using right strategies. The equity markets in India are getting more and more popular. In the last two years, there has been an upsurge in the online trading volumes of Indian equities. India's capital market regulator Securities and Exchange Board of India SEBI has launched mutual funds—Public Finance Management System (PFMS) for retail customers. Retail investors can now invest through PFMS across all asset classes including equities and fixed income (focusing on diversification). The Equity market in India has been on an upward curve for more than two decades. The paper focuses on the Indian point of view towards the market and the data was collected from secondary sources containing price movements of different stocks utilizing candle stick charts for the purpose of technical analysis using different indicators. Despite all the Strategies and techniques, there is no evidence to suggest that one indicator or a particular strategy is considered holy grail for traders. Every successful trader has their own developed system based on their risk tolerance, experience, and objectives.*

Keywords: Public Finance Management System, Securities and Exchange Board of India, Candle stick charts, Retail trader

I. Introduction

Stock market is a market place where the general activities of buying , selling and issuing of shares of public entities are performed. Major functions of stock market are

- Continuous and ready market for securities
- Facilitates evaluation of securities
- encourages capital formation
- provide safety and security in dealing
- regulates company management
- facilitates public borrowing
- provides clearing house facility
- facilitates healthy speculation
- serves as economic barometer
- Facilitates bank lending

The two main stock exchanges of India are
NSE: - National stock exchange or NIFTY 50
It represents the weighted average of 50 of the largest Indian companies listed on the National Stock Exchange
BSE: - Bombay stock exchange
It represents the weighted average of 30 of the largest Indian companies listed on the Bombay stock exchange

An investment strategy guides us in making investment decisions. Where investors can set their own goals and can analyse the risk factor associate with an investment strategy.

II. Review of Literature

Harvey (1995) studied the correlation between returns in emerging stock markets and industrial financial markets means that a global investor can benefit differently in emerging markets. This document examines the sensitivity of returns to emerging markets in the context of global economic risk. When using traditional methods of risk, emerging markets have little or no national sensitivity. These findings are consistent with the fact that these markets are separated from the global financial markets. However, the correlation between the return on emerging market and risk factors seems to change over time.

Khambata, (1989) reviewed the growth and development of Indian stock markets. The study is organized into nine sections. The first part provides a general overview while the next two sections deal with the legal and financial framework and the role and function of key institutional players. The demand, supply, and ownership of stock options are presented in sections four, five, and six, carefully, and the main and secondary stock market features are presented in sections 7 and 8. Major Conclusions Study is in the final phase. India's largest markets played a key role in promoting savings in the 1950's. However, their value declined in view of the period between 1960 and 1980. At the same time domestic savings as part of national income rose sharply from 13.7 percent in 1960-61 to 22 percent in the mid-1980s. While capital revenues reached 13 percent of residual domestic savings in the 1950s, it was less than 1 percent in the late 1970s, 0.4 percent in the 1980s, and 4 percent in 1984 and 1985. There were two main reasons why large markets did not play a significant role in financing the industrial sector: first, commercial banks and development finance institutions were able to provide the leading industrial sectors with the necessary funding at "below market" costs; and, second, equity was unattractive to investors or issuers. Throughout the 1960s and 1970s there was little need for equity investors

According to Kumar and Tsetsekos (1999)emerging security market shave characteristics that are distinguished from their counterparts in developed countries not only because of different levels of economic development, but also because their origins are relatively recent. As a result, institutional infrastructure comprising a comprehensive legal framework that considers property rights, disclosure requirements, international accounting methods, monitoring and control of these markets, may or may not be available at all ‘emerging’ markets. Our study builds a straightforward (descriptive) quality framework (institutional infrastructure) and multidisciplinary features that distinguish and predict the related development of global security markets. Discrimination and log analysis using IFC data shows that equities 'emerging' markets as a category are not the same as 'developed' markets. These findings support the support that the two market sets are separated. There is weak evidence of a merger on the signals of the two market sets. However, it is expected that as the infrastructure of the ‘emerging’ market institutions develops, there will be stronger evidence of a merger process in these markets.

Mukherjee et al (2005) investigated the long-term integration between the Indian stock market and that of other developed and emerging countries and has attempted to look at the potential for diversified profits for foreign investors to participate in the Indian equity market. This study uses Engel-Granger's (Engel and Granger, 1987) experiments on risk and association with Geweke [J. Am. Statement. Assoc. Response 76 (1982) 304] to vigorously investigate the notion that the Indian stock market is not integrated with other national markets over time and that there is no cause and effect among those markets. Our results, based on daily data from January 1996 to June 2004, confirm that apart from Indonesia, Malaysia, the Philippines, Korea, Thailand and Greece, no developed and emerging countries selected for this study were included (in time) in the Indian stock market. However, Geweke statistics show that there is a temporary and / or leading relationship between those markets in the short term and that relationship varies from time to time. Therefore, there is a great opportunity for foreign investors to enhance their diversification profits by sharing a portion of their resources in the Indian stock market.

Ratner and Leal (1999) examined the potential benefits of the ten rules of trading Variable Length Moving Average (VMA) technology in the ten emerging equity markets in Latin America and Asia from January 1982 to April 1995.

Common variances buy - sell return after legal trading costs each and the Land is compared to a plan to buy and hold. Taiwan, Thailand and Mexico are emerging as markets where technology trading strategies can be profitable. We do not find strong evidence of profitability for other markets. However, we find that 82 of the 100 trading rules combinations tested in ten emerging markets, ignoring their statistical significance, accurately predict the direction of changes in the return chain. These findings may provide investors with important information on the distribution of assets.

According to Clemente (1994) Asian equity markets have been hot for some time and show no signs of cooling off. The region's economies have moved towards greater economic and financial integration while opening up its vast foreign markets. Drawn by strong economies, reliable transformation and additional liberal goals, global investors have made huge investments. However, the promise of financial stability by Japan is declining, and the region as a whole is facing various political and financial challenges.

Bailey (2010) studied the rapid growth of emergence stock markets, with a focus on those in Brazil, Russia, India and China (collectively known as BRICs). While there is a significant difference in countries, equality Investment in the market in many emerging economies has risen sharply since the late 1990s. As a result, growing stock markets are now counting more than one-fifth of the global financial market capitalized, about three times the middle part2000s financial markets in Brazil, China and India has mentioned an important part of this the increase and currently covers about seven o'clock of global equity financing.

III. Objectives of the Study

Navigating the complex and changing world of equity markets can be a difficult task. In addition, the many barriers that prevent people from entering this market make the task even more challenging. This blog post discusses the possible strategies to overcome them in Indian equity markets.

This discusses challenges faced by individuals who want to enter into Indian Equity Markets. It then goes on to describe specific strategies for investing in Indian markets as well as other asset classes such as bonds and real estate, which are sometimes used as a hedge against riskier equities investments.

- To conduct a study to analyze the price fluctuations in the company stocks.
- To identify the market trend of stocks
- To conduct a study using technical analysis in Indian stock Mark

IV. Research Methodology

Data collection is key part of any research. Data means facts. Conclusions are based on collection of data. Secondary sources are used for the data collection. For analysis of data, technical analysis on candle stick charts are done using different indicators.

This data is presented with the help of graphs and charts. Secondary data is collected from the following sources

- Kite/zerodha
- Investopedia
- NSE website
- BSE website
- Money control
- corporate finance institute
- Indextradingstrategise.com

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V. ANALYSIS AND INTERPRETATION OF DATA

5.1 CIPLA

GRAPH 4.1: CIPILA GRAPH FOR Ehler fisher transform

Interpretation: -As per the above stated graph has black and red line and red line is Ehler fisher transform when the red line crosses the black and red line above the black then it indicates the bullish market and when red line crosses the black line goes to down then it indicates the bearish market. According to this graph at 2012 the red linehad gone up ward and shown the bullish market and at point 2017 also has same pattern but at 2019 as the red line crosses the black line and came to down so here the bearish candle take place and at 2020 same thing take place here also it indicates bearish pattern.

5.2 SUNPHARMA

GRAPH 4.2 - SUNPHARMA GRAPH FOR Ehler fisher transform

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5.3 Volume Weighted Average Price (VWAP)

VWAP is one of the one of the simplest indicators to use. It works on the principle of averaging the traded price in terMr of volume traded. Let me give you an example of to help you understand this better. Here is how Infy traded between 14:30 and 14:35 on 2nd Nov 2016 –

Time	High	Low	Close	Volume
2/11/2016 14:30	983.55	982.7	983	2586
2/11/2016 14:31	983.9	982.8	983.3	3569
2/11/2016 14:32	983.95	983	983.1	2475
2/11/2016 14:33	983.75	982.95	982.95	1773
2/11/2016 14:34	983.45	982.6	982.6	2676
2/11/2016 14:35	983.25	982.6	982.95	2863

TABLE 4.1 – VWAP DIFFERENT TIMEFRAME

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The data is quite simple to understand, for example, at 14:32, 2475 shares were traded, it made a high of 983.95, low of 983, and closed the minute at 983.1Now, we use this data and compute the VWAP price. In order to do this, we calculate the following –

1. Typical price = which is the average price of High, Low, and close
2. Volume Price (VP) = we get this by multiplying the typical price with itsvolume
3. Total VP = This is a cumulative number, which is got by adding the current VP to the previous VP
4. Total volume = This is again a cumulative number, which is got by adding the current volume to the previous volume
5. VWAP = We get this VWAP number by dividing the Total VP by Total Volume. The resulting number indicates the average traded price, weighted by volume.

Let's do the math on Infy data –

Time	High	Low	Close	Volume	Typical Price	VP	Total VP	Total Volume	VWAP
2/11/2016 14:30	983.55	982.7	983	2586	983.08	2,542,254	2,542,254	2,586	983.08
2/11/2016 14:31	983.9	982.8	983.3	3569	983.33	3,509,517	6,051,770	6,155	983.23
2/11/2016 14:32	983.95	983	983.1	2475	983.35	2,433,791	8,485,561	8,630	983.26
2/11/2016 14:33	983.75	982.95	982.95	1773	983.22	1,743,243	10,228,805	10,403	983.26
2/11/2016 14:34	983.45	982.6	982.6	2676	982.88	2,630,196	12,859,000	13,079	983.18
2/11/2016 14:35	983.25	982.6	982.95	2863	982.93	2,814,138	15,673,139	15,942	983.14

TABLE 4.3- VWAP INFY DATA

As you see, the VWAP is a dynamic number, changing based on how the trades flow in. Note, VWAP can be applied only on intraday time frame and cannot be applied on EOD data.Once you select the time frame (1 min, 5 mins, 10 mins etc.), the engine calculates the VWAP and plots it on the chart as an overlay.

GRAPH 4.2 - GRAPH FOR VWAP

You can now visualize the VWAP and the current market price and plan your trades accordingly.

5.4 CIPLA

GRAPH 4.3 - CIPILA GRAPH FOR VWAP

Interpretation: -As above graph it can be seen in the figure that VWAP is showing in red line. When the red line is below the candlesticks then it indicates the bullish market and when the red line i.e, vwap is above the candle sticks then it indicates the bearish market. As per this graph the market looks bullish market because all the candles are above the vwap line but from 2019 mid to 2020 mid the candle cross the red line at it indicates the bearish market because all the candles are below the red line and it indicates the downtrend.

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5.5 SUNPHARMA

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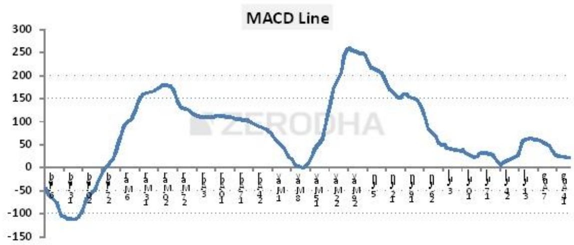
5.6 MACD

The Moving Average Convergence and Divergence (MACD) indicator was developed by Gerald Appel in the late seventies. Traders consider MACD as the grand old daddy of indicators. Though invented in the seventies, MACD is still considered as one of the most reliable indicators by momentum traders. As the name suggests, MACD is all about the convergence and divergence of the two moving averages. Convergence occurs when the two moving averages move towards each other, and a divergence occurs when the moving averages move away from each other. A standard MACD is calculated using a 12-day EMA and a 26-day EMA. Please note, both the EMA's are based on the closing prices. We subtract the 26 EMA from the 12-day EMA, to estimate the convergence and divergence (CD) value. A simple line graph of this is often referred to as the 'MACD Line'. Let us go through the math first and then figure out the applications of MACD.



GRAPH 4.5: CIPILA GRAPH FOR MACD

5.7 CIPLA

GRAPH 4.6 - CIPILA GRAPH FOR MACD

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Interpretation: -As it can be seen in the figure that MACD is showing the red line. from 2014 mid is shows the upward or increasing so, it is a buy signal here if he buys when the price is lower and sell when the price is higher, he can earn the profit. but again, at mid 0f 2015 to 2016 mid the market shows down trend so this is right to sell the product and can earn the good profit. and at 2018 mid again it shows slightly uptrend and again fall down to 2019 and then in 2020 beginning of the year again it shows good uptrend in the market at this point investor can invest and can earn the good profit upon it.

5.8 SUNPHARMA

GRAPH 4.7 - SUNPHARMA GRAPH FOR MACD

Interpretation: As it can be seen in the figure that MACD is showing the red line. from 2014 mid is shows the upward or increasing so, it is a buy signal here if he buys when the price is lower and sell at 2015 mid when the price is higher, he can earn the profit. but again, at mid 0f 2015 to 2016 mid the market shows down trend so this is right to sell the product and can earn the good profit. And from 2018 mid again it shows slightly uptrend to 2019 and again fall down to 2019 and then in 2020 beginning of the year again it shows slightly up trend but at sudden point it goes down

5.9 Super Trend

Before understanding the super trend indicator, understanding the ATR is necessary as super trend employs ATR values to calculate the indicator values. The super trend indicator is plotted over the price chart of the stock or the index. The indicator line changes its color between green and red based on the price moment in the underlying. Super trend does not predict the direction, rather once the direction is established it will guide you to initiate a position and suggests you to stay in the position till the trend sustains. Notice how the indicator changes the color as the price moves. Also, whenever the buy/sell signal is generated green and red arrows are generated (respectively) prompting the trader to go long or short on the stock

GRAPH 4.8: CIPILA GRAPH FOR SUPER TREND

5.10 CIPILA

GRAPH 4.9 - CIPILA GRAPH FOR SUPER TREND

Interpretation: -As per above graph there are two lines red and green which shown the super trend indicator. Whenever their line is above the candlestick then it shows bearish pattern and when the green line is below the candlesticks then it indicates the bullish pattern in the market. here from 2010 to 2011 the bullish market take place and from 2011 to 2012 mid the bearish market took place. From 2012 mid to 2016 again green line visible that means bullish markettook place. But from2019 to 2020 red line shown that means bearish market take place and afterward again from 2020 the bullish pattern took place in the market.

5.11 SUNPHARMA

GRAPH 4.10 SUNPHARMA GRAPH FOR SUPER TREND

Interpretation: -As per above graph there are two lines red and green which shown the super trend indicator. whenever their line is above the candlestick then it shows bearish pattern and when the green line is below the candlesticks then it indicates the bullish pattern in the market. here from 2010 to 2016 the bullish market take place and from 2016to 2020 the bearish market took place. Afterward again from 2020 the bullish pattern took place in the market.

Key findings: Technical indicators are used to see past trends and anticipate future moves.

Use Fisher Transform: Use Fisher Transform is easy. First, you need to have a chart that moves up or down. We believe it does not help if the price of assets rises. Second, you need to **set the indicator** well. This means that you should select **theperiods that you want to use**. Most platforms have the default as nine but you can change it to suit your trading style. We recommend that you leave it unchanged.

Key findings of MCMD

- MACD helps investors understand whether the bullish or bearish movement in the price is strengthening or weakening.
- MACD triggers technical signals when it crosses above (to buy) or below (to sell) its signal line.

Key findings of Super Trend

It says that the indicator changes colour, based on whether or not you should be buying. If the super-trend indicator **moves below the closing price**, the indicator turns green, and it signals an entry point or points to buy. If a super-trend closes above, then the indicator shows a sell signal in red There is no evidence to suggest that one indicator is full proof or a holy grail for traders

Strategies (and indicators used within those strategies) will vary depending on the investor's risk tolerance, experience, and objectives.

VI. Conclusion

The equity market is the most difficult to enter because not only is it the most volatile, but it also has high barriers to entry. However, if you can compete in other markets and prove yourself tough enough in both risk management and execution of a strategy, then an equity market can reward your persistence through higher returns. For those who are discouraged by the disadvantages of entering the equity market, there are still many ways to get started investing. One viable way would be investing in a mutual fund or ETF (exchange-traded fund). There are many advantages to this approach which include low initial capital requirements and broad diversification across industries. The conclusion of this paper is that the difficulties to enter the equity market are not constrained to just one country but can be seen worldwide. The equity market has proven itself as a mode of capital for those seeking long-term investments yielding high returns. Unfortunately, because it is perceived as so inaccessible, there will always be a significant number wanting in on it who have trouble accessing it. The problem do exist, and they are major ones; however, with new companies popping up and more people becoming educated about this lucrative opportunity each day, these issues can be solved with time.

There are certain obstacles that exist when it comes to starting a business. The most prominent and difficult hurdle is the markets. It is important to understand that these markets are not for the weak or those who do not have the resources and capital. The one thing I envied when I started my business was having an investor, someone who would give my company credibility with their contribution of capital. Without this valuable input, starting a business can be a daunting task because you have no guarantee about whether or not your potential customers will like what you are selling. In order for my company to survive, I had to build up my own "investors.

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