

STOCK MARKET OPERATIONS AND TECHNICAL ANALYSIS ON IT SECTOR COMPANIES

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INTRODUCTION

All the markets in the world can be divided into two methods of booking a trade, namely the “*open outcry*” method and the “*electronic*” method. In the open outcry method buying and selling of shares happens through communication with professionals in exchange; this includes shouting and using hand signals to transfer information about buying and selling of shares. The hall in which this type of trading activity takes place is known as the “*pit*.” But now, in the present time, this open-outcry method has been replaced by an electronic form where buying and selling of shares happen through a screen-based broker dealing terminal. This system made the whole process of buying and selling shares easy. For a trader or the investor, it becomes essential to understand the stock market operation. Whenever a trader does intraday, his profit will not come in the same day; similarly, whenever an investor buys shares, these shares will not immediately come into his Demat account, or if an investor sells shares, the money realized from selling the shares will not be realized in the same day. This process will take T+2 (Trade Day + 2 days) days for clearing and settlement. There are many leverage facilities made available both for intraday traders and investors. So, before directly jumping into stock markets, it is vital for both intraday traders as well as and investors to understand stock market operations.

Keywords: Stock Market, Sharekhan, BSE, NSE, India.

Background

Understanding stock market operation in the derivative market is also essential for an investor investing in the stock market. Futures and options are two main crucial parts of the derivative market. There are two types of risk in the stock market; one is systematic risk, and another is unsystematic risk. Unsystematic risk is associated with particular security or share, and this risk can be reduced by diversifying the portfolio. After hedging the unsystematic risk, the only systematic risk remains. This systematic risk can hedge with futures and options. So, by understanding the future and options, an investor will be able to evade the systematic risk as well.

Technical analysis is a tool to understand when to buy a particular security or share and when to sell a security or stake. The essential assumption of technical analysis is that “history repeats itself.” So, specific patterns are made on this assumption, which assumes that the market will react to the stimuli in the same way as it reacted to the same stimuli in the past. These patterns predict the direction of the price movement in the future. In this report, technical analysis is done on IT sector companies. Why IT sector companies. The answer to this question is simple because, in COVID-19 time when most of the companies are relying on work from home, they need a sound IT system for that. So, the IT sector has done great in this COVID-19 time.

Sharekhan is dealing in the broking business. It is the part of SSKI Group, which is running successfully since 1922 and has eight decades of experience in the stockbroking business. Sharekhan was founded in the year 2000. Sharekhan offers a wide range of equity-related services like trade execution in NSE and BSE, Derivatives, depository services, online trading, investment advice, etc. (Sharekhan, 2000).

METHODOLOGY

For stock market operation in capital market

For understanding stock market operation, Sharekhan webinars were attended
Sharekhan classroom webinars also participated.

Data has been collected from the Sharekhan website.

For understanding Stock market operations in the derivatives market

For understanding stock market operation in the derivative market, Sharekhan webinars were attended.

Sharekhan classroom webinars were also attended.

Data for the derivative market is taken from the Sharekhan website and the NSE website.

For Technical Analysis on IT Sector Companies

Sharekhan classroom has been attended for understanding tools used in technical analysis.
Data has been taken from the Sharekhan website as well as from in.tradingview.com.

Limitations

News influencing stock prices is not considered.

Commodity and Forex segments are not considered.

Candlesticks patterns and Indicators may generate false buy and sell calls.

Recommendations

Should invest in more promotional activities.

Should charge less brokerage on delivery trades.

Should reduce interest rate in EMF (Exchange margin funding) facility.

Should make Sharekhan website more user friendly.

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