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The Stock Market Maze---Bullish & Bearish Syndrome

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ABSTRACT *To be an active investor, one should be ready to employ his surplus money directly in shares. The share market or stock market is a fairly risky place, the fluctuations can go up and down repeatedly without pause. The return is greater as compared to making a bank deposit or making in investment in gilt-edged securities, but then as they say, the greater the return, the greater is the risk in the adventure. For this, one needs to understand the stock market, bear and bullish trends, stock market mechanism etc. This research paper throws light on the various issues related with the stock market from the point of view of investor and for the investor.*

KEYWORDS : Bull Market, Bear Market, Dividend Yield, Earning Per Sharec

Introduction

A complete clutch on the financial basis and its specialized blah-blah, you are on the bandwagon to the intricacies of stock market. Go through the specialized pages of any business news paper and you will be able to understand fully the news – items written on the different pages and of course, communicate intelligently and with common sense to your officially appointed stock broker and can fairly well understand you demat account with either NSDL (National Securities Depositaries Ltd.) or CDSL (Central Depositaries Services Ltd.).

Now if you wish to be an active investor, you should be ready to employ your surplus money directly in shares. The share market or stock market is a fairly risky place, the fluctuations can go up and down repeatedly without pause. The return is greater as compared to making a bank deposit or making in investment in gilt-edged securities, but then as they say, the greater the return, the greater is the risk in the adventure.

Important Must-Dos:

In order to become a hit man stock market investor, take the following steps:---

- Try to understand all about financial words that are ,most frequently used by the financial market experts.
- The company Accounts---- How to read these on the surface as well as between the lines.
- Next step is finding a stock broker who will help you to find profitable bargains and advise on the present ones.
- Help yourself to teach various approaches to investment and those approaches are fundamental approach, technical approach, academic approach and electric approach, choose that approach that suits you and your financial requirements.

Some of the financial buzz words, the investors need to know are as under: ---

- **Bull Market**:- A strong or rising market where the operator holds an optimistic view of market and experts the prices to rise.
- **Bear Market**:- A weak or declining market where the operator holds a pessimistic view of market and experts the share prices to fall.
- **Stag:-** An operator who subscribes to a new issue with the primary intention of selling it at a profit no sooner than he gets the allotment.
- **Market Capitalization:-** The total no. of shares issued by a company multiplied by its market price, which is dynamic in fluctuation.
- **Divided Yields**:- The dividend yields of a company can be determined by expressing the gross Annual dividend as a percentage of the market price. If a company pays 20% per share as gross dividend and the market price of the share is 100 Rs., then the dividend yield is 20%, if the market price rises to Rs.200/- , the DY falls to 10%.
- **Dividend yield:-** can be for future as well as for past. The past figure of dividend yield is based upon last years' dividend payment, whereas the future DY is based upon the dividend forecast of the coming year.
- **Earnings per Share (EPS):-**EPS refers to Profit After Tax) of a company attributable to equity shareholders on a per share basis.
- **Price-Earnings Ratio:-**The no. of times the EPS needs to be multiplied to equal the current market price of a share. It will be historic P/E , if based on past EPS , whereas it will be prospective P/E if based on future EPS.
- **Net Asset Value (NAV):-**The total assets of a company minus all of its long run/short run liabilities, charges and provisions..
- **NAV per Share:-** The net asset value of a company dividend by the no. of ordinary shares in issue. The NAV is very specific measure of value of shares with property companies and investment trusts which are asset based.

"The Stock- Market Mechanism"

If you are interested to make a direct investment in the stock market with your surplus money, the first step would be to open a demat a/c with a depository and hire a broker who would act as an agent in all your buying & selling activities. If you decided to buy 1000 shares in a company after finding out the prevailing market price which is Rs.100/- per share on some advice or otherwise. Then you ask your broker the price for 1000 shares which might be Rs. 95—Rs.105 per share. Here we need to know 3 more financial buzz words viz. --- Market Makers, offer price, bid price.

The Market Makers will be the name given to a firm who is offering to act as a principal and buy or sell shares for their own account.

The Offer Price is the price at which the market – maker is ready to sell which is Rs.105 in this case.

The Bid Price is the price at6 which the market-maker is ready to buy which is Rs.95/- in this case.

Now coming back to the mechanism of stock trading, the market-maker is prepared to sell 1000 shares in the company at Rs.105 and buy 1000 shares in the company at Rs.95/-. In fact, your broker being your true guide, would also help you out in finding out the optimum available price for buying/selling.

Here is time for another term to be explained properly – its called bid offer spread - ---- It is the difference between the bid price and the offer price which in this case, it is Rs.10/- . The difference between the best available bid and offer price is called the touch.

As soon as, the broker completes the transaction, he will send you a Contract Note. This Contract Note is detailed statement of Cost for the transactions entered into on your behalf and for your knowledge. It includes the particulars as follows:-

- The total no. of shares purchased.
- The total per share price of share purchased.
- The total price of the shares purchased.

- The stamp duty of 0.5%.
- The Broker's commission which is negotiable.

The Bull &The Bear Market Syndrome:
Selection is more important factor in stock markets. As an investor you should not be unduly concerned about the level of stock markets as a whole. About 50% of your surplus money, you must keep invested in well – chosen growth stocks. Otherwise if you try to shuffle in and out, there is a grave risk of making a wrong judgement about the going trend.

There are a no. of ways of testing if a market is in bullish or bearish phase. E.g. when the bull is operative, shares usually sell on historically high P/E ratios and at large premiums to book value. Further more there is a high degree of speculation and big issues of spurious/dubious value. But we have to know the characteristic of bear as a very cool and clever animal and each market cycle has a clear variation from the previous one. It is not that simple to recognize the be4ar – he is out to trap you. So most people will not see him coming.

So keep this warning in mind and note down some signals that have heralded the top of previous bull markets and the bottom of previous bear markets. Always take that bull and bear market signals are like the reverse side of the same coin.

Bull Markets	Bear Markets
P/E Ratio High – Average P/E Ratio will be near to historically high levels. The Average DY will be low but shares will be standing at a premium to book value.	P/E Ratio low- Average P/E ratios will be near to historically low levels. The DY will be high but the shares will be Standing at a discount to book value.
Cash in Trash- this term was made by American Fund managers. It shows that most of the cash will remain fully invested.	Cash in King- In such a situation, cash is the best possible asset to own and Cash does not remain invested because Stack prices are yielding no returns.
Supply of Money- Tends to be decreasing	Supply of Money-Tends to be increasing.
Interest Rate- Interest rates are usually about to rise or have started to do so.	Interest Rates- Interest rates are usually at a high level and are about to fall or have started falling.
Investment Advisers- The unanimous opinion of Investment advisors will be bullish.	Investment Advisers- The unanimous opinion of investment advisors will be bearish.
New Issues- Offers for sale, rights issues and New issues are usually in abundance with quality beginning to suffer	New issues- entrepreneurs who have built up sized companies wait for better markets to obtain higher price for their businesses.
Reaction to News- The reaction to good news has Already been absorbed that there is very little reaction good news left.	Reaction to News-The reaction to bad news has already been absorbed so there is very to little scope of reaction to bad news left
Changes in Market Leadership- Near the top of a Bull market, investors often move from safe Growth stocks to cyclicals, which they buy heavily.	. Changes in Market Leadership- At the bottom of a bear market, growth stocks Become ridiculously cheap as multiples crumble.
Unemployment- An interesting study tells us that Rapidly decreasing unemployment means bullish Market is near to its end	Unemployment- The reverse of this study tells us that rapidly rising unemployment Can be a sign that a bear market is near to Its end.

After going through the above , Some general points that needs your attentive consideration, are as follows:-

- Good news is that a bull run is longer than bear run.
- Bullish Conditions are made by major overvaluations that are valued over a long period of time and travel very slowly to the under valuation part, so bearish period comes very late.
- Huge amount of money can be lost in a bearish market in a short span of time.
- Bull markets seem to last 4 to 5 years.
- Both bear and bull markets have several different stages. In a bear market, stage 1 is usually a sharp fall during which economic conditions remain positive. In stage 2, economic conditions remain deteriorating but the market becomes oversold. In stage 3, the economic news makes investors panicky and they try to sell at any price.

Conclusion
Above article concludes the following words on General Stock Market strategy :

- Keep your finger on the pulse of the market by extensively reading daily, weekly newspapers, investment magazines and various newsletters also.
- Don't subscribe to the "mob psychology". Try to observe the warning signals and must wake up and make up your own mind on the general market condition.
- If you feel bullish invest 100% of your surplus money, and if you feel bearish, then invest 50% of your surplus money.
- If you bring your portfolio from 100% to 50%, keep more defensive stocks to yourself.
- Go for derivatives, if you are an experienced investors.
- Don't let a bear phase scare you by taking your surplus money out of your carefully selected super growth shares that are performing well continuously.

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