

Technical Analysis on Common Stock of Commercial Banks in Nepal

A Thesis

Submitted By:

RAM KRISHNA PRAJAPATI
Department of Management
Khwopa College
T.U Registration no: 7-2-408-45-2002

Submitted To:

Office of Dean
Faculty of Management
Tribhuvan University, Kirtipur

**As a partial fulfillment of the requirements of the degree of
Master in Business Studies(M.B.S.)**

Dekocho, Bhaktapur
July, 2010

DECLARATION

I hereby declare that the work reported in this thesis entitled “**Technical Analysis on Common Stock of Commercial Banks in Nepal**” submitted to Khwopa College, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the master of Business Studies under the supervision of Associate Professor Ajaya Prasad Dhakal of Central Department of Management, Tribhuvan University.

.....

Ram Krishna Prajapati

Researcher

ACKNOWLEDGEMENT

The thesis entitled **Technical Analysis on Common Stock of Commercial Banks in Nepal** has been prepared with a view to examine trends and patterns of share price movement in Nepalese context. It is in the form as required by Faculty of Management, T. U. for the partial fulfillment of Master's Degree in Business Studies (M.B.S).

This study has been completed under the intensive and genuine guidance of Associate Professor Ajaya Prashad Dhakal. It is my great pleasure to express my sincere gratitude and thanks to him for his valuable guidance and supervision. His patient guidance and constant encouragement made possible to bring fruitful result on this thesis. In the absence of his kind help and valuable guidance, this thesis would not have come in this form.

Similarly, I express my sincere gratitude to Mr. Roopak Joshi, Principle of Khwopa College, Bhaktapur, for providing me the chance to undertake this study. His persistence guidance, encouragement and cooperation for searching research is really appreciable. I am thankful to Pro.Dr. Salik Ram Korila for his guidance on research methodology. Next, I am grateful to Pro. Dr. Monohar K. Shrestha for giving me valuable guidance and instant support concerned with questionnaire and research materials methodology. I thank to all the staff of Management Faculty and the persons who have invisible hand to complete this study.

Lastly, I would like to thank my friends Sunil Thusa and Shreejana Bajracharya for continuous encouragement to write this thesis.

Date: July, 2010

Ram Krishna Prajapati

TABLE OF CONTENTS

Acknowledgement

Declaration

Recommendation

Viva-Voce Sheet

CONTENTS		Page no.
CHAPTER I:	INTRODUCTION	1-9
1.1	Back Ground of Studies	1
1.2	Focus of the Study	3
1.3	Statement of Problem	4
1.4	Objective of Study	6
1.5	Rational of Study	7
1.6	Limitation of Study	8
1.7	Organization of Study	9
CHAPTER II :	REVIEW OF LITERATURE	10-34
2.1	Conceptual/Theoretical Framework	10
2.1.1	Theories of Stock Price Behaviour	10
2.1.2	Efficient Market Theories	11
2.1.3	Fundamental Analysis Theory	12
2.1.4	Technical Analysis Theory	15
2.2	Review of Investment Tips	16
2.3	Nepalese Context	30

CHAPTER III: RESEARCH METHODOLOGY	35-42
3.1 Introduction	35
3.2 Research Design	35
3.3 The Population and Sampling	36
3.4 Data collection	39
3.5 Data Analysis Tools	40
CHAPTER IV: DATA PRESENTATION AND ANALYSIS	43-95
4.1 Introduction	43
4.2 Analysis of Primary Data	43
4.2.1 Major Findings of Primary Data	65
4.3 Analysis of Secondary Data	67
4.3.1 Technical Analysis on Stock of Nabil Bank Ltd.	67
4.3.1.1 Trend line of Nabil Bank Ltd.	67
4.3.1.2 Japanese Candlesticks Chart of Nabil Bank Ltd.	68
4.3.1.3 Volume bar Chart of Nabil Bank Ltd.	70
4.3.1.4 Moving Average of Nabil Bank Ltd.	72
4.3.2 Technical Analysis on Stock of Nepal Investment Bank Ltd.	74
4.3.2.1 Trend line of Nepal Investment Bank Ltd.	74
4.3.2.2 Japanese Candlesticks Chart of Nepal Investment Bank Ltd.	75
4.3.2.3 Volume bar Chart of Nepal Investment Bank Ltd.	77
4.3.2.4 Moving Average of Nepal Investment Bank Ltd.	79
4.3.3 Technical Analysis on Stock of Standard Chartered Bank Ltd.	81

4.3.3.1	Trend line of Standard Chartered Bank Ltd.	81
4.3.3.2	Japanese Candlesticks Chart of Standard Chartered Bank Ltd.	82
4.3.3.3	Volume bar Chart of Standard Chartered Bank Ltd.	84
4.3.3.4	Moving Average of Standard Chartered Bank Ltd.	86
4.3.4	Technical Analysis on Stock of Himalayan Bank Ltd.	87
4.3.4.1	Trend line of Himalayan Bank Ltd.	87
4.3.4.2	Japanese Candlesticks Chart of Himalayan Bank Ltd.	89
4.3.4.3	Volume bar Chart of Himalayan Bank Ltd.	90
4.3.4.4	Moving Average of Himalayan Bank Ltd.	92
4.4	Major Findings of Secondary Data Analysis	94

CHAPTER V: SUMMARY, CONCLUSION AND RECOMMENDATION

		96-100
5.1	Summary	96
5.2	Conclusion	97
5.3	Recommendation	98
5.4	Suggestion For Further Research	99

REFERENCES

ANNEX

LIST OF TABLES

Table Number	Title of Table	Page
1	List of “A” Group company for the F/Y 2066/27	36
2	Opinion about Market Attractiveness for Nepalese investors to Buy Shares	44
3	Market Attractiveness to Investors to Buy Shares	45
4	Opinion of Nepalese Investors about How Nepalese Investors Make a Decision to Purchase Shares in the Secondary Market	46
5	Method Investors Use to Make Decision of Share Purchase in Secondary Market	47
6	Holding Period to Get Appropriate Benefit	48
7	Opinion About the Situation At which People Sell Their Securities	49
8	Situations At Which Investors Themselves Sell Their Securities	50
9	Opinion of Investors about Whether Other Nepalese Investors Receive Specific Training, Education or Guidance from Experts about "Investment in Securities"	51
10	Acquisition of Specific Training by Investors About "Investment in Securities" or Guidance from Experts to Invest in Securities	52
11	Opinion About Satisfaction of Nepalese Investors for Their Investment Made in Shares	52

12	Satisfaction of Investors on Their Own Investment Made in Shares	53
13	Opinion About Financial Crisis on Stock Market in Future Periods	54
14.1	Ranks of Factors Responsible for Slowdown in Development of Nepalese Share market	55
14.2	Overall Ranking of Factors Responsible for Slowdown in Development of Nepalese Share Market	57
15	Should Investors Allowed to Invest in Foreign Securities Market	59
16	Investors' Belief that Small Investors Cannot Reap Benefit From Security Market	59
17	Investors View About Factors Determining the Market Price of Shares in Nepal	60
18	Views About Usefulness of Trends and Patterns to Predict Market Price of Shares	61
19	Necessity to Extend Stock Exchange Market in All Development Regions	62
20.1	Preference Given on Type of Market to Buy Shares by Respondent Investors Vs Nepalese Investors	63
20.2	Methods Applied to Buy Shares in Secondary Market; Respondent Investors Vs Nepalese Investors	63
20.3	Methods Used to Sell Securities; Respondent Investors Vs Nepalese Investors	64

20.4	Satisfaction from Share Investment; Respondent Investors Vs Nepalese Investors	65
21	Closing Price of Nabil Bank Limited for Trend Line	67
22	Open, Maximum, Minimum and Closing Price of Nabil Bank Ltd. for Japanese Candlesticks	68
23	Volume of shares Traded for Volume Bar Chart of Nabil Bank Ltd.	70
24	Closing Price and Moving Average of Nabil Bank Ltd.	72
25	Closing Price of Nepal Investment Bank Limited for Trend Line	74
26	Open, Maximum, Minimum and Closing Price of Nepal Investment Bank Ltd. for Japanese Candlesticks	75
27	Volume of shares Traded for Volume Bar Chart of Nepal Investment Bank Ltd.	77
28	Closing Price and Moving Average of Nepal Investment Bank Ltd.	79
29	Closing Price of Standard Chartered Bank Limited for Trend Line	81
30	Open, Maximum, Minimum and Closing Price of Nepal Investment Bank Ltd. for Japanese Candlesticks	82
31	Volume of shares Traded for Volume Bar Chart of Standard Chartered Bank Ltd.	84
32	Closing Price and Moving Average of Standard Chartered Bank Ltd.	86
33	Closing Price of Himalayan Bank Limited for Trend Line	87

34	Open, Maximum, Minimum and Closing Price of Himalayan Bank Ltd. for Japanese Candlesticks	89
35	Volume of shares Traded for Volume Bar Chart of Himalayan Bank Ltd.	90
36	Closing Price and Moving Average of Himalayan Bank Ltd.	92

LIST OF FIGURES

Figure No.	Title of Figure	Page No.
1	Candlestick's basics	40
2.1	Trend line of Nabil Bank Limited	68
2.2	Candlesticks Chart of Nabil Bank Limited	69
2.3	Volume Bar chart of Nabil Bank Limited	71
2.4	Volume Bar chart with Japanese Candlesticks Chart of Nabil Bank Ltd.	72
2.5	5 days' Moving Average of Nabil Bank Limited	73
3.1	Trend line of Nepal Investment Bank Limited	75
3.2	Candlesticks Chart of Nepal Investment Bank Limited	76
3.3	Volume Bar chart of Nepal Investment Bank Limited	78
3.4	Volume Bar chart with Japanese Candlesticks Chart of Nepal Investment Bank Ltd.	78
3.5	5 days' Moving Average of Nepal Investment Bank Limited	80
4.1	Trend line of Standard Chartered Bank Limited	82
4.2	Candlesticks Chart of Standard Chartered Bank Limited	83
4.3	Volume Bar chart of Standard Chartered Bank Limited	85
4.4	Volume Bar chart with Japanese Candlesticks Chart of Standard Chartered Bank Ltd.	85
4.5	5 days' Moving Average of Standard Chartered Bank Limited	87
5.1	Trend line of Himalayan Bank Limited	88
5.2	Candlesticks Chart of Himalayan Bank Limited	90
5.3	Volume Bar chart of Himalayan Bank Limited	91

5.4	Volume Bar chart with Japanese Candlesticks Chart of Himalayan Bank Ltd.	92
5.5	5 days' Moving Average of Himalayan Bank Limited	93

LIST OF ABBREVIATIONS

Close	:	Closing Price of the Stock
E Investors	:	Investors found elsewhere besides security broker's office
HBL	:	Himalayan Bank Limited
High	:	Highest Price of the Stock
i.e.	:	That is
Low	:	Lowest Price of the Stock
Ltd.	:	Limited
NABIL	:	Nabil Bank Limited
NEPSE	:	Nepal Stock Exchange
No.	:	Number
NIB	:	Nepal Investment Bank Limited
Open	:	Opening Price of the Stock
Rs.	:	Rupees
SBO Investors	:	Investors found in security broker's office
SCB	:	Standard Chartered Bank Limited

CHAPTER I

INTRODUCTION

1.1 Background of Study

It is evident that global economy has forced each business organization to expand business to the nook and corner. As a result of dynamics of global changes and development, securities markets are rapidly responding. Therefore, nowadays securities market has become global phenomena and a basic concern of financial and economic condition of any nation. Security market index is perceived as an indicator of investors' confidence to invest in securities, which obviously, represents economic pulses of that nation. As capital market is a crucial element in the national economy, its role in reinvigorating and boosting the economic activities in the country holds significance. It helps to mobilize domestic resources as well as protect the interest of investors. Its role to provide the best investment opportunity by transferring the funds from surplus saving to deficit saving through transaction of long-term financial securities cannot be ignored. Hence in a nutshell, for attainment of self-reliant growth of national economy and smooth running of the economic activities of a nation, security market's role has become paramount importance.

No doubt, as capital deficient economy, Nepal requires a huge amount of investment in productive activities for rapid economic development. Though many decades have passed since Nepal embarked on the path towards open market economy and liberalization policies, there are still a number of problems associated with it. Lack of proper commitment towards implementation of policies, rampant corruption, social business insecurity and improper coordination between government and private agencies, among a host of other factors has stained the overall performance of Nepalese economy. Despite of these problems in Nepalese economy, the capital market offers the opportunity of investors to invest in the long-term ventures and also imparts liquidity to the security holders' by converting the securities of investors into liquid cash to the community by increasing the productive capacity of the country and thereby accelerating the pace of economic development. In short, the growth of economy is tied with the growth of capital market in the country.

In simple sense, securities market is a place where people buy and sell financial instruments. Although securities markets are concentrated in a few locations, they refer more to mechanism, rather than to physical locations designed to facilitate exchange of securities like government bonds, corporate bonds or debentures, ordinary shares, preference share etc. therefore securities market can be defined as a mechanism for bringing together buyers and sellers of financial assets in order to facilitate trading.

Securities market can be distinguished in diverse way such as:

Primary and Secondary market

Money market and Capital market

Bond, Stock and Derivative market

Primary market is the market in which securities are sold at the time of their initial issuance. In other words, a market for newly issued securities is called primary market. Corporations and Governmental bodies issue new securities in primary market. These securities can be offered by the method of public flotation or private placement.

Secondary market is the market in which securities are traded that has been issued at some previous points of time. In other words, where outstanding securities are traded is referred to as the secondary market. Thus a secondary market deal with previously issued shares mainly traded through there is only one stock exchange called Nepal Stock Exchange Limited. This stock exchange constitutes a market where securities issued by government and corporate sectors are traded or transferred from one hand to another at a fair price through market creditors i.e., dealers and brokers.

Here, the main concern of this study is on the secondary market. Therefore, other categories and types of markets are excluded.

1.2 Focus of the Study

Investing in hunch without sound judgment and study will result huge loss rather than profit. So, how do investors make investment decision and what factors should they consider prior to such decision; is really a matter of interest. Dwelling on the secondary market in Nepalese context by considering the various issues related to investors' attitudes towards investment decision is the focus of the study. However, it has also been admitted here as the thrust of studies with the technical analysis and its significance in Nepalese context have been brought forth with a view to highlight the investment decision problems. Thus, the focus of study is on the technical analysis of four commercial banks in Nepal with investment tips. Moreover, this study attempts to explore logic behind applying technical analysis.

1.3 Statement of the Problem

Although Nepal's stock market has witnessed a large quantitative growth during past decade, there are many challenges and complexities confronting this sector. Investors are losing confidence on the performance of share due to this experience of fraudulent and scandalous activities undertaken by handful of market swindlers. Due to greed for quick gain from the share market, investors are becoming more credulous and they are ready to follow even the wrong advice from the brokers. At the same, there is no denying in the fact that investors too are responsible for not having self-control and self-judgment in the choice of securities for investment. Thus, having lack of adequate knowledge about the securities of certain company, investors are haphazardly investing in shares. All of these acts indicate that there is extreme necessity to establish clear conceptions about return that yield from investing securities.

One of the major divisions in the ranks of financial analysts is between those using fundamental analysis (known as fundamental analyst or fundamentalist) and those using technical analysis (known as technical analysts or technicians).

Fundamental analysis approach involves working to analyze firm's financial statements, its competitors, the condition of economy, governmental action that may affect the firm and other factors that may affect the future value of firm's common stock. These are the analysts who believe that both external and internal factors affect intrinsic value of a firm's common stock.

In contrast, technical analysts largely ignore the fundamental facts that interact in determine the intrinsic value of firm's common stock.

Technicians are security analysts who believe it is not productive to work through all the fundamental facts about the issuing corporation that company's sales, earning, product, forthcoming legislation that might affect the firm and dividend distribution. Instead technical analysts believe that these fundamental facts are summarized and represented by the price of a stock. According to technical analysis the price of a stock depends on supply and demand in the market place and has little relationship to intrinsic value.

The technical analysis theory involves the study of past volume and price data of the stocks to predict future price fluctuation. This approach studies various graphs and charts of the past share prices and deduce for analysis about the future pattern. The chartists seek to predict future movements by seeking to interpret past pattern on the assumption that history tend to repeat itself.

In essence, technicians believe that the past pattern or trends of market action will recur in the future and can therefore be used for prediction purpose. Thus, technical analysts estimate prices instead of values of the common stocks. Specifically, some other questions concerning study are as follows:

- 1) How well the technical analysis helps investors to reach best investment decision, about common stocks?
- 2) Does the "patterns" and "trend" of market repeats in the stock exchange?
- 3) How charts and patterns can be used to predict future prices of common stock?
- 4) Does investor make decision on their one or follow other's suggestion, rumor or entrust broker for security trading?
- 5) Which analysis is supposed to be superior to investors' technical analysis or fundamental analysis?
- 6) How long should one hold the securities to get appropriate profit?
- 7) What sort of investment environment is expected by investors?

These are the burning issues, which are related to investors in the stock exchange for getting return form their scarce resources (i.e., money and time). Finally, the underlying motivation for this research work is to study, examine and find out facts and give suggestions or the issues pertaining to investors in the stock exchange.

1.4 Objectives of the Study:

Within the periphery of the stated problems the broad objective of this study is to analyze "technically" the market price of common stocks of selected four commercial banks listed in the Nepal Stock Exchange (NEPSE) Ltd. and its significance in the context of Nepal. However, the specific objectives of the study are as follows:

1. To analyze the investment behavior of investors in the stock exchange and examine security analysis process.
2. To review the investment basics that are being used by strategists and experts as investment principles, guide line and strategy articulating them as investment tips.
3. To examine the common stocks' price movements of four selected commercial banks Nabil Bank Ltd., Nepal Investment Bank Ltd., Standard Chartered Bank Ltd and Himalayan Bank Ltd. To know the timing of purchasing or selling the common stock of the selected four commercial banks on the basis of buy signals and sell signals.
4. To analyze price movement of stocks of four commercial banks through technical analysis consisting of Trend line, Japanese Candlesticks Chart, Volume Bar chart and 5 days' Moving Average.

1.5 Rationale of the Study

Investment practices and procedures in Nepal under the organized stock exchange are still in a primitive stage of development. Frequently swings in the market price of shares have been eroding the confidence of the investors. On the other hand, Nepal lacks institutional investors who can properly analyze and study the market trends before taking their investment decisions. Therefore, investment problems occurring in the stock exchange have been solved through trial and error approach. The brokers and investors are still in the process of institutionalization. In such a milieu, limited study has been made under the topic of technical analysis using tools like Trend line, Candlesticks Chart, Volume Bar chart and 5 days' Moving Average at once. Therefore, this study proves its rationality for strengthening the investors to reach the best investment decision.

1.6 Limitations of the Study

This study is not aimed for analyzing securities on the basis of fundamental facts i.e. firm's financial statement in terms of future earnings dividend etc. but the study is concerned with market price of share and volume of trading. That is why it may not represent what fundamentalists believe. Due to time and resource constraints, the study has been conducted with the following limitations.

1. This study is primarily base on secondary source of data. Moreover, primary data is used to explore investment behavior of investors through questionnaire filled by investors.
2. This study is fully base on the student's financial resources and is to be completed within limited time frame of submission in partial fulfillment of the requirements for Master Degree in Business Studies (MBS).
3. There are diverse tools and techniques of technical analysis. So, the result that brought from particular tools and techniques may not bring consistent result for same data for same period if other tools and techniques are applied.
4. Fundamental analysis requiring full details of company's activities and progress for a long period of time is not considered.
5. All data for technical analysis is downloaded from www.nepalstock.com. Reliability of analysis largely depends on reliability of data published on the website.

1.7 Organization of the Study

The study is organized on the standardized pattern of usual sequence of topics with Introduction, Review of Literature, Research Methodology, Data Presentation and Analysis and Summary, Conclusions and Recommendations.

The introduction chapter includes general background, the focus of the study, statement of the problem, objectives of the study, rationality of the study and the limitations of the study.

In the second chapter, theoretical framework of market price behavior is discussed under efficient market hypothesis theory, fundamental analysis and technical analysis, and their significance along with their limitations has been mentioned.

Similarly, the third chapter includes research methodologies used in the study.

In the fourth chapter, data presentation and analysis is included.

The last chapter contains the summary, conclusions and recommendations with references and annex.

CHAPTER II

REVIEW OF LITERATURE

Review of previous studies, journals and articles on the topics concerned is considered to be important to avoid unnecessary duplication, get insights of objectives of study, summary, conclusion, recommendation and scope of new studies on same topics. So, textbooks, articles, journals and bulletins are of great significance to review the related literatures for thesis writing in Nepalese context. Therefore in this chapter an attempt is made to review some of the basic literatures on the stock price movements. It includes conceptual\theoretical framework regarding theories on the topic and review of empirical works of previous related studies done within and outside the country.

The first section of this chapter contains a brief explanation of the theories of the share price behavior. It includes the Efficient Market Theories, Fundamental Analysis Theory and Technical Analysis Theory. The second section provides reviews on empirical experiences of previous studies. For convenience, this section is further divided into sub-sections i.e., in context of foreign countries and Nepal respectively.

2.1 Conceptual\Theoretical framework

2.1.1 Theories of Stock Price Behavior

In board sense, there exist three theories concerning stock price behavior. These theories explain share price fluctuation in the stock market. Market efficiency is the premise for all of the theories. The theories are:

Efficient Market Theories

Fundamental Analysis Theory

Technical Analysis Theory

2.1.2 Efficient Market Theories

Blake (1990) states that the term efficiency may be defined in various ways allocable efficiency, operational efficiency and information efficiency .When the finance literature speaks of market efficiency, it is generally speaking exclusively about informational efficiency in pricing the stocks. A market is said to be informational efficient if the current market price instantaneously and fully reflects all relevant available information. The market value of a particular share may be under or overvalued. An efficient market is one where shares are always correctly priced and where it is not possible to outperform the market consistently.

The Efficient Market Theory says that security prices correctly and almost immediately reflect all available information and expectation. Thus, efficient market theory contends that in a free and perfect competitive market, stock prices always reflect all the available information and adjust instantaneously every influx of new information.

Levels of Market Efficiency:

There are three levels of market efficiency depending upon types of information set impounded into the price. In other words, the forms of markets are determined on the basis of how publicly available information is reflected in the market price of shares. The statement that price reflects at available information represents the highest order of market efficiency. It is useful to distinguish three levels of market efficiency.

i) **Weak-form efficiency:** If the pricing into the stock market has reflected all information found in the record of past prices and volume it is considered as weak form efficiency and participation of technical analysis approach in the market becomes futile.

ii) **Semi-strong-form efficiency:** If current price of stocks reflects not only all information found in the record of past prices and volume but also other publicly available information, the market is semi strongly efficient. In that market even fundamental analysis of published accounting information has no value, because it

would have been discounted by participants accurately and instantaneously when they are disclosed.

iii) Strong-form efficiency: The market where stock prices fully reflect the available relevant information public as well as private, it considered that the market holds strong-form of efficiency. In the market insiders' information cannot beat the market because on single participant has monopolistic access to the kind of information.

These three levels of efficiency described above are not indifferent each other but they are serially higher order in degrees of market efficiency the market is semi-strongly efficient, it must be efficient in weak sense because the past price data is one form of published information, which must have been impounded in the price. If the market is not efficient in a weak sense, the past price information could be used to predict the future prices to exploit abnormal profit. It implies that information contained in past prices not been reflected fully into the current prices. Similarly, for the market to strongly efficient it must also be reflecting all relevant information.

2.1.3 Fundamental Analysis Theory

Fundamental analysis approach involves working to analyze different factors such as economic influences, industry factors, governmental action, firm's financial statement, its competitor and pertinent company information like product demand, earnings, dividends and management in order to calculate an intrinsic value for firm's securities. The analyst who believes fundamental facts to determine the intrinsic value of stock is popularly known as fundamental analyst or fundamentalist.

Fundamentalists forecast stock price on the basis of economic industry and company statistic. The principal decision variable ultimately takes form of earning and value with a risk-return framework based upon earning power and the economic environment. "Fundamental analysts delve into companies' earnings,

their management, economic outlook, firm's competitor's market conditions and many other factors” (Francis, 1986)

The objective of fundamental security analysis is to appraise the intrinsic value of a security. The intrinsic value is the true economic worth of financial asset.

“The fundamentalists maintain that any points of time every stock has an intrinsic value which should, in principle, be equal to the present value of the future stream of income from that stock discounted at an appropriate risk related rate of interest” (Bhalla, 1983). Therefore, the actual price of security is considered to be a function of a set of anticipation. Price changes as anticipation changes which in true change, as a result of new information. In other words, a new piece of news is released, securities' intrinsic values will change, and the securities' market prices will adjust towards the new values.

The value of common stock is simply the present value of all the future income which the owner of the share will receive. And the actual price should reflect intrinsic value of the stock i.e., good anticipation of cash flows and capitalization rate corresponding to future time period. But in practice, first, it is not known in advance what the appropriate discount rate should be for a particular stock. Therefore, fundamentalists estimate their intrinsic value by studying in details all matters that are relevant to the company. "The study would involve examining its sales, earnings, profit margins, dividends, management proficiency, industrial and business outlook, labor competences any factor that would have a bearing on its performance in the future”(Palat, 1991).

On the basis of such a study, fundamentalists project a company's future profits and earning capacity with reasonable accuracy what the price of company's share ought to be. This estimated price is termed as intrinsic value. Thus there is difference or gap between them. Fundamentalist reaches an investment decision by comparing this value with current market value; it is believed that price will rise. In this situation, fundamentalists will acquire shares as this difference presents them with an opportunity to make a profit. Alternatively, if the intrinsic value is lower than the market value, the share is overpriced and is an indication to

the fundamentalists to sell. Following this rule, they believe, above average return can be attained; given that market is inefficient in pricing the shares.

“In the world of uncertainty, the anticipation of values cannot be known exactly, there will be disagreement about the estimation among the market participants. Then actual price fluctuates closely around the 'Economic value' of share, because too far from the true value is profitable for the participants and they do to miss to exploit the situations. Over the time, with continuous generation of new information related to company's earning prospect, the intrinsic value also changes. As a result, price of the stock adjust to new intrinsic value” (Shrestha, 1999). Therefore the fundamental analysts work to find new information before other investors so they can get into a position to profit from price changes they anticipate.

“Fundamental analysis uses different models like Top-down versus Bottom-up forecasting, probabilistic forecasting, econometric models, financial statement analysis etc. to estimate the value of security” (Sharp, 2001). Therefore, the fundamental analyst reaches an investment decision on the basis of these analytical tools.

In short, the fundamental approach works exceedingly well in determining the intrinsic value of a company. It is not such an effective tool in determining future price movements and hence it is not very dependable for short-term profits. "By nature the fundamentalist is conservative in approach and is generally unwilling to take a quick loss, he would rather adopt a buy-and -hold-policy” (Yasaswy, 1992). Therefore, fundamental analysis allows the analyst to forecast holding-period yield and risk of achieving that yield, but these figures alone do not necessarily prompt a buy or sell action.

2.1.4 Technical Analysis Theory

The word technical analysis sound likes nonsense to many. But it is an alternative approach in predicting stock price behavior in the literatures of investment management. Technical analysis in market-oriented philosophy and it concentrates on the force of supply of and the demand for share. The analysts or prospective investors who analyze the security to predict the future price of a share on the basis of a study of its price movements in the past are known as technical analysts or technicians.

“The technician believes the forces of supply and demand are reflected in patterns of price and volume of trading. By examination of these patterns, he predicts whether prices are moving higher or lower, and even by how much?” (Fisher and Jordan, 2000). Therefore, the patterns or trend in prices is the basis of technical analysis. Various charts are prepared to determine trends and to determine whether prices are likely to rise or fall. Technicians tend to look backward. The technician usually attempts to predict short-term price movements and thus makes recommendations concerning the timing of purchases and sales of either specific stock or groups of stocks (such as industries) or stocks in general. It is sometimes said that fundamental analysis is designed to answer the question what and technical analysis to answer the question when.

Palat(1991) mentioned that technical analysts maintain that the price of a share at any time (present price) is the balance struck by buyers and sellers at a point in time. Price movements take place on account of changes in buying and selling pressures. This occurs in account of diverse internal and external factors (profits, political environment, predictions and the likes). Prices stabilize when equilibrium between buyers and sellers is achieved. They believe that a record of price movements over a period of time depicts how investors (both buyers and sellers) have acted and behaved over a period of time in the past. As the whole theory; is based on the assumptions that history repeats itself. That human nature does not change and that man is likely to repeat his pattern of past behavior in the future, it is believed that this record of past movements will repeat themselves in the future.

“The technical analysts estimate prices instead of values. They largely ignore the fundamental facts such as the firms' risks and earning growth rates in favor of concentration on various barometers of supply and demand that they have devised. "The methodology of technical analysis... rests upon the assumption that history tends to repeat itself in the stock exchange. If a certain pattern of activity has in the past produced certain results nine times out of ten, one can assume a strong likelihood of the same outcome whenever this pattern appears in the future” (Rosenfield, 1975).

In essence, technical analysts believe that past patterns of market action will recur in the future and therefore be used for predictive purposes.

2.2 Review of Investment Tips

Lasser (2001) pointed Buffett's 12 Investing Principles;

1. Don't gamble.
2. Buy securities as cheaply as you can. Set up a “margin of safety.”
3. Buy what you know. Remain within your “circle of competence.”
4. Do your homework. Try to learn everything important about a company. That will help give you confidence.
5. Be a contrarian—when it's called for.
6. Buy wonderful companies, “inevitables.”
7. Invest in companies run by people you admire.
8. Buy to hold and buy and hold. Don't be a gunslinger.
9. Be businesslike. Don't let sentiment cloud your judgment.
10. Learn from your mistakes.
11. Avoid the common mistakes that others make.
12. Don't overdiversify. Use a rifle, not a shotgun.

Lasser guided one can beat the index by;

- Moving from stocks to cash or to bonds at a time when you think stocks are overvalued, or by stocking up when you think stocks in general are cheap

- Concentrating on buying stocks that seem cheap because investor share too pessimistic and impatient—whereas, because of your special knowledge, you know better
- Concentrating on buying thriving companies that don't seem excessively expensive because investors aren't sufficiently optimistic (the growth strategy)
- Avoiding the common, almost irresistible, psychological mistakes that other investors make
- Taking advantage of other investors' misconceptions, and betting big against prevailing opinions. As Buffett once remarked, "I will tell you the secret of getting rich on Wall Street. You try to be greedy when others are fearful and you try to be very fearful when others are greedy." Contrarian investing in a nutshell.

Lasser restated the advice from Albert Hettinger of Lazard Freres that;

1. Don't use margin. If you're smart, you don't have to borrow money to make money. If you're dumb, you may go broke.
2. Buy six or seven securities you know well. Have a concentrated portfolio. But don't have only one or two securities.
3. Pay no attention to the level of the stock market. Concentrate your attention on individual stocks. Market-timing has led to David Braverman. Another person who has picked up the gauntlet is David Braverman, a senior investment officer at Standard & Poor's and the leading analyst who covers Berkshire.

Lasser mentioned that since Braverman began constructing such portfolios (in February 1995), the Buffett-like stocks he has chosen have returned 255 percent (without dividends or transaction costs, through January 2001) compared with only 174 percent for the S&P 500 Index. Here are the five criteria that Braverman used in screening the 10,000 stocks in the S&P Computstat data base:

1. High "owner earnings," which is essentially free cash flow—net income after taxes, plus depreciation and amortization of debt, less capital expenditures. A company had to have at least \$20 million in free cash flow.
2. A net profit margin of at least 15 percent.
3. A high return on equity, or net income (before payment of preferred dividends), as a percentage of the value of stock outstanding. Braverman screened for a recent

quarterly ROE over 15 percent, and an ROE of at least 15 percent for each of the past three years. (Buffett considers profit growth relative to growth in the capital base more meaningful than just growth in earnings.)

4. A high return on reinvested earnings. Each dollar of earnings retained by the company should produce more than a dollar of market value. To meet this test, Braverman looked for companies whose growth in market capitalization surpassed growth in retained earnings over the past five years.

5. No overvalued stocks. Free cash flow was projected five years out, under the assumption that cash flow grows at the same rate as earnings. To come up with a maximum valuation, Braverman then divided the estimated free cash flow by the current yield on the 30-year Treasury bond. Stocks selling above their projected valuations were thrown out enormous mistakes.

4. Beware of momentum. Stocks and markets tend to go to extremes both on the upside and the downside.

Lesser outlined his investment strategy in a GEICO report that;

- “Think independently.” He’s skeptical of Wall Street; he reads widely and voraciously.
- “Invest in high-return businesses for shareholders.” He wants companies making money now and promising to continue making money. He interviews management to make sure they are shareholder friendly and not out to boost their incomes or their self-esteem by creating empires.
- “Pay only a reasonable price, even for an excellent business.” Even a splendid company is a bad investment, he believes, if the price is too high.
- “Do not diversify excessively.” Pick The Stocks Like Warren Buffet.

Muzea (2005) stressed to use the right Strategy on reasoning Process Evidence. There are two types of reasoning processes we use to function in life. One is linear, in which our thoughts travel from one point to another in a logical sequence similar to building a home from a set of blueprints within a given timeline. The other type of reasoning is interactive. This is more complex, whereby each separates other pieces and may not even be available at the same time. For example, if we plan to start a business, we have to know if there is a demand for our product and what the costs will be to make it, taking into account

the availability of qualified workers, the anticipated revenues, and the current and future trends of the economy.

All of these variables, and more, must be considered if we are to be successful.

Many people are very good at interactive reasoning. If you are one of those people who can multitask, you would be good at interactive reasoning. However, while these talents would be useful in many business situations, they are useless in the stock market. Each piece of information required to make money in the market interacts with all the other pieces. Some of these elements include: the current Federal Reserve policy and its impact on interest rates, political events, foreign affairs, war, oil shortages, terrorism, and the trend of the economy where you live. All of these events affect the stock market in some way. The problem is that most of them are out of your control.

Further proof that interactive reasoning is ill suited for the type of analysis required to be successful in the stock market is the record of market experts. In the past 51 years, more than 50 surveys have been made by experts forecasting their favorite stocks and industries. Expert selections underperformed the stock market 75 percent of the time!

Muzea (2005) summarized investment strategy that;

- Everyone needs an investment strategy or style that is easy to follow and produces consistent profits.
- The only way to consistently make money in the stock market is to go against the grain of public opinion. The Pareto Principle works. Going against the 80 percent (public) and with the 20 percent (insiders) is the answer.
- Since the key to this strategy is to invest in the stock market only when the Vital Few are buying and The Trivial Many are selling, it is obvious that you must be willing to stay out of the stock market for long periods of time. Only losers bet on every horse race. It is the same with stocks.

Maiello (2004) wrote a book entitled Buy the Rumour, Sell the fact, 85 Maxims of Wall Street and What They Really Mean. Maiello tried to uncover myths exploring reality, some of them are;

Cut Your Losses and Let Your Profits Run

For an investment portfolio to make money over time, the bad picks can't lose more than the good picks gain. That means that investors have to limit losses by selling while making sure that the best choices have enough time to provide adequate return. It sounds simple, but a lot of investors do the opposite by selling their winners in order to take profits and holding onto the losers in the hopes of a rebound. The inevitable result to that strategy is a portfolio full of cash and losers.

The selling might be difficult, of course, since some investors see it as an admission of failure. There's also a good case to be made for holding on to stocks that have fallen on rough times, if there's some fundamental reason to believe that they will bounce back. It's also a bad idea to overtrade the portfolio, because brokerage fees add up. But remember, there are virtues in selling losers. The capital losses on the not so good picks can eliminate capital gains on the picks that went well.

Don't Average Down on a Loser

"Averaging" means investing a fixed amount of money in a particular stock, over a set course of time. "Averaging down" means that the investor has specifically chosen a period of time when a stock's price is in decline. It's a tool that can be useful to value investors and bottom feeders who like to buy stocks that are out of favor. But it is rather controversial because there's always a chance that a stock is getting hammered for a reason. Obviously, an investor who wants to buy a stock as it drops, in the hopes of accumulating more shares for less money and to participate in a later upswing, has got to know the company at hand extremely well. This is a classic bet against the rest of the market, and the market is always a formidable foe.

It has been figured out that people may get benefit from averaging down but one should not average down on unknown stock.

Bull Markets Climb a Wall of Worry

View the market as an amalgam of different and sometimes competing minds and it makes sense that though the overall sentiment might lead toward one outcome,

powerful forces can temporarily pull it in another. The “Wall of Worry” behind every bull market is the group of bearish investors who are either shorting equities or constantly selling to take profits and who can cause severe dips during a long bull run. Wall of Worry represents sideline cash that might actually flow into stocks and drive the market up.

Bear Markets Slide Down a Slope of Hope

A corollary to the Wall of Worry—the “Slope of Hope”—represents all of those temporary and ephemeral market rallies that take place while the bears are ruling the market. It basically represents investors throwing good money into a bad market.

While in a bull market, the Wall of Worry represents sideline cash that might actually flow into stocks and drive the market up. Slope of Hope money represents cash being tossed into a market with bad fundamentals. But investors who do so aren’t necessarily suckers. Certainly, short term traders have much to fear from temporary rallies in a bear market that might inspire false hope.

The Trend Is Your Friend

A fundamental assumption in this book says that stock pickers make money by being right when the rest of the market is wrong. The opposing view claims safety in numbers and is summed up by the old gambler’s credo “when the train comes in, everybody rides.” Following the trend is a market timer’s technique. Its flaw is that trends don’t last forever and there is no organized warning before the end. The myths of Wall Street are replete with contradictions. You will hear “the trend is your friend” quite a bit, maybe because it rhymes. Folks also used to say “don’t fight the tape,” although the phrase has fallen into disuse because, well, who has a stock tape running out onto the floor these days? But another saying, as much Wall Street wisdom as “the trend is your friend” is that “trend is not destiny.”

Friendly trend gives no warning of its departure. So trends, good or bad, are unreliable friends at best.

The Stock Market Rises as the Bond Market Falls

Stocks and bonds are asset classes in fundamental opposition to one another. Stock represents equity ownership in a company. Bonds represent a loan to a company or government. Stockholders are often borrowers, and bondholders are always lenders. Borrowers and lenders exist on opposite sides of a transaction, so it makes intuitive sense that the stock and bond markets would be similarly opposed.

Still, this matter might not be something that should overly concern the average investor.

Reality is somehow different from conviction of average investors. Corporate bond and stock may go along. Government bond and stock may go reverse.

The stock market is best valued based on the fundamentals of stocks while the government bond market is valued based on how favorable it is to own debt of country in the face of inflation and other factors.

It's best to judge each on its own merits. Stocks are for investors who require substantial growth over a long period of time while bonds are for investors who require safety and are willing to give up return for it.

A Rising Tide Raises All Ships

At first glance, this maxim seems like a no-brainer, and it appears to be true. The market is, after all, an amalgam of stock prices. So for the market to be up, stock prices have to be on the rise, at least generally. When the market is up, an investor who picks stocks with darts should have an easier time than when the market is in decline. But even a bull market is full of losers, and the best of times for everyone can be the worst of times for the individual.

Don't Invest on the Advice of a Poor Man

This seems like a self-evident piece of advice, because anyone with the secret to creating wealth would have used the secret for personal gain. This attitude doesn't have so much currency outside investing circles. Boxers have no problems hiring trainers that they could easily pound into the canvas and actors routinely take direction from people who can't carry themselves on stage. If "don't invest on the advice of a poor man" means that the best stock advice isn't available on Skid

Row, it's probably true, though not necessarily. A business student working his way through graduate school poverty might well have a lot of useful advice about the stock market but no money to invest.

Evidence suggests the rich are often happy to leave their investments in the hands of poorer folk because they have better things to do with their time than to sit around watching the stock market. So it's at least true that the rich don't mind taking advice from the relatively poor.

The Perfect Portfolio Never Needs a Trade

The perfect portfolio is the portfolio an investor never has to worry about. The stock choices will all steadily and reasonably gain value over time and will perhaps even pay out dividends along the way. But the perfect portfolio doesn't exist. Warren Buffett has famously remarked that his preferred holding period for a stock is "forever." But that's well known for being impractical advice. Why are you investing? Clearly, to make money. Why money? Clearly, to spend money. A stock that's never sold is money that's never spent, and in the end, no matter how you look at money, the eventual spending is the reward.

It might be better stated that the perfect portfolio never needs a desperate trade because it's made up of solid companies with transparent finances and that life keeps it free of surprises.

The perfect portfolio should also be free of excessive trading. Trading costs money. Slow and careful trading reduces brokerage fees and increases profits. Trading is also punished by the government, which taxes all capital gains.

Since few of us are as skillful as Warren Buffett, the perfect portfolio where every stock appreciates reasonably over a long period of time will be impossible to attain, so make the best of what you have. So, some trade might be required. So respond to reality and judge either trading is required or not, but act with the ideal in mind "the perfect portfolio never needs a trade".

It is traced out that perfect portfolio never needs a trade but a perfect portfolio is hard to achieve so it needs some trade for adjustment.

No Tree Grows to Heaven

If it's hard to admit a mistake and to sell off bad picks for a loss, it's even harder to sell a stock that's been a boon to the portfolio. Like a gambler on a roll, it's tempting to want to hang on to a good stock just a little bit longer. Many investors fear missing opportunity more than they fear incurring losses. Of course, stocks go up and they go down. The key to making effective use of the saying is to remain a long term investor while still realizing the need to sell winners every now and then.

Never Buy on Margin

Most conservative investors will eschew the idea of buying stocks on a margin loan because it can involve risking more money than the investor actually has available. Your broker, wanting to pad her company's account with some interest charged to you, will at some point want to lend you money for investment purposes. Whether or not one should take the loan is up to the investors.

It's best, for reasons of control, to keep margin away from money investor will need immediately. Such money probably shouldn't be in the stock market anyway, but it certainly shouldn't be used to make leveraged purchases.

If Investments Are Keeping You Awake at Night, Sell Down to the Sleeping Point

This little nugget is more psychological advice to the investor than it is predictive of the market, but financial advisers are often in the business of telling clients how they should feel in addition to telling them what to do. Investing is an intellectual activity with uncertain outcomes, and it's important for investors to master their emotions in order to make rational choices. Obviously, a notion like this can't be measured quantitatively, but it has still been uttered over and over again by weary brokers fielding panicked calls at the end of the trading day.

If investors are buying or selling a stock because you can't sleep, then you need to step back and try to articulate a practical reason for their sale. If it's that investors can't afford such a large investment in that stock, fine. If it's that the fundamentals have changed, fine. But if investors are just spooked, then calm down.

If You Wouldn't Buy a Stock at That Price, Sell It

Owning an overvalued security is nearly as dangerous as buying one, since both are doomed to eventual decline. One good way of determining whether or not stocks you have already bought are overvalued is to ask yourself if you'd buy it at the moment. If the answer is no, then it's reasonable to assume you'd have a hard time selling it at that price as well. Believing otherwise rests on the arrogant assumption that everyone else is a sucker.

The real value of this saying is that it forces investors to periodically examine their holdings when they are all too often purchased and forgotten. Stock selection is a lot of work, but so is portfolio maintenance. Neither job should be neglected.

Mutual Funds Are Safer Than Individual Stocks

The best mutual funds offer smart management and instant diversification at a reasonable price. It's just common sense that a well-managed, diversified portfolio is going to be safer than any one stock out there or than a portfolio of stocks that's been cobbled together with less than skillful precision.

The problem is that there are 5000 mutual funds out there, and new ones are starting up every day (In American context). So mutual fund picking is becoming as difficult as stock picking. It's actually even more difficult, because mutual funds don't tend to earn a lot of attention from analysts and the media. They seem more content to follow individual stocks and companies. Mutual funds are by no means risk-free, and in some cases they are riskier than stocks.

Invest Money When You Have It

In a way, that blithe assumption is correct. Put money into a rising market and it goes right to work. Put money into a falling market and you get more shares that can appreciate during a recovery. Tossing money into a falling market can be disheartening for investors who like to look at their statements all of the time. But remember that the cash isn't evaporating; it's being converted into shares. The worst mistake the dollar cost averaging investor can make is to lose sight of that fact and to opt not to make contributions in a falling market. Buying only when the market is on the rise increases the odds of buying at the moment when things

are best and are about to crash. It's a nearly sure path toward buying high and selling low.

If a Trend Cannot Continue, It Will Not Continue

This one sounds like it came from a stock broker fan of Yogi Berra. But it actually has its roots with economist Herb Stein, who created what's known in economics as Stein's law: "Anything that can't go on, won't." What this doesn't say is when the end of a trend will show up. Without that crucial piece of information, this isn't useful as a market timing device.

It is stated that no one can predict future, if it cannot be assure that trend will continue, also it cannot be confirmed that particular trend will not continue.

How the Market Reacts to News Is More Important Than the News

Once investors cozy up to the belief that the market represents collective knowledge and sentiment, it's hard not to accept that whatever the market chooses to believe is, at least temporarily, as good as fact. If every investor in the world decides that the sun sets in the east and they invest that way, is there any point to investing otherwise based on superior data?

A lot of market reaction is nothing more than noise that tends to fade. The long term investor can't trust it and should be too busy reading financial statements to pay attention anyway.

Bulls and Bears Make Money, but Pigs Get Slaughtered

Bulls believe that the market is going up, and bears believe it's going down. Pigs believe that Wall Street is like the farmer with the slop bucket, on his way to pour vast amounts of money into a trough. But really, the only greed that is consistent is the greed of Wall Street professionals. Stock prices rise and fall, but brokers always get their fees.

By all means, invest to become rich. But don't expect the money all at once.

Reality is, invest to become reach being bull, bear or pig but don't expect the money all at once.

Never Hold On to a Loser Just to Collect the Dividends

Dividends are a tricky topic, because there are two ways of looking at them. The first is in terms of cash: What is the actual cash payout that a company promises on an annual or quarterly basis? The second is in terms of the dividend yield, which is the stock price divided by the dividend, expressed as a percentage—that tells the investor what guaranteed return is being promised. In a sense, it's always good when stocks pay dividends; it shows that management knows that the shareholders own the company and are thus entitled to the company's money. It also promises, for a time, a certain return. But, the return offered by capital appreciation will always outpace the return offered by dividends, so it's no good hanging on to a loser on the sole basis of dividends.

Buy the Stock That Splits

Companies split their stocks in order to make shares more affordable to investors. A two-for-one stock split has the result of cutting a stock's price in half. Many investors believe that after a split, the stock will soon climb back to its presplit levels. While such reasoning sounds nice, there's no reason for that statement to be true, based on the way that stocks are valued.

The only reason that a stock split would boost the stock price is that split stocks are more affordable on a price basis. There is nothing wrong with stock splits, but there is also nothing to get excited about.

Economists Can Predict the Future

Economists are held in high esteem by the investing public because they tend to be thoughtful, well-educated thinkers who are more like scientists or scholars than the usual profit hungry denizens of the financial world. Economists at think tanks, universities, and investment banks have never had the same conflicts of interest that plague stock analysts. When they work for the big banks, their prognostications about interest rates and trade deficits are used either for the bond trading desk or to give the bank a bit of intellectual prestige. One problem with watching economists is that you are not necessarily sure what their motives are. Some of them are clearly trying to make predictions, while others are policy wonks, making recommendations.

Next, it's just that economists seem to be better at explaining the past than at predicting the immediate future, and that limitation affects their utility as dispensers of investment advice.

The Higher the Risk, the Higher the Return

Some investors thrive on risk, and some learn to thrive on risk because they have been told over and over again that low risk investments tend to deliver lower returns. It even makes sense to look at the act of investing as an attempt to collect compensation for risk endured. What's important, then, is for investors to make sure that the compensation they want to collect is adequate to the risk involved in an investment.

All these means, of course, is that risk and higher returns don't always walk hand in hand. If we adjust the myth a bit and say that riskier investments promise higher returns, we are getting closer to the truth and we have a myth that's best used backwards. Whenever investors hear a high return promise, they should immediately wonder about the risks involved.

Higher risk does not yield higher return instead one should seek higher return for higher risk.

Buy the Rumor, Sell the Fact

This is an especially appealing myth because it implies that the investor, privy to the hottest and most important rumors that move the markets, has attained some special position within the financial world. It flatters the ego to imagine that you can hear about and properly determine which rumors are important and which are just noise. But it's almost always a mistake to assume, when you are one among a community of millions, that you enjoy some special status.

The hope for this kind of investor is that the market will like the rumor and the stock price will go up. Then, when the news confirms the rumor, the price will go higher and an investor could sell at a profit. Of course, everyone can't do this, because if they did, stock prices would jump on rumors and plummet on the news. Of course, the biggest risk is that an investor will act on false rumors. The first step in verifying a rumor is to figure out its source.

Most people have become rightly skeptical of information presented in Internet forums and nowhere else. But it should also be noted that it's a bad idea to ever invest in a smallcap company based on a rumor. These companies are generally outside of the mainstream media's purview. So scam artists tend to believe that investors will have a hard time figuring out if rumors about such companies are false or true. Since smallcap companies are also traded thinly, a few people acting on phony information (or in concert, to make the phony tip seem true) can easily move the stock price. Scam artists are also less fearful of telling lies about small companies that might not have the money to pursue a legal claim against the liar. Not only can Microsoft's vast public relations machine dispel lies quickly, its vast team of lawyers can ruin the liar.

Investors should buy true rumor only and should sell based on facts.

2.3 Nepalese Context

There is few research studies conducted on stock market prices of Nepal as compared to the capital market elsewhere in the world. But most, if not all, of them are concentrated either to describe superficially the problems and prospects of the stock market in Nepal or to analyze the impact of certain financial variable on the stock price.

Unfortunately, till date; no specific research studies have been performed on stock price movements using technical analysis approach using various technical analysis tools in the Nepalese context. However, empirical works about stock price movements following technical approach and random walk model have been deliberated. So in order to make this study more comprehensive and meaningful some studies related to stock market and its price behavior and consulted and reviewed on the following pages.

Khatiwada, (1996) stated some aspects of the market performance of securities in Nepal. In order to draw inference in relation to subject matter, he specified the objectives of study like analyzing the stock market performance, measuring the stock market in terms of size, liquidity and concentration and presenting a comparative analysis of money market in the face of now issue market etc. along with other objectives.

Shah, (1996) states that:

- Issue of corporate securities shows that corporate securities consist of common stock, preference share, debenture and mutual fund/ unit scheme. Among these securities, most of the companies issue common stock and hence it has high volume of coverage in Nepalese market. Likewise, we can see debentures, mutual fund/ unit scheme and preferred stock has the respective position in the Nepalese security market.
- Issue of government securities shows that the government securities consists of treasury bill, development bonds, national saving bond, public saving card and special bonds. Among these securities government issues heavy volume of treasury bills and hence it has high volume of coverage in Nepalese market. Likewise, special bonds, national saving bonds,

development bonds and public saving card have the respective position in the Nepalese market.

- The level of investors' awareness in the securities market was found low. Majority of the respondents replied that the investors were not aware regarding investment in security market.
- The market capitalization of different financial instrument shows that common stock has the coverage of trading in the market. In the common stock also we can find the common stock of financial sector is high and most probably this trend will be continuing for additional couple of years.

Bhata, (1997), asserted that in order to evaluate stock prices, the price earning information was not made available timely to the investors. The investors could not identify the good and bad stocks. The only speculative behavior of the investors regarding the future stock prices led to set the stock prices in the market, lack of value judgment to determine the stock price is the serious problem of the Nepalese stock market. This happened due to the inability of the regulatory bodies of the stock market to regulate market mechanism and failure to win the faith of investors. This problem can be solved only when the real determinants of stock prices are diagnosed and identified. To a greater extent, his assertions may hold true but the extent of regulation of market mechanism by regulatory bodies solely might not be the factor to evaluate the stock prices. The historical trends or patterns of market prices should also be taken into account to predict future prices of shares. In such a condition, analysis of shares by means of technical tools becomes vital.

Pant, (2000) asserts that the activities of buying and selling of shares on the stock are extremely important for the allocation of capital within economies and it requires in depth analysis. No doubt, trading activities are the core of the stock exchange for allocation of capital within economies. However, the majority of the investors have not been able to reap benefit from these activities; it is a matter of serious concern.

Though Pant has emphasized for in depth analysis of stock market activities, she herself has not reached to intense and in depth analysis since the data collected by her for analysis purpose are all from secondary sources. Thus, the fact remains

that the study does not depict a true analysis of stock market. Moreover, neglecting the primary source of data for intensive study is another imperfection of her study.

Mainalee (2005) mentioned that;

1) Lack of Knowledge on Different Investment Analysis Methods:

Although investors are found in favor of analyzing the securities before taking investment decision, they lack knowledge on different security analysis approaches. They have no idea about technical analysis approach.

2) Decision Making for Purchase of Sale of Stock:

Many of the investors in the stock exchange buy the shares of that company, which financial position stated in balance sheet is sound. That means their basis for making buy decision overwhelmingly depends upon fundamental facts of company. But in reality, the financial position shown in the balance sheet does not always reflect the clear picture about exchange sell their shares when they are in dire need of money. All of these facts imply that investors in the secondary market are not conscious enough on timing of sell or purchase decision of the stocks.

3) Determinants of Market Price of Shares in Nepal Stock Exchanges:

Nepalese stock market is similar to any primitive capital economies where the most influencing factor in determining the price exceeds the supply, the price will rise, if the supply surpasses the demand the price will fall. The supply and demand may be influenced by the rational as well as irrational factors. The irrational factors for influencing the price of shares in Nepalese stock market were found the insiders information and unholy act of so-called VIP shareholders.

4) Low Investors Confidence:

Investor's confidence in the Nepalese stock market is found relatively low as compared to past years. Because of stock market volatility low return on investment, inadequate information disclosure to take investment decision, investors have felt unsecured in the market. Besides this, there is general lack of investor's awareness about the operation and potential role of securities market, techniques of financial analysis and risk and rewards of holding securities. In fact, there are various factors effecting share trading in the stock market particularly, the falling trend of share price in the stock exchange.

5) Inefficient Role of Brokers in Nepal Stock Exchange:

No doubt, the function of brokers is essential to the efficient operation of capital market. But in Nepal the role of brokers advising their clients does not hold any significance because brokers are not obliged to offer right advice to their clients and even if they advice, do not take responsibility for the quality of the advice they offer. As 80% of the investors claimed that investment decision made on the advice of brokers results on profit, it indicates that there is dearth of professionalism in brokers of Nepal stock exchange.

Pradhanang, (2007) asserted that :

- Nepalese Security Market has demonstrated the components of Dow's Thwory. From analysis of theory, primary tend, secondary trend and tertiary moves has been found,
- From the Moving average analysis NEPSE index has been provided the several buy and sell signals of security.
- This analysis shows that some time the Nepalese stock market is primarily guided by whims and not by new information. This is a sign of market inefficiency but investors can earn handsome gain from this if they try to understand such underlying causes of market movement and act accordingly.
- Analysis from the line chart and bar chart of security price of four joint Venture Banks, NEPSE index shows that the security prices is in increasing trend and there is little fluctuation of share of the bank and NEPSE index has been in increasing trend.
- The analysis shows the performance of sample four Joint venture banks. Among them the performances of Standard Chartered bank was found excellent and the performance of Himalayan bank was not satisfactory. The other bank Nabil and Everest Bank share price performance is satisfactory. Actually these performances were categorized on the basis of closing price movement during five years.
- The analysis of shares through technical approach is based on actual price movement in the market and it is not based on anticipated or forecasted value. Thus analyzing time but it largely depends on the skill or expertise of analyst.

In this way, many researchers have studied about the stock market of Nepal from different angles. Obviously the conclusion that they present is also varied according to focus, size of the sample and the methodology they followed by none of the researchers have studied about the technical Analysis using various technical analysis tools on commercial banks in Nepalese context. It is therefore, a pioneering study and a contribution to knowledge on a vital aspect concerning investment decision. In order to overcome the different of past works and to fill up the research gap, the following points will be justifiable to the study conducted on "Technical Analysis on Common Stocks of Four Commercial Banks in Nepal with Investment Tips".

CHAPTER III

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology consists of research design, population and sample, data collection techniques and analytical tools of the research study. Research is the process of arriving at dependable solution to problems through the planned and systematic collection, analysis and interpretation of data. It is most important tool for advancement of knowledge and accomplishment of purpose. Research methodology, as a vital part of research study describes the various sequential steps to be adopted by researcher in studying research problem along with the logic behind such studies.

In order to draw inferences on security analysis especially through the technical analysis on four commercial banks, different measures, as described below, have been adopted while collecting and interpreting the relevant data, facts and figures. For investment tips related literature has been reviewed and primary data is analyzed.

3.2 Research Design

A research design is the arrangement of condition for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. In fact, research design is plan, structure and strategy of investigation so as to obtain answer of the research question and to control the variance.

As the title suggests, this study is carried on to get empirical results of stock price movements. Therefore while conducting the study; descriptive along with analytical approach is followed. Descriptive approach is utilized for conceptualization, problem identification, interpretation and recommendation of the research. On the other hand, analytical approach is adopted for parametric and non-parametric test of the data.

3.3 The Population and Sampling

There are altogether 171 listed companies in the NEPSE as on May 26, 2010 covering different sectors such as commercial bank, development bank, hydropower, finance, manufacturing and processing, trading, hotel, insurance and other service industries. Though the technical analysis tools can be used to analyze and interpret any of the stock, since it could be vague to study stocks of different sectors this study has been confined to banking sector only. So, the study focused on commercial banks listed in NEPSE, therefore, the size of population is 23, the total number of commercial banks listed in NEPSE. To make the study more specific further four commercial banks listed at top in 'A' Group company by Nepal Stock Exchange making classification of the listed companies under the listing bye-law 2053 of fiscal year 2066/67. The listing is as follows:

Table No.: 1

List of "A" Group company for the F/Y 2066/67

SN	Companies Name
1	Nabil Bank Ltd.
2	Nepal Investment Bank Ltd.
3	Standard Chartered Bank Ltd.
4	Himalayan Bank Ltd.
5	Nepal SBI Bank Limited
6	Everest Bank Ltd
7	Bank of Kathmandu
8	Nepal Industrial And Co.Bank
9	Machhachapuchhre Bank Ltd
10	Laxmi Bank Limited
11	Kumari Bank Ltd
12	Siddhartha Bank Limited
13	NMB Bank Ltd.
14	KIST Bank Limited
15	DCBL Bank Ltd.
16	Nepal Finance and Saving Co.Ltd.
17	NIDC Capital Markets Ltd.
18	Narayani National Finance Co. Ltd. **
19	Nepal Share Markets Ltd.
20	Annapurna Finance Company Ltd
21	Kathmandu Finance Limited.
22	Peoples Finance Limited.

23	Union Finance Ltd. *
24	Citizen Investment Trust
25	Nepal Aawas Bikas Beeta Co. Ltd.
26	Gorkha Finance Ltd.
27	Universal Finance Ltd.
28	Maha Laxmi Finance Ltd.
29	Lalitpur Finance Ltd. *
30	Goodwill Finance Co. Ltd.
31	Paschimanchal Finance Co. Ltd
32	Lumbini Finance Ltd.
33	Siddhartha Finance Limited
34	Alpic Everest Finance Com Ltd
35	United Finance Ltd
36	International Leasing And Fin. Co.
37	Shree Investment Finance Co. Ltd
38	Central Finance Co. Ltd.
39	Premier Finance Co. Ltd
40	Nava Durga Finance Co.Ltd.
41	Butwal Finance Ltd
42	Standard Finance Ltd.
43	World Merchant Bank Ltd
44	Birgunj Finance Ltd
45	Capital Mer. Bank And Fin
46	Prudential Bittiya Sans
47	Royal Mer. Bank. And Fin
48	Guheyshwori Mer. Bank. Fin *
49	IME Financial Institution
50	Imperial Financial Inst. Ltd. *
51	Civil Merchant bittya sanstha
52	ICFC Bittya Sanstha Ltd.
53	Sagarmatha Mer. Banking & Fin. Ltd. *
54	Reliable Finance Limited *
55	Shikhar Bittiya Sanstha Limited *
56	Nepal Express Finance Limited *
57	Kuber Merchant Finance Limited *
58	Prabhu Finance Company Limited *
59	Soaltee Hotel Ltd. *
60	Uniliver Nepal Ltd.
61	Nepal Doorsanchar Company Limited *
62	National Hydro Power Co. *
63	Chilime Hydro power Co.
64	National LifeInsu. Co.Ltd.
65	Himalayan Gen.Insu. Co.Ltd.

66	Everest Insurance Co. Ltd.
67	Premier Insurance co. Ltd.
68	Alliance Insurance Company Limited *
69	Sagarmatha Insurance Co.Ltd
70	Nepal Life Insurance Co. Ltd.
71	Life Insurance Co. Nepal
72	Lumbini General Insurance
73	Shikhar Insurance Co. Ltd. *
74	Siddhartha Insurance Limited
75	Nirdhan Utthan Bank Ltd.
76	Chhimek Vikash Bank Ltd.
77	Infrastructure Development Bank Limited
78	Gandaki Bikas Bank Limited
79	Business Development Bank Ltd.
80	Sanima Vikash Bank Ltd.
81	Triveni Bikas Bank Limited *
82	Purwanchal Grameen Bikash Bank Ltd *
83	Bageshowori Dev.Bank *
84	Sahayogi Vikas Bank
85	Gurkha Development Bank
86	Annapurna Bikash Bank Limited
87	Swabalamwan Bikash Bank
88	Ace Development Bank Limited
89	Himchuli Bikash Bank Ltd.
90	Malika Bikash Bank Limited *
91	Siddhartha Development Bank Limited
92	Biratlaxmi Bikash Bank Limited
93	Excel Development Bank Ltd.
94	Subhechha Bikas Bank Limited *

Source: www.nepalstock.com.

In above table the top listed four commercial banks are Nabil Bank Ltd., Nepal Investment Bank Ltd., Standard Chartered Bank Ltd and Himalayan Bank Limited. These are the banks selected for technical analysis.

Technical analysis is designed to arrive at decision just studying short span of time, in general covering less than a year. However, such study may undertake support from trends and patterns of specific periods of different years. Technical traders may conduct trading based on momentum, day trading, weekly review, monthly review and quarterly review. In Nepal momentum trading and day trading cannot be practiced as "Future Stock Market" mechanism and on line trading both does not exist. Further the frequency of transaction is also slow in comparative to international stock exchange. Considering all these facts data of

one month is taken for study. The research period undertaken in this study is June, 2010. Next there is no custom designed software available in Nepalese market to make studies. Some of the technical analysis tools generated using excel worksheet of Microsoft office is used to make analysis of data collected from www.nepalstock.com. They are trend line, Japanese candlesticks, bar chart and moving average.

3.4 Data Collection

In order to make the study more reliable and coherent both primary and secondary sources have been applied here while collecting data, facts and statistics.

The primary source was the questionnaire filled up by respondents. Most of the questions forwarded in questionnaire were closed in type to comprehend respondents and make the study more specific. Printed sheets of questionnaire and questionnaire for online reply were developed to cover more respondents. The questionnaire was designed to acquire three kinds of responses; 1) Yes/No answer, 2) Multiple choices answer with descriptive option containing altogether eighteen questions. Thirty copies of printed sheets of questionnaire were distributed to prospective respondents, out of them twenty two respondents have replied.

Twenty copies of questionnaire developed for online reply is distributed to prospective respondent instructing them to fill themselves and distribute copies of blank questionnaire to their friends, relatives and coworkers if possible. But only one of them replied the questionnaire. Primary source of data is used to get insights about the investment behavior of investors in stock market.

Secondary sources of data are used to get data and statistics of commercial banks. Mainly 90 days stock wise price downloaded for www.nepalstock.com is used to attain required data to analyze stocks of four commercial banks for the month of June, 2010. Besides daily, monthly and annual trading reports and publications are used for references.

3.5 Data Analysis Tools

This thesis is designed to guide how to identify trends and patterns on various technical analysis tools. Such tools of technical analysis are Trend line, Japanese candlesticks chart, Volume bar chart and 5 days' moving average.

Trend line

A trend line is a sloping line that is drawn between two or more prominent points on a chart. Rising trends are defined by a trend line that is drawn between two or more troughs (low points) to identify price support. Falling trends are defined by trend lines that are drawn between two or more peaks (high points) to identify price resistance.

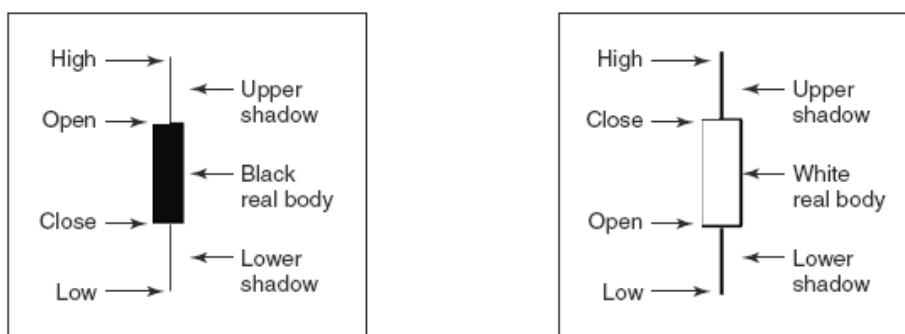
Japanese Candlesticks chart

In the 1600s, the Japanese developed a method of technical analysis to analyze the price of rice contracts. This technique is called candlestick charting. Steven Nison is credited with popularizing candlestick charting and has become recognized as the leading expert on their interpretation.

Candlestick charts display the open, high, low, and closing prices in a format similar to a modern-day bar-chart, but in a manner that extenuates the relationship between the opening and closing prices. Candlestick charts are simply a new way of looking at prices, they don't involve any calculations.

Each candlestick represents one period (e.g., day) of data. Following figure displays the elements of a candle.

Figure 1: Candlestick's basics



Volume bar chart

Volume is simply the number of trades executed during a specified period — one trader buys and one trader sells and the volume is one. The volume figure usually released by the exchange is a total for all of the contract months of a given market. Most technical analysts believe that volume is an indicator of the strength of a market trend. Because it is also a relative measure of the dominant behavior of the market, analysts regard volume as an important aspect of analysis, particularly when trading stocks.

Volume is important because it is a measurement of the market's acceptance or rejection of price at a specific level and time. There are several guidelines for using volume analysis on price charts. The first one is that if a market is increasing in price and volume is increasing, the market is considered to be in a bullish mode and can support further price increases. The exact opposite is true for a declining market. However, if a substantial daily market price increase or decrease occurs after a long steady uptrend or downtrend and has an unusually high volume period; it is considered to be a blow-off top or bottom and can signal a market turning point or trend reversal.

Volume bar chart represents the volume of stock traded in bar chart form.

Moving Average

A Moving Average is an indicator that shows the average value of a security's price over a period of time. When calculating a moving average, a mathematical analysis of the security's average value over a predetermined time period is made. As the price of security changes, its average price moves up or down.

There are five popular types of moving averages: simple (also referred to as arithmetic), exponential, triangular, variable, and weighted. Moving averages can be calculated on any data series including a security's open, high, low, close, volume, or another indicator.

The only significant difference between the various types of moving averages is the weight assigned to the most recent data. Simple moving averages apply equal weight to the prices. Exponential and weighted averages apply more weight to recent prices. Triangular averages apply more weight to prices in the middle of the time period. And variable moving averages change the weighting based on the volatility of prices.

Moving average based on different periods are used to measure short term, intermediate or long term trend. For long term trend average of long period 100 to 200 days is taken to calculate moving average. For very short term trend 5 to 13 days moving average can be used. In this study 5 days simple moving average with equal weight is used.

Percentage

For analysis of questionnaire simple statistical tool, percentage is used for comprehensive comparison.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter aids to analyze and elucidate the collected data following the conversion of unprocessed data to understandable presentation. Thus, this chapter presents the data in the format of table, figure, charts and interpretation thereof.

4.2 Analysis of Primary Data

Questionnaire has been used as a tool to collect primary data from investors themselves. For analysis of some information firsthand information is superior to secondary and published data. Those who want to outperform using technical analysis must know market sentiment i.e. demand and supply pressure. Though financing decision majorly consider numerical figure, behavioral aspects of investors cannot be neglected. It is the psychology and sentiments of investors that leads them to take buy, hold or sell decision. If majority of investors are optimistic bull pressure may arise where as if majority of investors are pessimistic bear pressure will arise. Similarly the confidence of investors determines how long they can hold securities. From these all ground it is quite clear that investment behavior of investors should be known well before anyone invests in share market. Hence, questionnaire has been developed to forward some questions related to their investment attitude, knowledge and practices to investors.

Most of the questions forwarded in questionnaire were closed in type to comprehend respondents and make the study more specific. Printed sheets of questionnaire and questionnaire for online reply were developed to cover more respondents. The questionnaire was designed to acquire three kinds of responses; 1) Yes/No answer, 2) Multiple choices answer with descriptive option containing altogether eighteen questions. Thirty copies of printed sheets of questionnaire were distributed to prospective respondents, out of them twenty two respondents have replied.

Twenty copies of questionnaire developed for online reply is distributed to prospective respondent instructing them to fill themselves and distribute copies of

questionnaire to their friends, relatives and coworkers. But only one of them replied the questionnaire. So, altogether 23 respondents have replied questionnaire duly filled. Further to notice whether there is difference in investment behavior of investors who visits office of security broker and other investors who are found elsewhere, questionnaire replied are grouped identifying them.

For questionnaire analysis raw data has been tabulated and converted in percentage to compare what majority of investors think on particular issue.

Investors are asked which market is attractive for Nepalese investors to buy shares. On this question 9 investors found in security broker office replied primary market and 5 of them replied secondary market. On the other hand 9 investors responding elsewhere replied primary market only.

Table No. 2:
Opinion about Market Attractiveness for
Nepalese Investors to Buy Shares

Option	SBO Investors	%	E Investors	%	Total	%
a	9	64.29%	9	100.00%	18	78.26%
b	5	35.71%	0	0.00%	5	21.74%
Total	14	100.00%	9	100.00%	23	100.00%
a	Primary Market					
b	Secondary Market					

As shown in the table 6, 64.69% of investors found in security broker's office think that primary market is attractive for Nepalese investors to buy shares where as 35.71% think that secondary market is attractive for Nepalese investors. On the other hand, 100% of investors found elsewhere think that primary market is attractive to Nepalese investors to buy shares. In total 78.26% of investors think that primary market is attractive for Nepalese investors and 21.74% think that secondary market is attractive for Nepalese investors to buy shares. So we can conclude that investors think primary market is more attractive to buy shares than secondary market.

Next, investors are asked which market is attractive for them to buy share. On this question 8 investors found in security broker's office replied primary market and 6 of them replied secondary market. Similarly, 6 investors found elsewhere replied primary market and 3 replied secondary market.

Table No. 3:

Market Attractiveness for Investors to Buy Shares

Option	SBO Investors	%	E Investors	%	Total	%
a	8	57.14%	6	66.67%	14	60.87%
b	6	42.86%	3	33.33%	9	39.13%
Total	14	100.00%	9	100.00%	23	100.00%
a	Primary Market					
b	Secondary Market					

As shown in the table, for 57.14% of the investors found in security broker's office, primary market is attractive for them to buy shares and for rest of 42.86% of them, secondary market is attractive to buy shares. Likewise, for 66.69% of investors found elsewhere primary market is attractive to buy shares and for remaining 33.33% of investors secondary market is attractive to buy shares. In total, for 60.87 % of the investors, primary market attractive and for 39.13% of investors, secondary market is attractive to buy shares. So in conclusion it can be said that for majority of investors, primary market is attractive to buy shares.

Next, investors are asked to give opinion about how Nepalese investors make a decision to purchase a share of certain company in the secondary market. Out of investors found in security broker's office 5 have selected a, 1 has selected b, 3 have selected c, 2 have selected d, 1 has e and 2 have selected f. 2 of investors found elsewhere selected a, 2 have selected b, 2 have selected c and 3 have selected d. This can be shown in following table.

Table No. 4:
Opinion of Investors about How Nepalese Investors Make a Decision to
Purchase Shares in the Secondary Market

Option	SBO Investors	%	E Investors	%	Total	%
a	5	35.71%	2	22.22%	7	30.43%
b	1	7.14%	2	22.22%	3	13.04%
c	3	21.43%	2	22.22%	5	21.74%
d	2	14.29%	3	33.33%	5	21.74%
e	1	7.14%	0	0.00%	1	4.35%
f	2	14.29%	0	0.00%	2	8.70%
Total	14	100.00%	9	100.00%	23	100.00%
a	By making fundamental analysis of company.					
b	Consulting a broker					
c	Applying technical analysis of stocks					
d	Act on whim					
e	Without any studies					
f	Other					

As shown in above table greater % (35.71%) of investors found in security broker's office opinioned that Nepalese investors make a decision to purchase share in secondary market by making fundamental analysis of company where as greater % (33.33%) of investors found elsewhere viewed that Nepalese investors act on whim to purchase shares in the secondary market. In total greater % (30.43%) of investors believe that Nepalese investors make a decision to buy shares in the secondary market by making fundamental analysis of the company.

Next, investors are asked how they make decision to purchase share of certain company in the secondary market. Out of investors found in security broker's office 9 have selected a, 3 have selected b, 1 have selected c and 1 has selected f. 5 of investors found elsewhere selected a, 1 has selected b, 1 has selected c, 2 have selected f. This can be shown in following table.

Table No. 5:
Methods Investors Use to Make Decision of Share Purchase
in Secondary Market

Option	SBO Investors	%	E Investors	%	Total	%
a	9	64.29%	5	55.56%	14	60.87%
b	3	21.43%	1	11.11%	4	17.39%
c	1	7.14%	1	11.11%	2	8.70%
d	0	0.00%	0	0.00%	0	0.00%
e	0	0.00%	0	0.00%	0	0.00%
f	1	7.14%	2	22.22%	3	13.04%
Total	14	100.00%	9	100.00%	23	100.00%
a	By making fundamental analysis of company.					
b	Consulting a broker					
c	Applying technical analysis of stocks					
d	Act on whim					
e	Without any studies					
f	Other					

From above table it can be said that most of investors found in security broker's office buy shares in secondary market by making fundamental analysis of company. Similarly, most of the investors found elsewhere also buy shares in secondary market by making fundamental analysis of company. Only 7.14% of investors found in security broker's office replied that they use technical analysis to buy stocks in secondary market and only 11.11% of investors found elsewhere replied that they use technical analysis to buy stocks in secondary market. On total only 8.70% of investors have said they use technical analysis to buy shares. These figures show that very little percentage i.e. below 9% of investors use technical analysis. So, technical analysis is not yet a popular tool among investors.

Next, investors are asked to express their opinion on how long one should hold share purchased to get appropriate benefit for such share purchased. On reply from investors found in security broker's office, 2 have selected c, 1 has selected e

and 11 have selected f. From investors found elsewhere 1 has selected a, 2 have selected b, 2 have selected c and 4 have selected f. This can be shown in following table.

**Table No. 6:
Holding Period to Get Appropriate Benefit**

Option	SBO Investors	%	E Investors	%	Total	%
a	0	0.00%	1	11.11%	1	4.35%
b	0	0.00%	2	22.22%	2	8.70%
c	2	14.29%	2	22.22%	4	17.39%
d	0	0.00%	0	0.00%	0	0.00%
e	1	7.14%	0	0.00%	1	4.35%
f	11	78.57%	4	44.44%	15	65.22%
Total	14	100.00%	9	100.00%	23	100.00%
a	Below six months					
b	Six months to one year					
c	One year to three years					
d	Three to five years					
e	Above five years					
f	Situational					

As shown in above table most of the investors viewed that holding period for stock purchased should not be specific, it should be situational.

Next, investors are asked when people sell their securities. In response from investors found in security broker's office, 7 replied a, 2 replied b, 2 replied c, 2 replied e and 1 of them replied f. On the other hand from investors found elsewhere, 6 have replied b, 1 has replied c, 1 has replied e and 1 has replied f. It can be shown in following table.

Table No.7:
Opinion about Situation at Which People Sell Their Securities

Option	SBO Investors	%	E Investors	%	Total	%
a	7	50.00%	0	0.00%	7	30.43%
b	2	14.29%	6	66.67%	8	34.78%
c	2	14.29%	1	11.11%	3	13.04%
d	0	0.00%	0	0.00%	0	0.00%
e	2	14.29%	1	11.11%	3	13.04%
f	1	7.14%	1	11.11%	2	8.70%
Total	14	100.00%	9	100.00%	23	100.00%
a	When market price is rising sharply					
b	When market price declines sharply					
c	When company's earnings declines					
d	When company's fails to pay dividend					
e	When cash is needed urgently					
f	Other					

As shown in above table 50% of the investors found in security broker's office believed that people sell their securities when market price is rising sharply. On the other hand 66.67% of investors found elsewhere believed that people sell their securities when market price is declines sharply. None of them believed that people sell their securities if company fails to pay dividend.

Next, investors are asked when investors themselves sell their securities. On this question from the investors found in securities broker's office, 1 have selected a, 1 has selected b, 1 has selected c and 1 has selected variable f. Similarly from investors found elsewhere, 4 have selected a, 1 has selected b, 2 has selected e and 2 have selected f. Following table shows these figures.

Table No. 8:
Situation at Which Investors Themselves Sell Their Securities

Option	SBO Investors	%	E Investors	%	Total	%
a	11	78.57%	4	44.44%	15	65.22%
b	1	7.14%	1	11.11%	2	8.70%
c	1	7.14%	0	0.00%	1	4.35%
d	0	0.00%	0	0.00%	0	0.00%
e	0	0.00%	2	22.22%	2	8.70%
f	1	7.14%	2	22.22%	3	13.04%
Total	14	100.00%	9	100.00%	23	100.00%
a	When market price is rising sharply					
b	When market price declines sharply					
c	When company's earnings declines					
d	When company's fails to pay dividend					
e	When cash is needed urgently					
f	Other					

As shown in above table majority of investors replied that they sell their securities when market price is rising sharply. They are more tempted in earning capital gain than earnings and dividend distribution.

Next question is about whether they believe Nepalese Investors receive specific training, education or guidance form expert about "Investment in Securities" or not. On this question form investors found in securities broker's office, 1 answered a, 1 has answered b, 11 have answered c and 1 has answered d. Similarly from investors found elsewhere 1 has answered a, 6 have answered c and 2 have answered d. This can be shown in following table.

Table No. 9:
Opinion of Investors about Whether Other Nepalese Investors Receive Specific Training, Education or Guidance from Expert about "Investment in Securities"

Option	SBO Investors	%	E Investors	%	Total	%
a	1	7.14%	1	11.11%	2	8.70%
b	1	7.14%	0	0.00%	1	4.35%
c	11	78.57%	6	66.67%	17	73.91%
d	1	7.14%	2	22.22%	3	13.04%
Total	14	100.00%	9	100.00%	23	100.00%
a	Yes, all					
b	Yes, most of them					
c	Yes, but only limited investors					
d	No					

As shown in above table most of investors believe that only few investors receive specific training, education or guidance from expert about "investment in securities".

Next, investors are asked question whether investors themselves have acquired specific training from training institute about "investment in securities" or guidance from expert to invest in securities or not. 12 investors found in securities broker's office answered "no"(b) and only 2 have replied "yes"(a). Similarly form investors found elsewhere, 7 replied "no"(b) and only 2 replied "yes"(a). So, it can be said that most of investors do not receive specific training from training institute about "investment in securities" or guidance from expert to invest in securities. This can be show in following table.

Table No. 10:
Acquisition of Specific Training by investors about "Investment in Securities" or Guidance from Expert to Invest in Securities

Option	SBO Investors	%	E Investors	%	Total	%
a	2	14.29%	2	22.22%	4	17.39%
b	12	85.71%	7	77.78%	19	82.61%
Total	14	100.00%	9	100.00%	23	100.00%
a	Yes					
b	No					

Next, investors are inquired if they think Nepalese investors are satisfied for their investment made in shares or not. On this question 5 investors found in security broker's office replied "yes"(a) and 9 have replied "no"(b). Similarly 4 investors found elsewhere replied "yes"(a) and 5 investors replied "no"(b).

Table No.11:
Opinion about Satisfaction of Nepalese Investors for Their Investment Made in Shares

Option	SBO Investors	%	E Investors	%	Total	%
a	5	35.71%	4	44.44%	9	39.13%
b	9	64.29%	5	55.56%	14	60.87%
Total	14	100.00%	9	100.00%	23	100.00%
a	Yes					
b	No					

As shown in above table majority of investors believe that Nepalese investors are not satisfied for their investment made in shares. Investors found in securities broker's office believe more on the notion that Nepalese investors are not satisfied for their investment made in share.

Next question is about satisfaction of investors on their own investment made in shares. On this question 7 investors found in securities broker's office replied "yes"(a), 6 have replied "no"(b) and 1 has not replied. Similarly 5 investors found in elsewhere replied "yes"(a), 3 have replied "no"(b) and 1 has not replied. This can be shown in following table.

Table No.12:
Satisfaction of the Investors on
Their Own Investments Made in Shares

Option	SBO Investors	%	E Investors	%	Total	%
a	7	50.00%	5	55.56%	12	57.14%
b	6	42.86%	3	33.33%	9	42.86%
U	1	7.14%	1	11.11%	2	9.52%
Total	14	100.00%	9	100.00%	21	100.00%
a	Yes					
b	No					
U	Unanswered					

As shown in above table majority of investors are satisfied for their own investments made in shares. Investors found elsewhere are more satisfied than investors found in securities broker's office.

Next, investors are asked how far they agree on the statement that Nepalese stock market is leading towards wrong direction, so it will result financial crisis in future period. On this question 2 investors found in securities broker's office have replied a, 6 have replied b, 5 have replied c and 1 has replied c. On the other hand 1 investor found elsewhere replied a, 2 have replied b, 5 have replied c and 1 has not replied.

Table No.13:
Opinion about Financial Crisis on Stock Market in Future Periods

Option	SBO Investors	%	E Investors	%	Total	%
a	2	14.29%	1	11.11%	3	13.04%
b	6	42.86%	2	22.22%	8	34.78%
c	5	35.71%	5	55.56%	10	43.48%
d	1	7.14%	0	0.00%	1	4.35%
U	0	0.00%	1	11.11%	1	4.35%
Total	14	100.00%	9	100.00%	23	100.00%
a	Strongly agree					
b	Agree					
c	Disagree					
d	Strongly disagree					
U	Unanswered					

As shown in the table majority (14.29% +42.86% = 57.14%) of investors found in securities broker's office agree that Nepalese stock market is leading towards wrong direction, so it will result financial crisis in future periods. On the other hand majority (55.56%) of investors found elsewhere believe that financial crisis in stock market will not occur. In total there are equal people, 11 who agree and 11 who disagree, for and against the statement that Nepalese stock market is leading towards wrong direction, so, it will result financial crisis in future periods.

Next, investors are asked to select a variable that is mainly responsible for slowdown in development of Nepalese share market or to rank the variables if they think multiple factors are responsible for that. In reply some investors have selected one particular variable, some have selected multiple variables without ranking and some have selected multiple variables ranking them. It can be shown in following Table.

Table No. 14.1:
Rank of Factors Responsible for Slowdown in Development of Nepalese
Share Market

SBO Investors							
variable S.No\	a	B	c	d	e	f	g
1)	✓	✓	✓	✓	-	-	-
2)	✓	✓	✓	✓	✓	✓	-
3)	3	1	4	6	5	2	-
4)	1	3	2	4	5	6	-
5)	1	2	-	-	-	-	-
6)	1	3	4	6	5	2	-
7)	3	1	2	-	4	-	-
8)	1	2	4	5	3	6	-
9)	-	-	-	-	-	1	-
10)	1	2	3	4	5	6	-
11)	5	4	3	2	6	1	-
12)	-	1	-	-	-	-	-
13)	1	-	-	-	-	-	-
14)	-	-	1	-	-	-	-
							□
E Investors							
variable S.No\	a	B	c	d	e	f	-
1)	4	1	2	5	6	3	-
2)	1	-	-	-	-	-	-
3)	1	-	-	-	-	-	-
4)	-	✓	✓	-	-	-	-
5)	1	4	5	6	2	3	-
6)	-	1	-	-	-	-	-
7)	2	1	3	5	4	6	-
8)	5	1	4	3	2	6	-
9)	-	-	1	-	-	-	-

a	Defective government policy
b	Unstable government
c	Lack of security and peace
d	Share broker's malpractices
e	security Brokers' Negligence
f	Defective government policy
g	Other

In above table tick mark (✓) denotes selection of variable without giving rank and dash mark (_) denotes variable is unselected. Form above table it is difficult to say which variable is to be ranked first, second, third and so on. So for overall ranking one model is developed here. Rank number given is set constant as earlier; unranked selected variables are given equal weight first summing the numbers value of variable selected (Sn) and dividing it by number (n). For example,

To calculate rank value given to variables by investor given S.No1 of investor found in security broker's office,

No of variables selected (n) =4

Sum of number value of variable selected (Sn) = 1+2+3+4= 10

Rank number for each variable (R) = $S_n/n = 10/4 = 2.5$

So, rank number given to S.No.1 of SBO Investors for variable a, b, c and d is 2.5 each.

Next, for the variable unselected less weight should be given. So, number value 7 is given for unselected variable. Variable g is not selected by anyone, so it will not be listed in rank. At last, all the rank number of respective variable will be summed and summed ranked number having less score will be given first rank, next higher score 2 and so on. Following table is derived using this model.

Table No. 14.2:
**Overall Ranking of Factors Responsible for slowdown in development of
Nepalese Share Market**

SBO Investors							
variable S.No\	a	B	c	d	e	f	
1)	2.5	2.5	2.5	2.5	7	7	
2)	3.5	3.5	3.5	3.5	3.5	3.5	
3)	3	1	4	6	5	2	
4)	1	3	2	4	5	6	
5)	1	2	7	7	7	7	
6)	1	3	4	6	5	2	
7)	3	1	2	7	4	7	
8)	1	2	4	5	3	6	
9)	7	7	7	7	7	1	
10)	1	2	3	4	5	6	
11)	5	4	3	2	6	1	
12)	7	1	7	7	7	7	
13)	1	7	7	7	7	7	
14)	7	7	1	7	7	7	
Sum (i)	44	46	57	75	78.5	69.5	
Overall Rank	1	2	3	5	6	4	
E Investors							
variable S.No\	a	B	c	d	e	f	
1)	4	1	2	5	6	3	
2)	1	7	7	7	7	7	
3)	1	7	7	7	7	7	
4)	7	1.5	1.5	7	7	7	
5)	1	4	5	6	2	3	
6)	7	1	7	7	7	7	
7)	2	1	3	5	4	6	
8)	5	1	4	3	2	6	
9)	7	7	1	7	7	7	
Sum (ii)	35	30.5	37.5	54	49	53	

Overall Rank	2	1	3	6	5	4	
Sum(i+ii)	79	76.5	94.5	129	127.5	122.5	
Overall Rank for Total	1	2	3	5	6	4	
a	Defective government policy						
b	Unstable government						
c	Lack of security and peace						
d	Share broker's malpractices						
e	security Brokers' Negligence						
f	Defective government policy						

Form above table it can be said that for investors found in securities broker's office, defective government policy is mainly responsible for slowdown in development of Nepalese share market, secondly unstable government is responsible, thirdly lack of peace and security, fourthly security boards' negligence, fifthly share brokers' malpractices and sixthly big investors with vested interest. On the other hand for investors found elsewhere unstable government is mainly responsible for slowdown in development of Nepalese share market, secondly defective government policy, thirdly lack of peace and security, fourthly security boards' negligence, fifthly big investors with vested interest and sixthly share brokers' malpractices. In overall rank for all investors defective government policy is mainly responsible for slowdown of Nepalese share market, secondly unstable government, thirdly lack of peace and security, fourthly security boards' negligence, fifthly share brokers' malpractices and sixthly big investors with vested interest.

Next, investors are asked how far they believe that investors should be allowed to invest in foreign securities market to bring prosperity and diversity. In reply 3 investors found in security broker's office selected variable a, 7 have selected b, 2 have selected c and 2 have selected c. Similarly from investors found elsewhere, 4

have selected a, 3 have selected b and 2 have selected d. This can be shown in following table.

Table No. 15:
Should Investors allowed to Invest in Foreign Securities Market

Option	SBO Investors	%	E Investors	%	Total	%
a	3	21.43%	4	44.44%	7	30.43%
b	7	50.00%	3	33.33%	10	43.48%
c	2	14.29%	0	0.00%	2	8.70%
d	2	14.29%	2	22.22%	4	17.39%
Total	14	100.00%	9	100.00%	23	100.00%
a	Strongly agree					
b	Agree					
c	Disagree					
d	Strongly disagree					

As shown in above table majority of investors (30.43%+43.48%= 73.91%) believe that investors should be allowed to invest in foreign securities market to bring prosperity and diversity.

Next, investors are asked how far they believe that small investors cannot reap benefit from security market. In reply 6 investors found in security brokers' office selected variable b, 6 have selected c and 2 have selected d. On the other hand from investors found elsewhere, 2 have selected a, 2 have selected b and 4 have selected d. This can be shown in following table.

Table No.16:
Investors' Belief that Small Investors Cannot Reap Benefit from Security Market

Option	SBO Investors	%	E Investors	%	Total	%
a	0	0.00%	2	22.22%	2	8.70%
b	6	42.86%	2	22.22%	8	34.78%
c	6	42.86%	5	55.56%	11	47.83%
d	2	14.29%	0	0.00%	2	8.70%
Total	14	100.00%	9	100.00%	23	100.00%

a	Strongly agree
b	Agree
c	Disagree
d	Strongly disagree

As shown in the table majority of investors (47.83%+8.70% = 56.52%) disagree on the statement that small investors cannot reap benefit from security market. So, investors believe that even small investors can also reap benefit from securities market.

Next, investors are asked what determines the market price of share in Nepal. 8 of the investors found in securities broker's office replied variable a, 1 has replied b, 1 has replied d, 3 have replied e and 1 has not replied. Similarly 5 of investors found elsewhere replied a, 1 has replied b, 1 has replied c and 2 have replied e.

Table No.17:
Investors View about Factors Determining the Market Price of Share in Nepal

Option	SBO Investors	%	E Investors	%	Total	%
a	8	57.14%	5	55.56%	13	56.52%
b	1	7.14%	1	11.11%	2	8.70%
c	0	0.00%	1	11.11%	1	4.35%
d	1	7.14%	0	0.00%	1	4.35%
e	3	21.43%	2	22.22%	5	21.74%
U	1	7.14%	0	0.00%	1	4.35%
Total	14	100.00%	9	100.00%	23	100.00%
a	Demand and supply pressure of shares in secondary market					
b	Future plans and policies of company					
c	Current performance of company					
d	Historical returns provided by company					
e	Other					
U	Unanswered					

As shown in above table majority of investors (56.52%) viewed that demand and supply pressure of shares in secondary market determines market price. Only few

people believed that current performance, future plans and policies of company or historical returns determines market price. Two investors who have chosen variable 'e' replied that variables a, b and c determines market price. Other one who has selected variable 'e' replied that variable a, b, c and d all determines market price.

Next, investors are asked whether historical information about trends and patterns of market price of stock be helpful to predict market price of share. In reply 5 of investors found in securities broker's office said 'yes', one said 'no' and 8 said 'can't say'. Similarly 5 of investors found elsewhere replied 'yes' and 4 replied 'can't say'. This can be shown in following table.

Table No.18:

Views about Usefulness of Trends and Patterns to Predict Market Price of Share

Option	SBO Investors	%	E Investors	%	Total	%
a	5	35.71%	5	55.56%	10	43.48%
b	1	7.14%	0	0.00%	1	4.35%
c	8	57.14%	4	44.44%	12	52.17%
Total	14	100.00%	9	100.00%	23	100.00%
a	Yes					
b	No					
c	Can't say					

As shown in above table majority (57.14%) of investors found in securities broker's office are not sure about usefulness of trends and patterns to predict market price of shares whereas majority of investors found elsewhere believe that trends and patterns are useful to predict market price of share. In total majority (52.17%) of investors are not sure about usefulness of trends and patterns to predict market price of share.

Next, investors are asked if it is necessary to extend stock exchange market in all development regions. 12 of the investors found in securities broker's office replied

'yes', 1 has replied 'no' and 1 has replied 'can't say'. Similarly 8 of the investors found elsewhere replied 'yes' and 1 replied 'can't say'.

Table No. 19

Necessity to Extend Stock Exchange Market in All Development Regions

Option	SBO Investors	%	E Investors	%	Total	%
a	12	85.71%	8	88.89%	20	86.96%
b	1	7.14%	0	0.00%	1	4.35%
c	1	7.14%	1	11.11%	2	8.70%
Total	14	100.00%	9	100.00%	23	100.00%
a	Yes					
b	No					
c	Can't say					

As shown in the table most of the investors (86.96%) have replied that it is necessary to extend stock exchange market in all development regions.

Some of the questions in the questionnaire are developed to check differences and similarities of investors feeling and practices in comparison to other Nepalese investors. But it is to be noted that in this research behaviour of Nepalese investors is predicted based on views of respondent investors, not based on published or unpublished statistics. So it is about differences in selection of alternatives by respondent investors and their beliefs about Nepalese investors.

First and second question are set to identify whether individual investors believe they are different in preference on type of market or not. 11 investors found in securities broker's office replied same and 3 replied differently. Similarly 6 investors found elsewhere replied same option and 3 had replied differently. This can be shown in following table.

Table No.20.1:
Preference Given on Types of Market to Buy Shares by Respondent Investors
Vs Nepalese Investors

cases	SBO Investors	%	E Investors	%	Total	%
S	11	78.57%	6	66.67%	17	73.91%
D	3	21.43%	3	33.33%	6	26.09%
Total	14	100.00%	9	100.00%	23	100.00%
S	Selection of same variable in first and second question					
D	Selection of different variables in first and second question					

As shown in above table, most of respondent investors (73.91%) feel that they select same market as a preference like that of Nepalese Investors.

Third and fourth question are set to identify whether each individual respondent investor believe they are applying same method to buy shares as Nepalese investors do. 5 investors found in securities broker's office replied same and 9 replied differently. Similarly 1 investors found elsewhere replied same option and 8 had replied differently. This can be shown in following table.

Table No.20.2
Methods Applied to Buy Shares in Secondary Market; Respondent Investors
Vs Nepalese Investors

cases	SBO Investors	%	E Investors	%	Total	%
S	5	35.71%	1	11.11%	6	26.09%
D	9	64.29%	8	88.89%	17	73.91%
Total	14	100.00%	9	100.00%	23	100.00%
S	Selection of same variable in third and fourth question					
D	Selection of different variable in third and fourth question					

As shown in above table most of the investors (73.91%) viewed that they apply different method to make a decision to purchase shares of certain company than what Nepalese investors do.

Next, in sixth and seventh question, methods supposed to be used by Nepalese Investors to sell securities and methods used by respondent investors themselves are identified. Combining answers of these two question difference assumed by respondent investors about method used to sell securities comparative to Nepalese investors can be traced out. 7 investors found in securities broker's office replied same variable and 7 replied different variables. On the other hand 2 investors found elsewhere replied same variable and 7 replied different variables.

Table No.20.3

Methods Used to Sell Securities; Respondent Investors Vs Nepalese Investors

cases	SBO Investors	%	E Investors	%	Total	%
S	7	50.00%	2	22.22%	9	39.13%
D	7	50.00%	7	77.78%	14	60.87%
Total	14	100.00%	9	100.00%	23	100.00%
S	Selection of same variable in sixth and seventh question					
D	Selection of different variables in sixth and seventh question					

As shown in above table there are equal number of people who believe they use same method as Nepalese investors do to sell securities and use different methods than Nepalese investors do among investors found in securities broker's office. On the other hand most of the investors (77.8%) found in elsewhere believe that they use different method to sell their securities than what other Nepalese Investors do.

At last, in tenth and eleventh question, expected satisfaction of Nepalese investors and satisfaction of investors themselves is identified. Combining answers of these two question difference or similarities assumed by respondent investors about satisfaction can be traced out. 11 investors found in securities broker's office replied same variable and 3 replied different variables. Similarly, 6 investors found elsewhere replied same variable and 3 replied different variables. This can be shown in following table.

Table No.20.4
Satisfaction from Share Investment; Respondent Investors Vs Nepalese
Investors

cases	SBO Investors	%	E Investors	%	Total	%
S	11	78.57%	6	66.67%	17	73.91%
D	3	21.43%	3	33.33%	6	26.09%
Total	14	100.00%	9	100.00%	23	100.00%
S	Selection of same variable in tenth and eleventh question					
D	Selection of different variable in tenth and eleventh question					

Above table shows that most of the investors (73.91%) feel that they are satisfied or unsatisfied consistently like other Nepalese people.

4.2.1 Major findings of primary Data

1. 64.69% of investors found in security broker's office think that primary market is attractive for Nepalese investors to buy shares where as 35.71% think that secondary market is attractive for Nepalese investors. On the other hand, 100% of investors found elsewhere think that primary market is attractive to Nepalese investors to buy shares. In total 78.26% of investors think that primary market is attractive for Nepalese investors and 21.74% think that secondary market is attractive for Nepalese investors to buy shares. So we can conclude that investors think primary market is more attractive to buy shares than secondary market.
2. For 57.14% of the investors found in security broker's office, primary market is attractive for them to buy shares and for rest of 42.86% of them, secondary market is attractive to buy shares. Likewise, for 66.69% of investors found elsewhere primary market is attractive to buy shares and for remaining 33.33% of investors secondary market is attractive to buy shares. In total, for 60.87 % of the investors, primary market attractive and for 39.13% of investors, secondary market is attractive to buy shares. So in

conclusion it can be said that for majority of investors, primary market is attractive to buy shares.

3. There are more investors who believe that Nepalese investors make a decision to buy shares in the secondary market by making fundamental analysis of the company.
4. Most of investors replied that they use fundamental analysis to buy shares in secondary market. There are very few investors who use technical analysis. So, technical analysis is not yet a popular tool among investors.
5. Most of the investors viewed that holding period of stock should not be specific, it should be situation.
6. 50% of the investors found in security broker's office believed that people sell their securities when market price is rising sharply. On the other hand 66.67% of investors found elsewhere believed that people sell their securities when market price is declines sharply. None of them believed that people sell their securities if company fails to pay dividend.
7. Most of the investors replied that they sell their securities when market price is rising sharply.
8. Most of the investors do not receive any guidance form expert or specific training form training institute to invest in securities.
9. Majority of investors believe that Nepalese investors are not satisfied for their investment made in shares. But majority of investors themself are satisfied for their own investments made in shares.
10. In overall ranking of investors defective government policy is mainly responsible for slowdown of Nepalese share market, secondly unstable government, thirdly lack of peace and security, fourthly security board's negligence, fifthly share brokers' malpractices and sixthly big investors with vested interest.

11. Majority of the investors believe that investors should be allowed to invest in foreign securities market to bring diversity and prosperity.

12. Majority of the investors believe that even small investors can reap benefit from securities market.

4.3 Analysis of Secondary Data

4.3.1 Technical Analysis on Stock of Nabil Bank Ltd.

4.3.1.1 Trend Line of Nabil Bank Ltd.

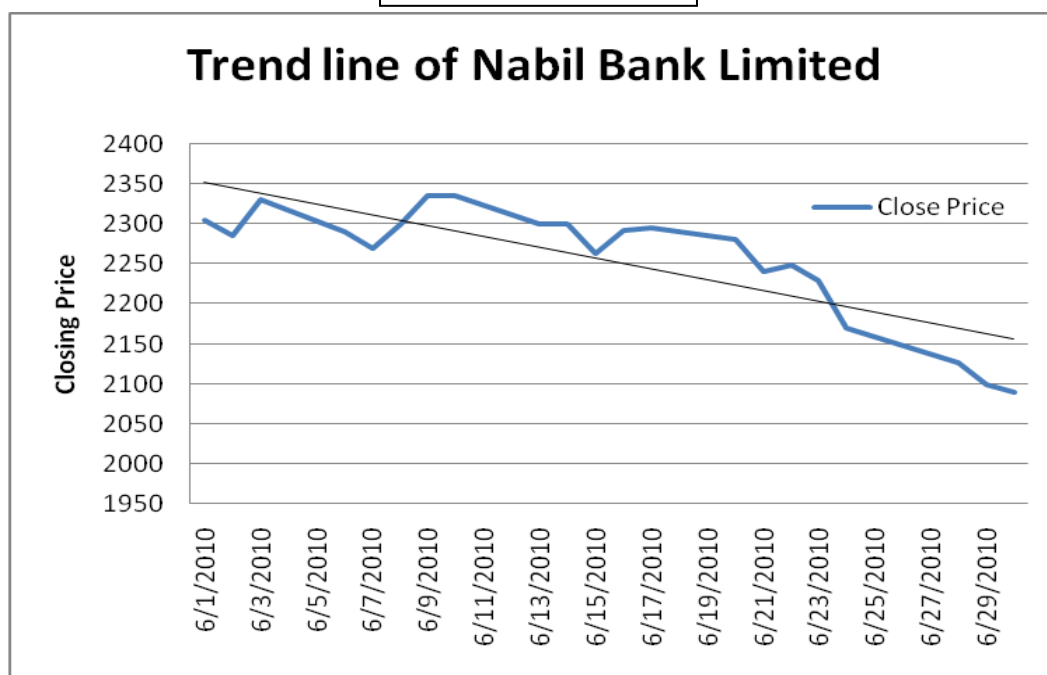
Table No.: 21
Closing Price of Nabil Bank Limited for Trend Line

Date	Close Price
6/1/2010	2305
6/2/2010	2285
6/3/2010	2330
6/6/2010	2290
6/7/2010	2270
6/8/2010	2300
6/9/2010	2335
6/10/2010	2335
6/13/2010	2300
6/14/2010	2300
6/15/2010	2263
6/16/2010	2292
6/17/2010	2295
6/20/2010	2280
6/21/2010	2240
6/22/2010	2249
6/23/2010	2230
6/24/2010	2170
6/28/2010	2127
6/29/2010	2100
6/30/2010	2090

Source: www.nepalstock.com/datanepse/stockwiseprice.php

Above table shows closing price of Nabil Bank Ltd. for the month of June, 2010. From data of above table following figure has been drawn.

Figure No.: 2.1



Above figure shows trend line of closing price of Nabil Bank Ltd. The trend line shows that the share price of Nabil Bank is decreasing. The share price of Nabil Bank Ltd. has declined from Rs. 2305 to Rs. 2090 during the month. Since there is no signal of reversal trend it will continue same direction in next month i.e. share price may decline below Rs. 2090.

4.3.1.2 Japanese Candlesticks Chart of Nabil Bank Ltd.

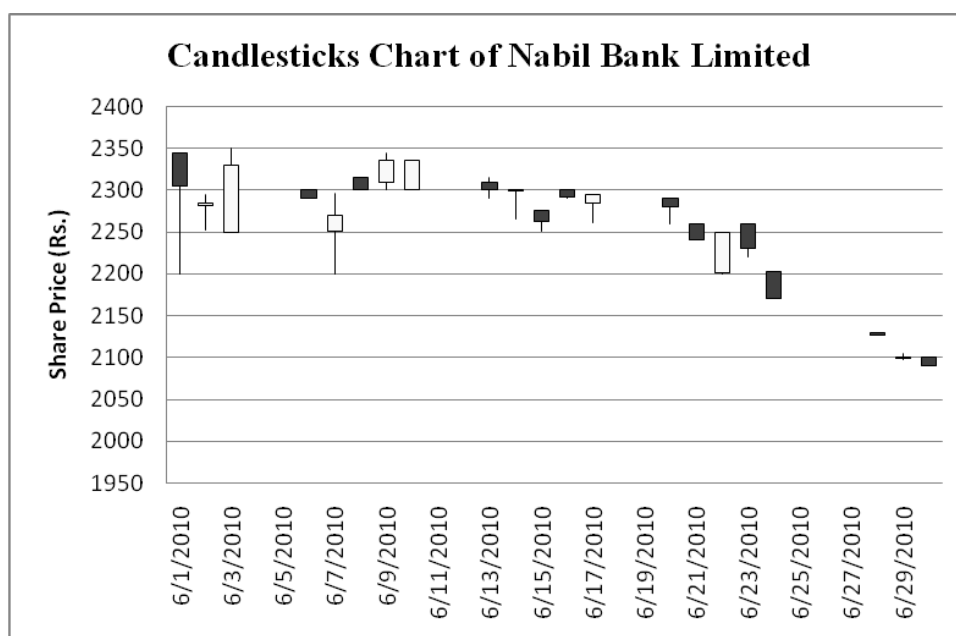
Date	Open Price	Max. Price	Min. Price	Close Price
6/30/2010	2100	2100	2090	2090
6/29/2010	2101	2105	2098	2100
6/28/2010	2130	2130	2127	2127
6/24/2010	2202	2202	2170	2170
6/23/2010	2260	2260	2220	2230
6/22/2010	2201	2249	2200	2249
6/21/2010	2260	2260	2240	2240

6/20/2010	2290	2290	2260	2280
6/17/2010	2285	2295	2261	2295
6/16/2010	2300	2300	2290	2292
6/15/2010	2275	2275	2251	2263
6/14/2010	2300	2300	2265	2300
6/13/2010	2310	2315	2290	2300
6/10/2010	2300	2335	2300	2335
6/9/2010	2310	2345	2300	2335
6/8/2010	2315	2315	2300	2300
6/7/2010	2251	2296	2200	2270
6/6/2010	2300	2300	2290	2290
6/3/2010	2250	2350	2250	2330
6/2/2010	2281	2295	2252	2285
6/1/2010	2345	2345	2200	2305

Source: www.nepalstock.com/datanepse/stockwiseprice.php

Above table shows opening price, maximum price, minimum price and closing price of stock of Nabil Bank Ltd. for the month of June, 2010. Based on these data following figure is drawn.

Figure No.: 2.2



Above figure shows candlesticks chart of Nabil Bank Ltd. for the month of June, 2010. On June 1st the shape of candlestick is long. It means there is huge volatility in the market. The candle shapes like Hammer or Hanging Man but there is not any indication whether this pattern occurred after significant uptrend or significant downtrend, it is difficult to predict price based on this pattern. On June 3rd there is

big white candlestick which means there is buy pressure during trading day. On June 9, a spinning top pattern formed as the candlestick with relatively small distance between the high and low, and between the open and close is evident. Spinning top is neutral pattern so on following day stock price was traded within this range. There was not any specific clear pattern formed in June, 2010. At the end of the month most of the candlesticks are black so it signaled the dominance of bearish pattern but the bodies of black candlesticks are short. So, at the end of the month the bear pressure is (sells pressure) is weak.

4.3.1.3 Volume bar Chart of Nabil Bank Ltd.

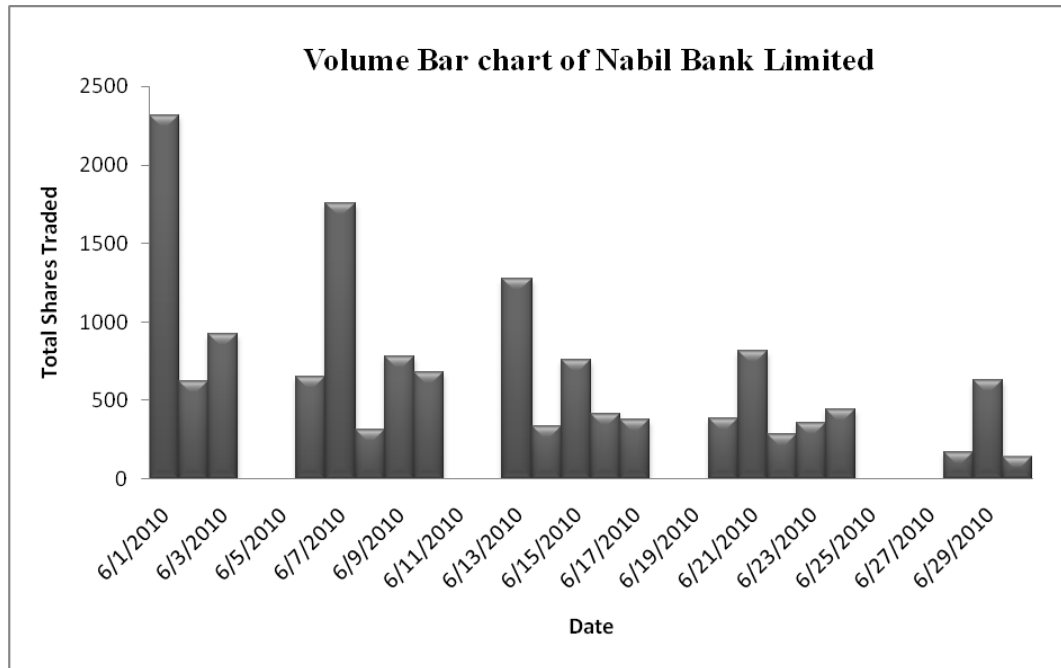
Table No.:23
Volume of Shares Traded for Volume Bar
Chart of Nabil Bank Ltd.

Date	Total Traded Shares
6/1/2010	2,319
6/2/2010	625
6/3/2010	928
6/6/2010	653
6/7/2010	1,757
6/8/2010	318
6/9/2010	782
6/10/2010	683
6/13/2010	1,279
6/14/2010	340
6/15/2010	759
6/16/2010	415
6/17/2010	379
6/20/2010	386
6/21/2010	820
6/22/2010	283
6/23/2010	357
6/24/2010	446
6/28/2010	171
6/29/2010	631
6/30/2010	140

Source: www.nepalstock.com/datanepse/stockwiseprice.php

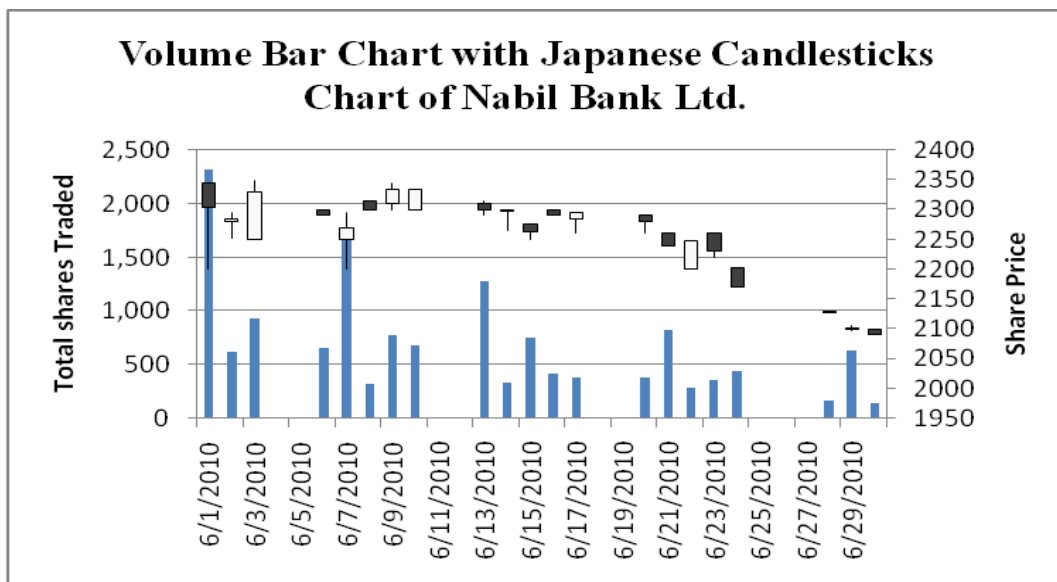
Above table shows volume of shares traded of Nabil Bank Ltd. during the month of June. Based on this following bar chart is prepared.

Figure No.: 2.3



As shown in figure x-axis represents the total shares traded during a particular day and y-axis shows the trading date. On June 1st there is long volume bar indicates that trend of that particular day will persist longer. The candlesticks chart of Nabil Bank Ltd. shows bearish pattern on June 1st. So, bearish trend could be expected after June 1st. The volume bar charts are gradually getting shorter and shorter till the end of month. This indicates that the decreasing trend line shown in the figure of trend line of Nabil bank Ltd. is getting weaker i.e. the bear pressure is getting weaker.

Figure No.: 2.4



Above figure shows volume bar chart combined with Japanese candlesticks chart of Nabil Bank Ltd. On June first there was high volume of stock traded with black candlesticks. This showed there is sales pressure on that day. Due to sales pressure on following day share price declined. On 7th June the volume of stock traded is high with white candlestick. This showed there is buy pressure on that day. After June 7 share price is increased due to buy pressure created on that day. Next, on June 13 there was high volume of stock trade with black candlestick. This has signaled sales pressure resulting declined in share price on following days.

4.3.1.4 Moving Average of Nabil Bank Ltd.

Table No.:24

Closing Price and Moving Average of Nabil Bank Ltd.

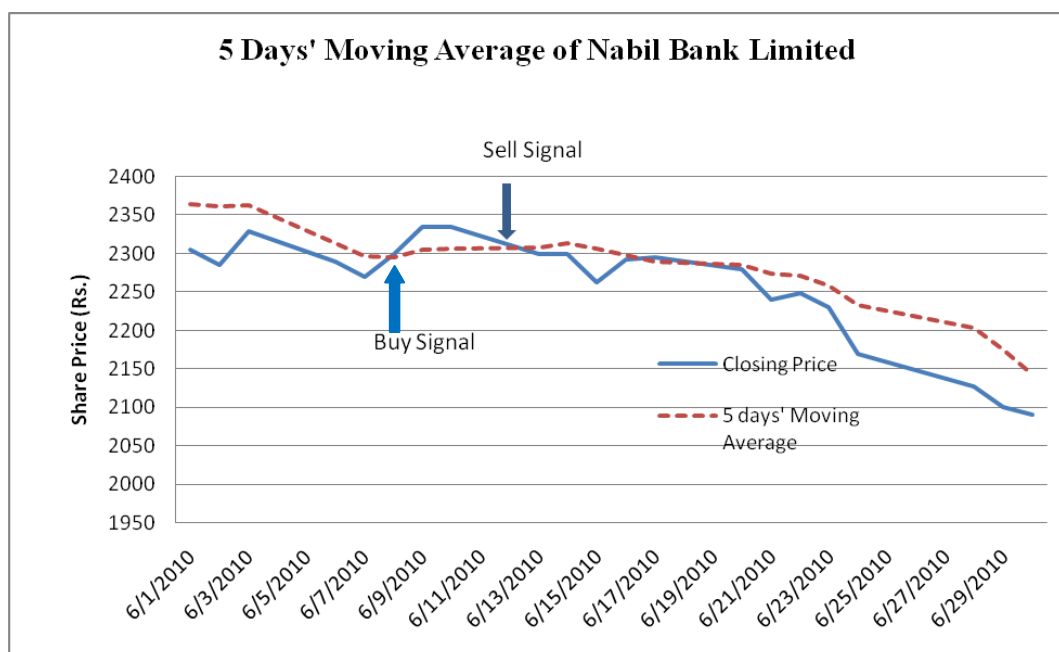
Date	Close Price	Moving Average (5 days)
5/25/2010	2300	
5/26/2010	2320	
5/30/2010	2540	
5/31/2010	2356	
6/1/2010	2305	2364.2
6/2/2010	2285	2361.2
6/3/2010	2330	2363.2
6/6/2010	2290	2313.2

6/7/2010	2270	2296
6/8/2010	2300	2295
6/9/2010	2335	2305
6/10/2010	2335	2306
6/13/2010	2300	2308
6/14/2010	2300	2314
6/15/2010	2263	2306.6
6/16/2010	2292	2298
6/17/2010	2295	2290
6/20/2010	2280	2286
6/21/2010	2240	2274
6/22/2010	2249	2271.2
6/23/2010	2230	2258.8
6/24/2010	2170	2233.8
6/28/2010	2127	2203.2
6/29/2010	2100	2175.2
6/30/2010	2090	2143.4

Source: www.nepalstock.com/datanepse/stockwiseprice.php

Above table shows closing price of Nabil Bank Ltd. from May 25, 2010 to June 30, 2010. Based on this data, 5 days' moving average is calculated for the month of June as shown in last column of the table. Using this data following figure is drawn.

Figure No.: 2.5



Above figure shows 5 days' moving average of Nabil Bank Limited based on closing price. On 8th June as the closing price rose above the moving average, it has given the buy signal at a price of Rs.2300. So investors can buy the stock at Rs. 2300 on 6th June and wait for sell signal. On 13th Jun as the closing price moved below the moving average, it has given sell signal at the price of Rs. 2300. The sell signal indicates that the price may further decline, so investors should accept this price to sell their stock. If any investor has bought shares on 6th June based on buy signal, he cannot reap benefit if he holds it up to sell signal given on 13th June. This shows that merely using moving average may give misleading result. So other factors should also be considered before buying the stock.

4.3.2 Technical Analysis on Stock of Nepal Investment Bank Ltd.

4.3.2.1 Trend Line of Nepal Investment Bank Ltd.

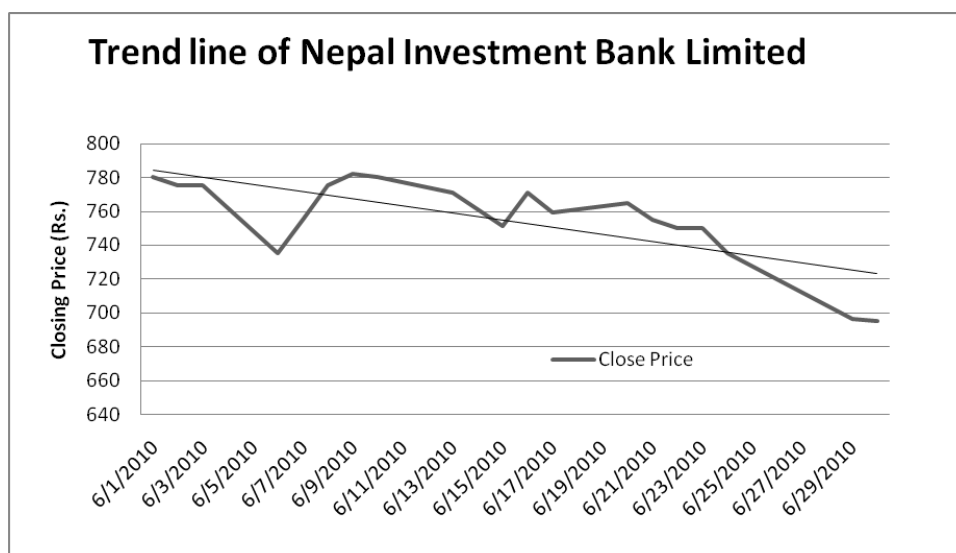
Table No.: 25
Closing Price of Nepal Investment Bank Limited
for Trend Line

Date	Close Price
6/1/2010	780
6/2/2010	775
6/3/2010	775
6/6/2010	735
6/7/2010	755
6/8/2010	775
6/9/2010	782
6/10/2010	780
6/13/2010	771
6/14/2010	761
6/15/2010	751
6/16/2010	771
6/17/2010	759
6/20/2010	765
6/21/2010	755
6/22/2010	750
6/23/2010	750
6/24/2010	735
6/29/2010	696
6/30/2010	695

Source: www.nepalstock.com/datanepse/stockwiseprice.php

Above table shows closing price of Nepal Investment Bank Ltd. for the month of June, 2010. From data of above table following figure has been drawn.

Figure No.: 3.1



Above figure shows trend line of closing price of Nepal Investment Bank Ltd. The trend line shows that the share price of Nepal Investment Bank is decreasing. The share price of Nepal Investment Bank Ltd. has declined from Rs. 780 to Rs. 695 during the month.

4.3.2.2 Japanese Candlesticks Chart of Nepal Investment Bank Ltd.

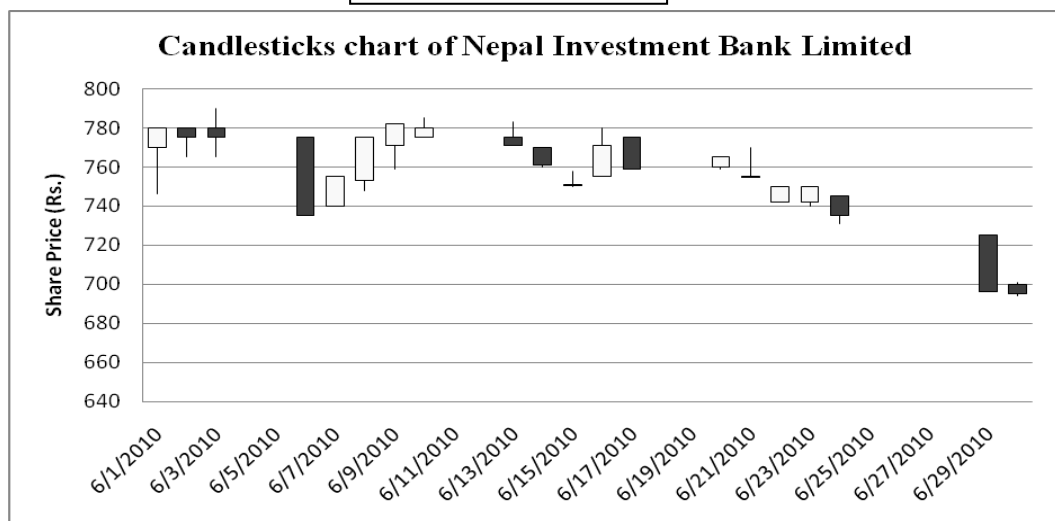
Date	Open Price	Max. Price	Min. Price	Close Price
6/1/2010	770	780	746	780
6/2/2010	780	780	765	775
6/3/2010	780	790	765	775
6/6/2010	775	775	735	735
6/7/2010	740	755	740	755
6/8/2010	753	775	748	775
6/9/2010	771	782	759	782
6/10/2010	775	785	775	780
6/13/2010	775	783	771	771
6/14/2010	770	770	760	761

6/15/2010	751	758	750	751
6/16/2010	755	780	755	771
6/17/2010	775	775	759	759
6/20/2010	760	765	759	765
6/21/2010	755	770	755	755
6/22/2010	742	750	742	750
6/23/2010	742	750	740	750
6/24/2010	745	745	731	735
6/29/2010	725	725	696	696
6/30/2010	700	701	694	695

Source: www.nepalstock.com/datanepse/stockwiseprice.php

Above table shows opening price, maximum price, minimum price and closing price of stock of Nepal Investment Bank Ltd. for the month of June, 2010. Based on these data following figure is drawn.

Figure No.: 3.2



Above figure shows candlesticks chart of Nepal Investment Bank Limited for the month of June, 2010. In the figure black candlesticks have more long body than white candlestick. This shows there is more sell pressure than buy pressure. On 6th June the big black candle does not have shadow. This occurs when opening price is equal to highest price and closing price and low are also same. This is a Black Marubozu. This shows there is greater supply of shares and less number of buyers in the market during that trading day. Due to supply pressure share price is consistently decreased for market opening to market closing. On June 21, the candlestick shaped like reverse T with equal opening, minimum and closing price

and high maximum price. It is called Gravestone Doji. Appearance of Gravestone Doji after increasing trend signals bearish market. Bearish market began after this signal.

4.3.2.3 Volume bar Chart of Nepal Investment Bank Ltd.

Table No.:27

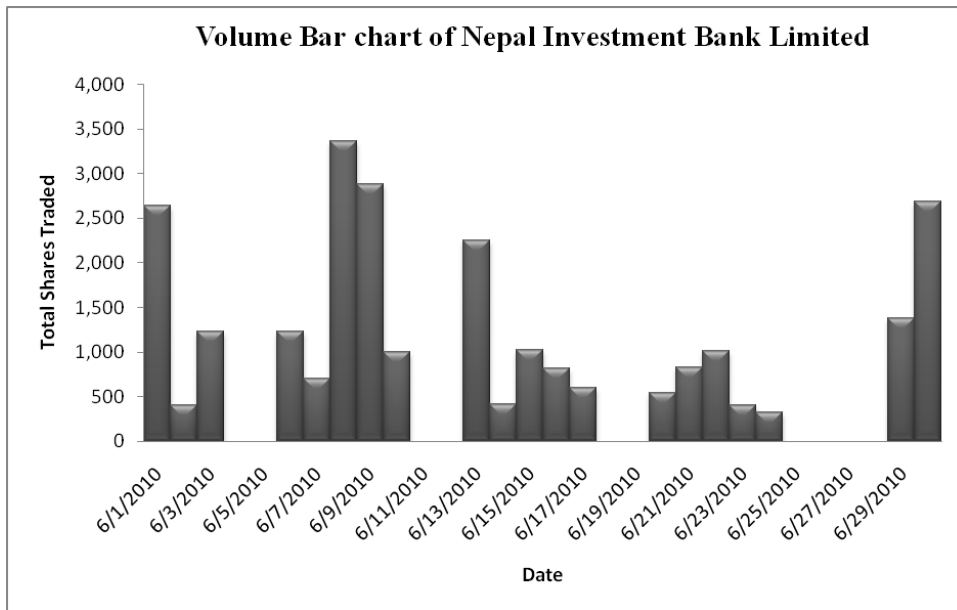
Volume of Shares Traded for Volume Bar Chart of Nepal Investment Bank Ltd.

Date	Total Traded Shares
6/1/2010	2,640
6/2/2010	407
6/3/2010	1,228
6/6/2010	1,234
6/7/2010	706
6/8/2010	3,363
6/9/2010	2,879
6/10/2010	1,003
6/13/2010	2,253
6/14/2010	412
6/15/2010	1,018
6/16/2010	819
6/17/2010	602
6/20/2010	546
6/21/2010	823
6/22/2010	1,007
6/23/2010	400
6/24/2010	324
6/29/2010	1,382
6/30/2010	2,681

Source: www.nepalstock.com/datanepse/stockwiseprice.php

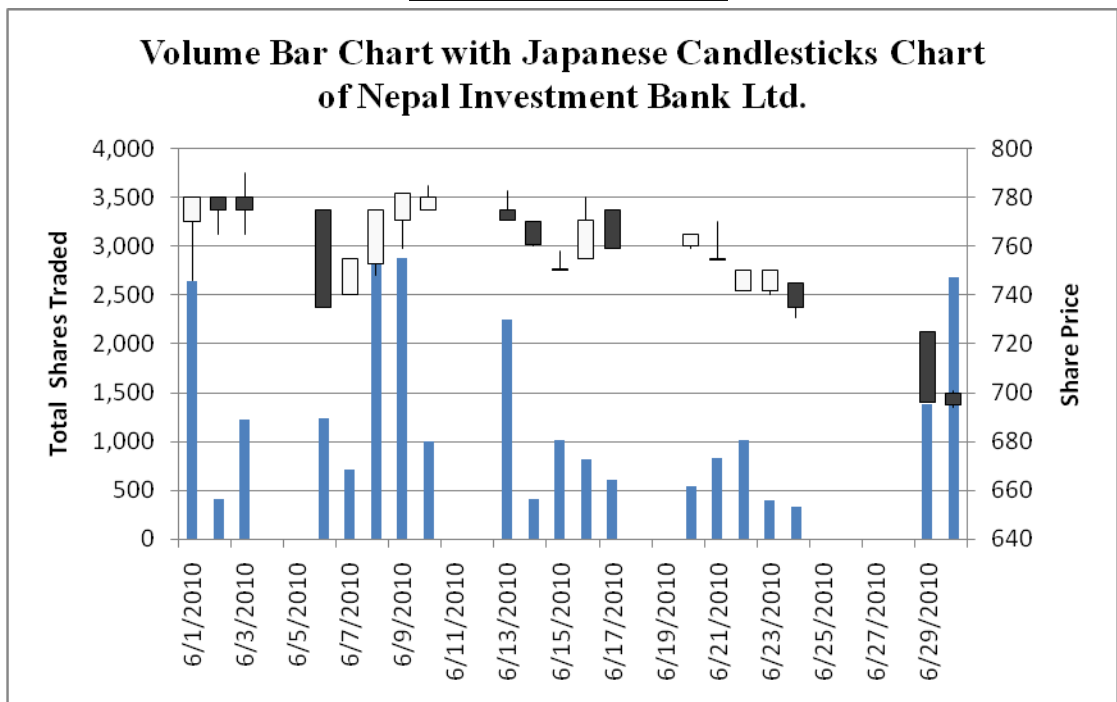
Above table shows volume of shares traded of Nepal Investment Bank Ltd. during the month of June. Based on this following bar chart is prepared.

Figure No.: 3.3



Above figure shows volume bar chart of Nepal Investment Bank Ltd. for the month of June, 2010. Combining volume bar chart and candlesticks chart of Nepal Investment Bank following chart has been drawn.

Figure No.: 3.4



As shown in above figure on June 1st, the volume of share traded is high with white candlestick. This indicates buy pressure. Yet the price did not rise on following days, but after some days the price rebounded to same level. Though on June 3rd, 4th and 5th the share price declined but with low volumes of shares. This signaled low sales pressure resulting pumps in share price. On 5th and 6th June share price increased with high volume of shares traded. This indicated buy pressure so market sustained to that level even on next day. Similarly on June 13, volume of stock traded high when share price was falling. This indicated sales pressure resulting further decline in share price in next days. Even at the end of the month, on June 29 and 30 volume of shares traded is quite high but the candlesticks are bearish black candlesticks. This signaled share price may further decline in next days.

4.3.2.4 Moving Average of Nepal Investment Bank Ltd.

Table No.:28
Closing Price and 5 days' moving average of
Nepal Investment Bank Ltd.

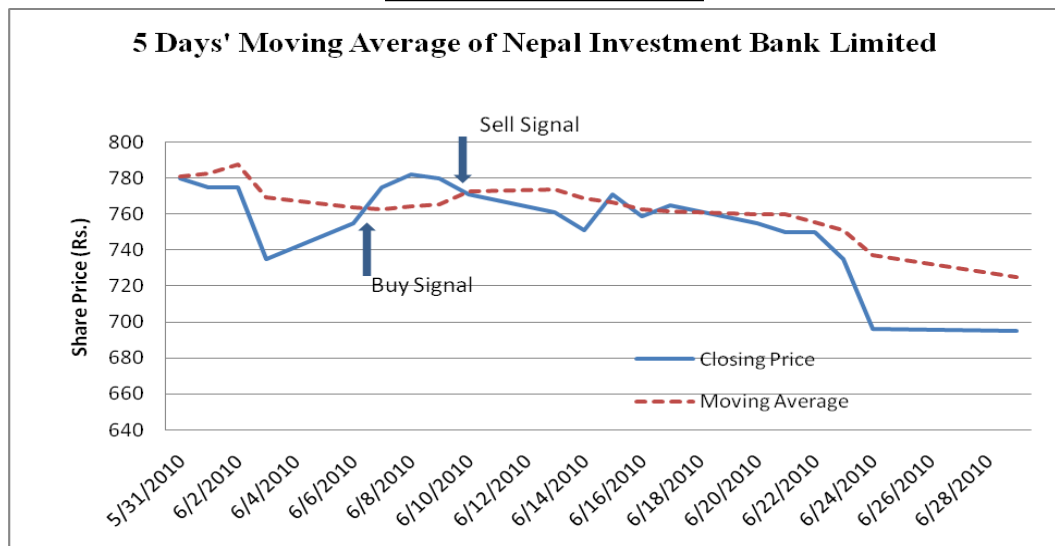
Date	Close Price	Moving Average (5 days)
5/25/2010	766	
5/26/2010	750	
5/30/2010	825	
5/31/2010	783	
6/1/2010	780	780.8
6/2/2010	775	782.6
6/3/2010	775	787.6
6/6/2010	735	769.6
6/7/2010	755	764
6/8/2010	775	763
6/9/2010	782	764.4
6/10/2010	780	765.4
6/13/2010	771	772.6
6/14/2010	761	773.8
6/15/2010	751	769
6/16/2010	771	766.8
6/17/2010	759	762.6
6/20/2010	765	761.4
6/21/2010	755	760.2
6/22/2010	750	760
6/23/2010	750	755.8

6/24/2010	735	751
6/29/2010	696	737.2
6/30/2010	695	725.2

Source: www.nepalstock.com/datanepse/stockwiseprice.php

Above table shows closing price of Nepal Investment Bank Ltd. from May 25, 2010 to June 30, 2010. Based on this data, 5 days' moving average is calculated for the month of June as shown in last column of the table. Using this data following figure is drawn.

Figure No.: 3.5



Above figure shows the closing price and 5 days' moving average of Nepal Investment Bank Ltd. for the month of June, 2010. On 8th June the closing price moved above moving average giving buy signal at the price of Rs.775. Similarly on 13th June the closing price moved below the moving average giving sell signal at the price of Rs 771. If investors have executed a transaction based on this buy and sell signal, they could not benefit for this transaction rather they have to suffer loss. Since sell signal appeared lower than the price level of buy signal, the market is bearish in nature.

4.3.3 Technical Analysis on Stock of Standard Chartered Bank Ltd.

4.3.3.1 Trend Line of Standard Chartered Bank Ltd.

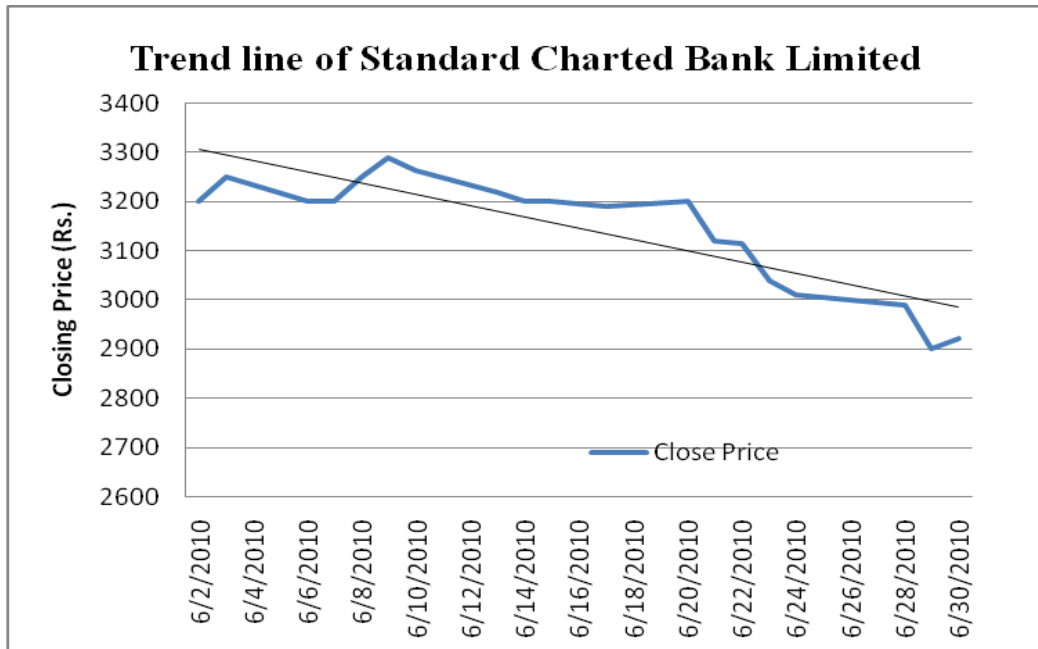
Table No.: 29
Closing Price of Standard Chartered Bank Limited
for Trend Line

Date	Close Price
6/1/2010	3280
6/2/2010	3200
6/3/2010	3250
6/6/2010	3200
6/7/2010	3200
6/8/2010	3250
6/9/2010	3290
6/10/2010	3265
6/13/2010	3220
6/14/2010	3200
6/15/2010	3200
6/16/2010	3195
6/17/2010	3190
6/20/2010	3200
6/21/2010	3120
6/22/2010	3115
6/23/2010	3040
6/24/2010	3010
6/28/2010	2990
6/29/2010	2900
6/30/2010	2920

Source: www.nepalstock.com/datanepse/stockwiseprice.php

Above table shows closing price of Standard Chartered Bank Ltd. for the month of June, 2010. From data of above table following figure has been drawn.

Figure No.: 4.1



Above figure shows trend line of closing price of Standard Chartered Bank Ltd. The trend line shows that the share price of Standard Chartered Bank is decreasing. The share price of Standard Chartered Bank Ltd. declined from Rs. 3200 to Rs. 2920 during the month.

4.3.1.2 Japanese Candlesticks Chart of Standard Chartered Bank Ltd.

Table No.:30

Open, Maximum, Minimum and Closing Price of Standard Chartered Bank Ltd. for Japanese Candlesticks

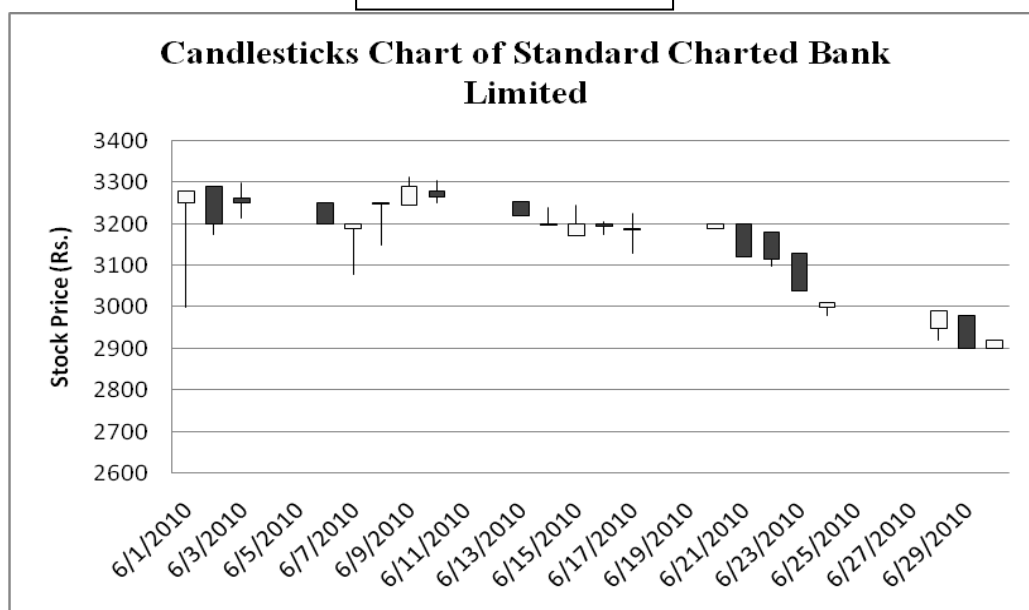
Date	Open Price	Max. Price	Min. Price	Close Price
6/1/2010	3250	3280	3000	3280
6/2/2010	3290	3290	3176	3200
6/3/2010	3264	3299	3215	3250
6/6/2010	3250	3250	3200	3200
6/7/2010	3190	3200	3080	3200

6/8/2010	3250	3250	3150	3250
6/9/2010	3245	3315	3245	3290
6/10/2010	3280	3305	3250	3265
6/13/2010	3255	3255	3220	3220
6/14/2010	3200	3240	3200	3200
6/15/2010	3171	3245	3171	3200
6/16/2010	3200	3205	3175	3195
6/17/2010	3190	3225	3130	3190
6/20/2010	3190	3200	3190	3200
6/21/2010	3200	3200	3120	3120
6/22/2010	3182	3182	3100	3115
6/23/2010	3130	3130	3040	3040
6/24/2010	3000	3010	2980	3010
6/28/2010	2950	2990	2920	2990
6/29/2010	2980	2980	2900	2900
6/30/2010	2900	2920	2900	2920

Source: www.nepalstock.com/datanepse/stockwiseprice.php

Above table shows opening price, maximum price, minimum price and closing price of stock of Standard Chartered Bank Ltd. for the month of June, 2010. Based on these data following figure is drawn.

Figure No.: 4.2



Above figure shows the candlesticks chart of Standard Chartered Bank for the month of June, 2010. On 1st June white candle with long shadow is formed. This showed that there was great volatility on that trading day. Next, most of the white

candlesticks have small body where as black candlesticks have long body. This shows that sales pressure is more stronger than buy pressure. On June 6, 21, 23 and 29 Black Marbuzu candlesticks formed. This showed that there was sales pressure on those days and share price consistently declined during the day.

4.3.3.3 Volume bar Chart of Standard Chartered Bank Ltd.

Table No.:31

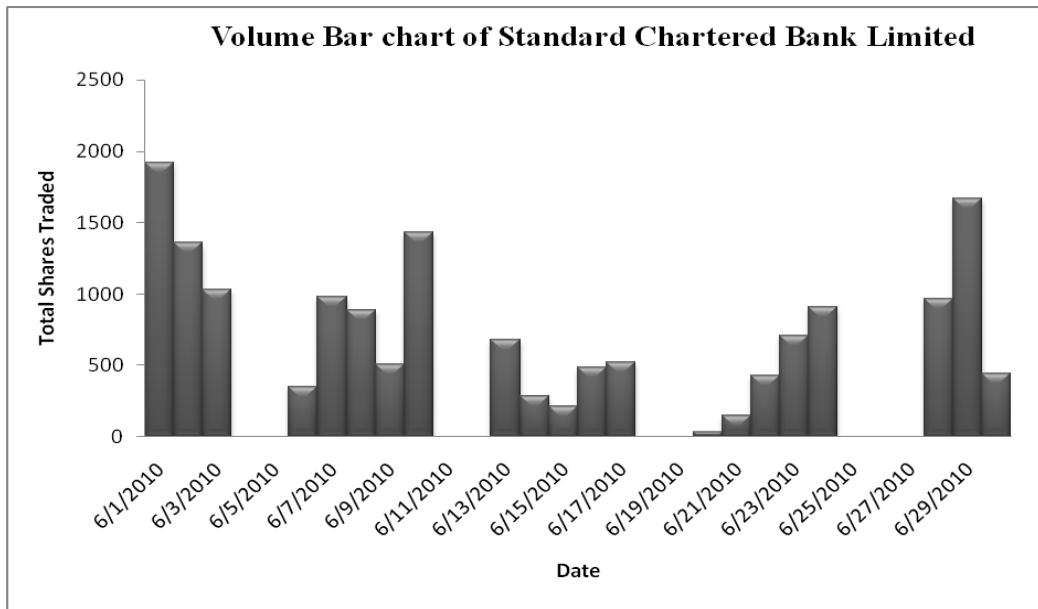
Volume of Shares Traded for Volume Bar Chart of Standard Chartered Bank Ltd.

Date	Total Traded Shares
6/1/2010	1,923
6/2/2010	1,362
6/3/2010	1,035
6/6/2010	350
6/7/2010	979
6/8/2010	887
6/9/2010	506
6/10/2010	1,432
6/13/2010	681
6/14/2010	289
6/15/2010	215
6/16/2010	490
6/17/2010	526
6/20/2010	35
6/21/2010	150
6/22/2010	433
6/23/2010	710
6/24/2010	913
6/28/2010	970
6/29/2010	1,673
6/30/2010	443

Source: www.nepalstock.com/datanepse/stockwiseprice.php

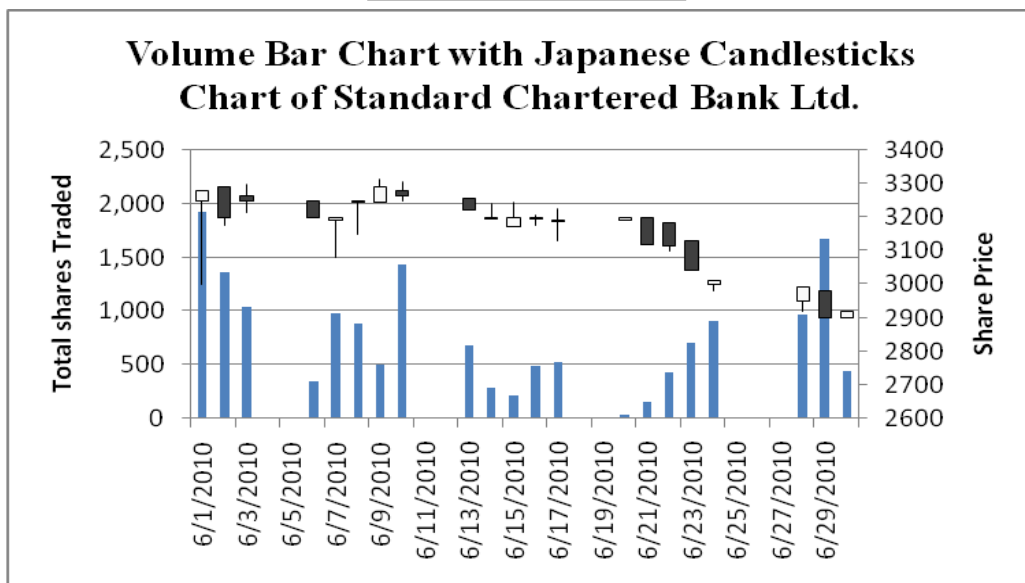
Above table shows volume of shares traded of Standard Chartered Bank Ltd. during the month of June. Based on this following bar chart is prepared.

Figure No.: 4.3



Above figure shows volume bar chart of Standard Chartered Bank Ltd. for the month of June, 2010. Combining volume bar chart and candlesticks chart of Nepal Investment Bank following chart has been drawn.

Figure No.: 4.4



Above figure shows volume bar chart with Japanese candlesticks chart of Standard Chartered Bank Ltd. On June 1st high volume is accompanied on white candle. So on that day bull pressure ruled the market. Next day on 2nd June though black candlestick formed, there was still huge no of share traded. This showed that again sales pressure ruled the market. On June 9 again the high volume sustained

with black candlestick. This showed sales pressure resulting decline in price on next trading days. On June 29 also the volume of shares traded picked up on down trend market. This has signaled further decline in price in next days.

4.3.3.4 Moving Average of Standard Chartered Bank Ltd.

Table No.: 32

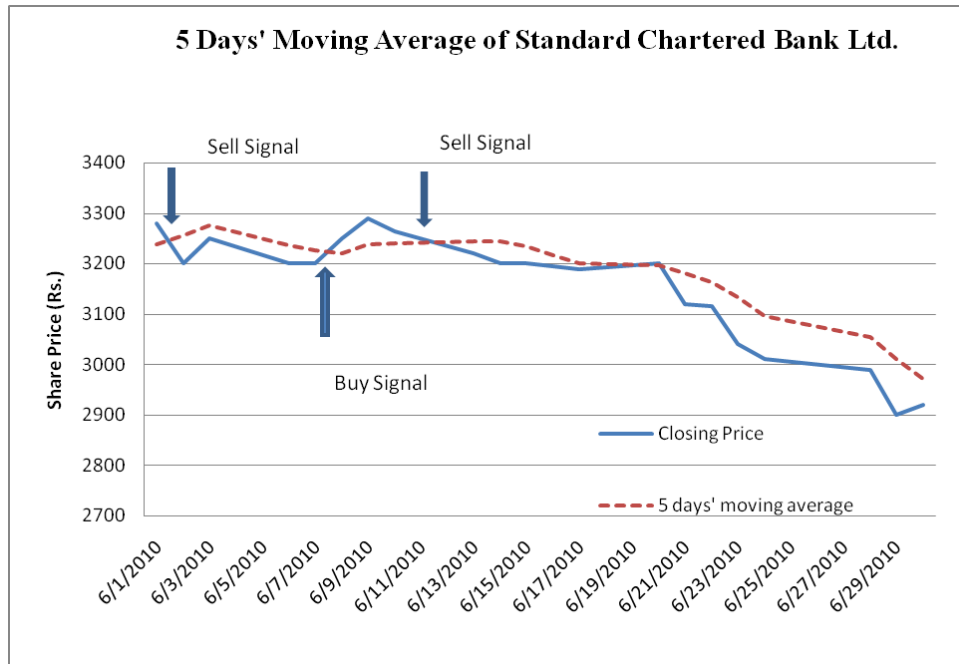
Closing Price and 5 days' moving average of Standard Chartered Bank Ltd.

Date	Close Price	Moving Average (5 days)
5/25/2010	3109	
5/26/2010	3150	
5/30/2010	3400	
5/31/2010	3250	
6/1/2010	3280	3237.8
6/2/2010	3200	3256
6/3/2010	3250	3276
6/6/2010	3200	3236
6/7/2010	3200	3226
6/8/2010	3250	3220
6/9/2010	3290	3238
6/10/2010	3265	3241
6/13/2010	3220	3245
6/14/2010	3200	3245
6/15/2010	3200	3235
6/16/2010	3195	3216
6/17/2010	3190	3201
6/20/2010	3200	3197
6/21/2010	3120	3181
6/22/2010	3115	3164
6/23/2010	3040	3133
6/24/2010	3010	3097
6/28/2010	2990	3055
6/29/2010	2900	3011
6/30/2010	2920	2972

Source: www.nepalstock.com/datanepse/stockwiseprice.php

Above table shows closing price of Standard Chartered Bank Ltd. from May 25, 2010 to June 30, 2010. Based on this data, 5 days' moving average is calculated for the month of June as shown in last column of the table. Using this data following figure is drawn.

Figure No.: 4.5



Above figure shows closing price and 5 days' moving average of Standard Chartered Bank Ltd. As shown in the figure, sell signal is pointed at the price when closing price moved below moving average and buy signal is pointed when closing price moved above moving average. Like other share analyzed before based on 5 days' moving average, there was not built any condition of profit opportunity based on signals.

4.3.4 Technical Analysis on Stock of Himalayan Bank Ltd.

4.3.4.1 Trend Line of Himalayan Bank Ltd.

Table No.: 33

Closing Price of Himalayan Bank Limited for Trend Line

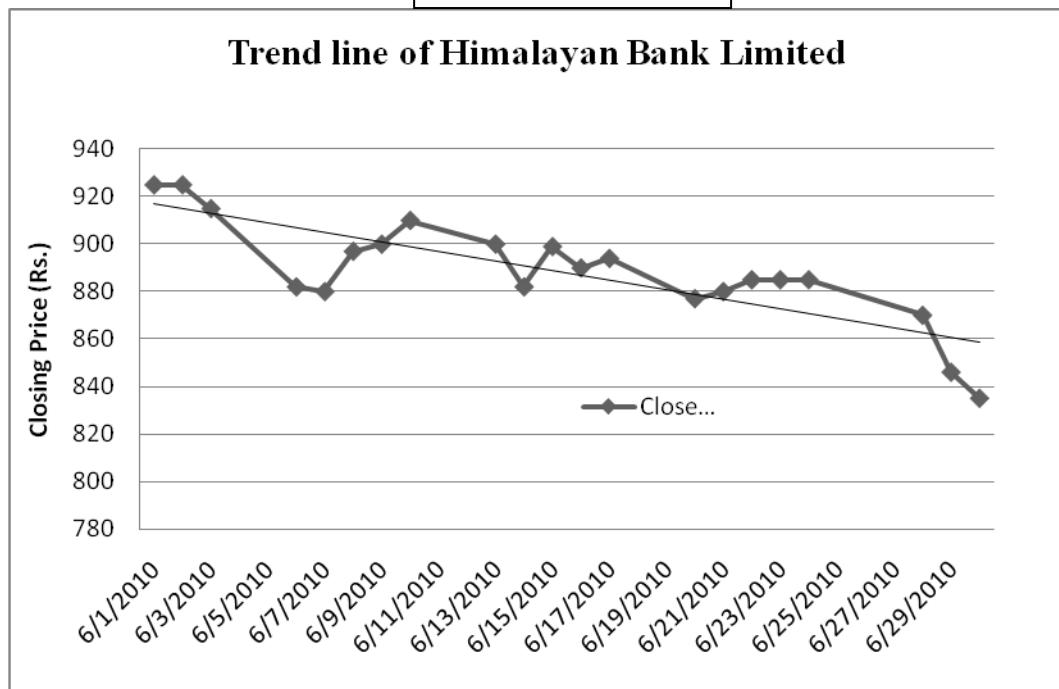
Date	Close Price
6/1/2010	925
6/2/2010	925
6/3/2010	915
6/6/2010	882
6/7/2010	880
6/8/2010	897
6/9/2010	900
6/10/2010	910
6/13/2010	900

6/14/2010	882
6/15/2010	899
6/16/2010	890
6/17/2010	894
6/20/2010	877
6/21/2010	880
6/22/2010	885
6/23/2010	885
6/24/2010	885
6/28/2010	870
6/29/2010	846
6/30/2010	835

Source: www.nepalstock.com/datanepse/stockwiseprice.php

Above table shows closing price of Standard Chartered Bank Ltd. for the month of June, 2010. From data of above table following figure has been drawn.

Figure No.: 5.1



Above figure shows trend line of closing price of Himalayan Bank Ltd. The trend line shows that the share price of Himalayan Bank is decreasing. The share price of Himalayan Bank Ltd. has declined from Rs. 925 to Rs. 835 during the month. Since there is no signal of reversal trend it will continue same direction in next month i.e. share price may decline below Rs. 835.

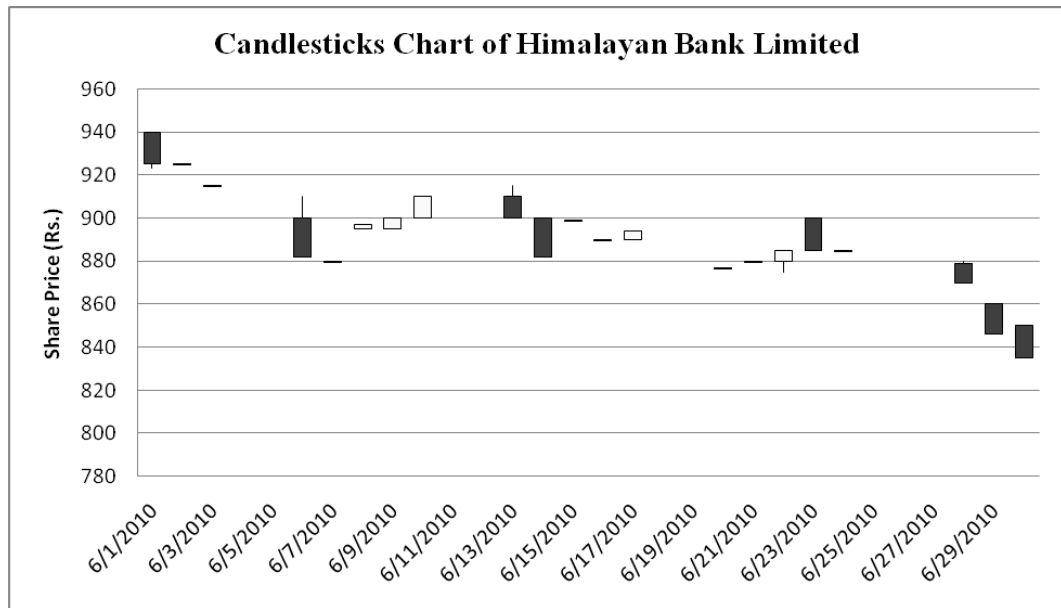
4.3.4.2 Japanese Candlesticks Chart of Himalayan Bank Ltd.

Table No.:34				
Open, Maximum, Minimum and Closing Price of Himalayan Bank Ltd. for Japanese Candlesticks				
Date	Open Price	Max. Price	Min. Price	Close Price
6/1/2010	940	940	923	925
6/2/2010	925	925	925	925
6/3/2010	915	915	915	915
6/6/2010	900	910	882	882
6/7/2010	880	880	880	880
6/8/2010	895	897	895	897
6/9/2010	895	900	895	900
6/10/2010	900	910	900	910
6/13/2010	910	915	900	900
6/14/2010	900	900	882	882
6/15/2010	899	899	899	899
6/16/2010	890	890	890	890
6/17/2010	890	894	890	894
6/20/2010	877	877	877	877
6/21/2010	880	880	880	880
6/22/2010	880	885	875	885
6/23/2010	900	900	885	885
6/24/2010	885	885	885	885
6/28/2010	879	880	870	870
6/29/2010	860	860	846	846
6/30/2010	850	850	835	835

Source: www.nepalstock.com/datanepse/stockwiseprice.php

Above table shows opening price, maximum price, minimum price and closing price of stock of Himalayan Bank Ltd. for the month of June, 2010. Based on these data following figure is drawn.

Figure No.: 5.2



Above figure shows candlesticks chart of Himalayan Bank Ltd. In the figure most of the candlesticks are black. Next, the black candlesticks have longer body than black candlesticks. Hence, this showed bearish market. Because of supply pressure share price declined significantly.

4.3.4.3 Volume bar Chart of Himalayan Bank Ltd.

Table No.:35

Volume of Shares Traded for Volume Bar Chart of Himalayan Bank Ltd.

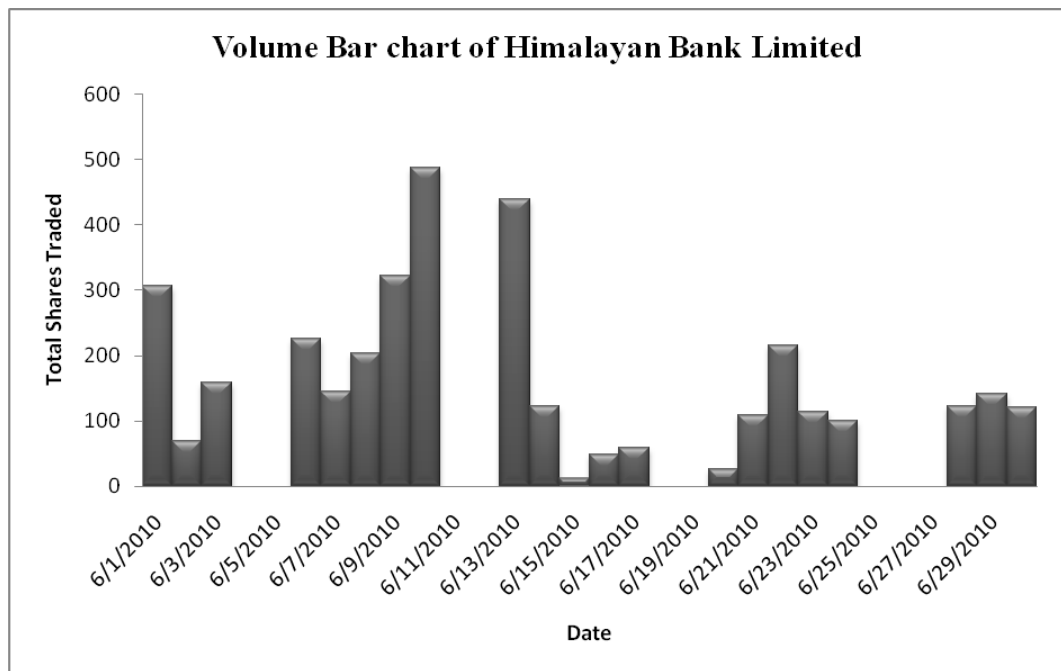
Date	Total Traded Shares
6/1/2010	306
6/2/2010	69
6/3/2010	158
6/6/2010	225
6/7/2010	145
6/8/2010	203
6/9/2010	322
6/10/2010	487
6/13/2010	439
6/14/2010	122
6/15/2010	12
6/16/2010	49
6/17/2010	59

6/20/2010	26
6/21/2010	108
6/22/2010	215
6/23/2010	114
6/24/2010	100
6/28/2010	123
6/29/2010	142
6/30/2010	120

Source: www.nepalstock.com/datanepse/stockwiseprice.php

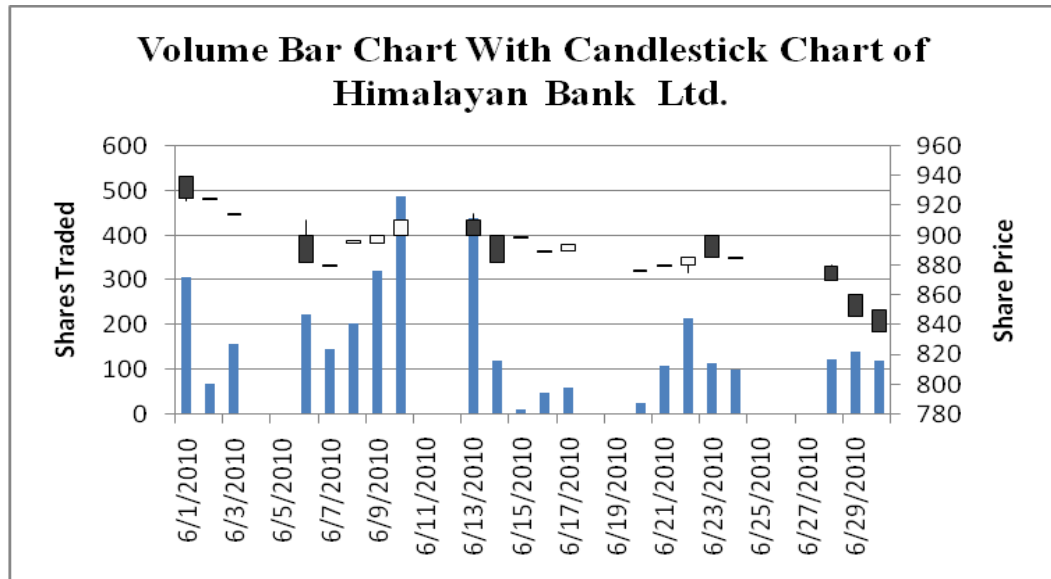
Above table shows volume of shares traded of Himalayan Bank Ltd. during the month of June. Based on this following bar chart is prepared.

Figure No.: 5.3



Above figure shows volume bar chart of Himalayan Bank Ltd. for the month of June, 2010. Combining volume bar chart and candlesticks chart of Himalayan Bank following chart has been drawn.

Figure No.:5.4



Above figure shows volume bar chart with Japanese candlesticks chart of Himalayan Bank Ltd. On June 1st high volume is accompanied on black candle. So on that day bear pressure ruled the market.. On June 8 and 9 white candle with high volume showed there was bullish pressure on those days. On June 13 again bear pressure signaled as black candlestick is supported by high volume of share traded. Till the end of month bear market ruled but as volume of shares traded is low it showed weak sales pressure. So, breakout may occur and it may lead to bullish trend.

4.3.4.4 Moving Average of Himalayan Bank Ltd.

Table No.:36

Closing Price and 5 days' moving average of Himalayan Bank Ltd.

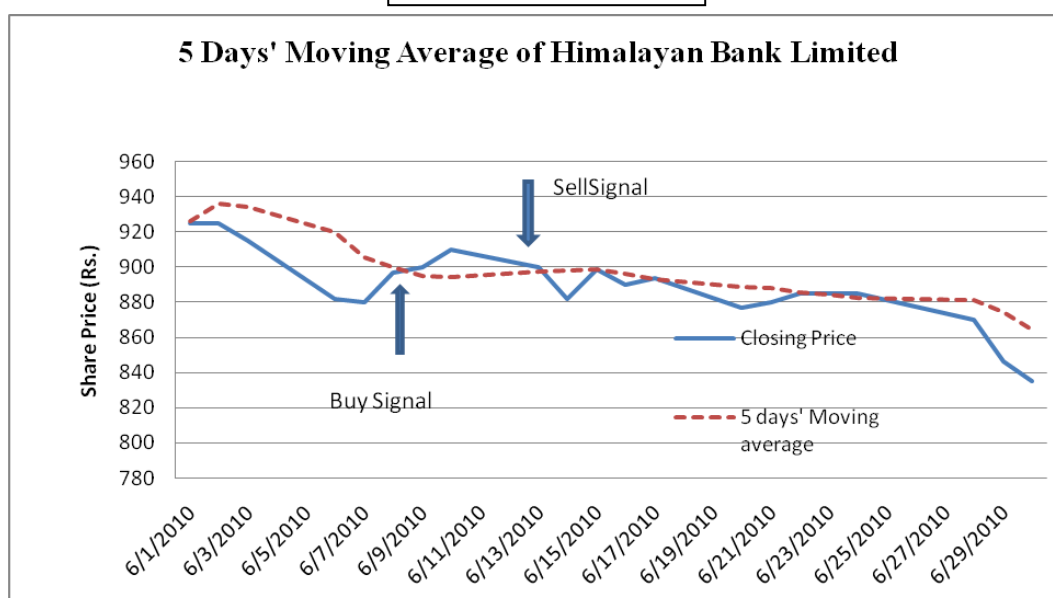
Date	Close Price	Moving Average (5 days)
5/24/2010	875	
5/25/2010	924	
5/26/2010	955	
5/31/2010	950	
6/1/2010	925	925.8

6/2/2010	925	935.8
6/3/2010	915	934
6/6/2010	882	919.4
6/7/2010	880	905.4
6/8/2010	897	899.8
6/9/2010	900	894.8
6/10/2010	910	893.8
6/13/2010	900	897.4
6/14/2010	882	897.8
6/15/2010	899	898.2
6/16/2010	890	896.2
6/17/2010	894	893
6/20/2010	877	888.4
6/21/2010	880	888
6/22/2010	885	885.2
6/23/2010	885	884.2
6/24/2010	885	882.4
6/28/2010	870	881
6/29/2010	846	874.2
6/30/2010	835	864.2

Source: www.nepalstock.com/datanepse/stockwiseprice.php

Above table shows closing price of Himalayan Bank Ltd. from May 25, 2010 to June 30, 2010. Based on this data, 5 days' moving average is calculated for the month of June as shown in last column of the table. Using this data following figure is drawn.

Figure No.: 5.5



Above figure shows 5 days' moving average of Himalayan Bank Ltd for the month of June, 2010. On 9th June closing price moved above the 5 day's moving average and gave the signal of buy at price of Rs. 900. Next, on June 13 closing price moved below the 5 day's moving average and gave the sell signal at price of Rs. 900. The signals given here was not worthy as the transaction based on this buy and sell signal could not result profit. The sell signal is not formed at higher price than buy signal. So it showed that there is high sell pressure in the market and the market remained bearish.

4.4 Major finding of Secondary data Analysis

1. Trend line of Nabil Bank Ltd, Nepal Investment Bank Ltd, Standard Chartered Bank Ltd. and Himalayan Bank limited is down ward sloping for the month of June. Hence, all four commercial banks have decreasing trend of share price for the month of June.
2. There was not any clear specific pattern such as morning star, hammer, price line, bullish engulfing lines, evening star, shooting star, hanging man, dark cloud cover, bearish engulfing line, gravestone doji etc. evident on analysis of candlesticks chart of Nabil Bank Ltd, Nepal Investment Bank Ltd, Standard Chartered Bank Ltd. and Himalayan Bank limited for the month of June, 2010. In the absence of bullish, bearish or neutral pattern in the candlesticks chart it is difficult to predict in which direction the market will lead. Nevertheless in candlesticks charts most of the candlesticks are black and black candlesticks have longer body than white candles, so it showed there is more sales pressure resulting decline in share price.
3. Volume bar chat with candlesticks chart of the four commercial banks showed that when there was white candlestick with high volume of shares traded there was buy pressure during that day and on next day/s the stock price either increased or sustained to that price level. On the other hand, when there was black candlestick with high volume of shares traded there

was sales pressure during that day and on next day/s the stock price declined.

4. The 5 days' moving average analysis of the four commercial banks for the month of June, 2010 showed that sale signals were given at relative lower level than buy signals resulting loss in case if anyone has transacted based on those signal. So, 5 days' moving average is not a useful tool to take any buy or sell decision in Nepalese context, it can give absurd guidance especially in the market with decreasing trend.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATION

This Chapter presents the conclusion drawn from the intensive and in-depth analysis of the study and recommendation given to improve performance of Nepalese Investors. This Chapter consists of four sections; the first section provides the summary of the study, the second section draws the conclusion of the study, the third section imparts recommendations to solve the problems observed on the basis of findings and the conclusion drawn from the study. And the last section suggests potential avenues to carry on the further research in this area.

5.1 Summary

Securities market has become global phenomena and a basic concern of financial and economic condition of any nation. Security market index is perceived as an indicator of investors' confidence to invest in securities, which obviously, represents economic pulses of that nation. As capital market is a crucial element in the national economy, its role in reinvigorating and boosting the economic activities in the country holds significance. So, to bring prosperity securities market can play apex role.

Each individual investor should have eagle eyes on stock market as painful studies can bring gainful result. Nepalese investors should be watchful on movement in stock price and volume of listed companies in NEPSE.

There is no one method which can predict future with certainty. So investors should develop their own strategy tailor to their needs using technique they trust based on guidance, suggestion, recommendations, research findings and review of different books, journals, articles and news. To uncover this truth, review of investment tips given in different books has been summed up.

There are mainly two conventional approaches for analyzing the securities. They are fundamental analysis approach and technical analysis. On this study technical analysis is considered. Common Stocks of four commercial banks Everest Bank

Limited, Kist Bank Limited, Nepal Investment Bank Limited, Nabil Bank Limited and Standard Chartered Bank Limited are analyzed using technical analysis tools, trend line, Japanese candlesticks chart, volume bar chart and 5 days' moving average.

Investment tips suggested by successful investors, experts and writer are important to get success in stock market. So, various principles, strategy and practices followed by experts are reviewed.

Before any investor makes their own strategy, Investment behavior of Nepalese investors should be well known to breed success. For this the researcher has conducted survey forwarding some of question that explores behavior of Nepalese investors in stock market such as about their preference, how they buy stocks, when do they buy stocks, when do they sell, what sort of investment environment do they expect and what are the issues in which they feel they are similar or different in comparison to other investors.

5.2 Conclusion

On the basis of analysis and findings of the study, following conclusions are summed up.

1. For Nepalese investors primary market is more attractive than secondary market.
2. Majority of Nepalese investors use fundamental analysis to buy stocks. Only few Nepalese investors use technical analysis to buy stocks.
3. Holding period of stock should be situational rather than specific.
4. Most of Nepalese Investors sell stock when stock price is rising sharply.
5. Most of the Nepalese investors do not receive training related to securities investment. Only few people receive such training and guidance from experts. Even evidence shows most of them are not sure about usefulness of trends and patterns for predicting share price. So, Investors should have easy access on such training to let them take rational decision than to act on hunch.
6. Majority of Nepalese investors are satisfied with their investment in shares. Nepalese investors believe that even small investors can reap

benefit from stock market. Even more, most of Nepalese Investors demands they should be allowed to invest in foreign securities market to bring prosperity and diversity. They also seek extension of share market in all development regions. Hence, it is crucial to expand share market in different regions of Nepal.

7. Most of Nepalese investors aspire effective government policy for rapid development of Nepalese share market. They also seek stable government, and peace and security on their top priority for sound development of Nepalese share market.
8. Majority of investors (56.52%) viewed that demand and supply pressure of shares in secondary market determines market price of share.
9. Majority of investors are not sure about usefulness of trends and patterns of predict market price of share.
10. Most of investors replied that it is necessary to extend stock exchange market in all development regions.
11. Trend line of Nabil Bank Ltd, Nepal Investment Bank Ltd, Standard Chartered Bank Ltd. and Himalayan Bank limited is down ward sloping for the month of June. Hence, all four commercial banks have decreasing trend of share price for the month of June.
12. There was not any clear specific pattern such as morning star, hammer, price line, bullish engulfing lines, evening star, shooting star, hanging man, dark cloud cover, bearish engulfing line, gravestone doji etc. evident on analysis of candlesticks chart of Nabil Bank Ltd, Nepal Investment Bank Ltd, Standard Chartered Bank Ltd. and Himalayan Bank limited for the month of June, 2010. In the absence of bullish, bearish or neutral pattern in the candlesticks chart it is difficult to predict in which direction the market will lead. Nevertheless in candlesticks charts most of the candlesticks are black and black candlesticks have longer body than white candles, so it showed there is more sales pressure resulting decline in share price.
13. Volume bar chat with candlesticks chart of the four commercial banks showed that when there was white candlestick with high volume of shares traded there was buy pressure during that day and on next day/s

the stock price either increased or sustained to that price level. On the other hand, when there was black candlestick with high volume of shares traded there was sales pressure during that day and on next day/s the stock price declined.

14. The 5 days' moving average analysis of the four commercial banks for the month of June, 2010 showed that sale signals were given at relative lower level than buy signals resulting loss in case if anyone has transacted based on those signal. So, 5 days' moving average is not an useful tools to take any buy or sell decision, it can give absurd guidance especially in the market with decreasing trend.

5.3 Recommendation

Followings are the recommendation given to tackle problem faced in Nepalese stock market and to boost up the securities market in new horizon.

1. There are various techniques to arrive at investment decision. Among them technical analysis is commonly used techniques. But in Nepal as most of investors are unacquainted with such techniques they do not use them. So knowledge such technical analysis should be imparted to investors to make them competent to tap opportunities. Though there are some of the training institutes, websites and magazines that release news about technical analysis, it is not sufficient. The governing body especially Security Board should be responsible to provide training and aids.
2. In foreign context there are many good rating companies which make analysis of stock on various grounds and rate them on the basis of their performance. Such rating companies also provide tools of fundamental and technical analysis. In Nepal such rating company is lacking. Security Board should promote rating companies and regulate them.
3. Nepalese investors should be allowed broad investment opportunity in securities market. Nepalese securities market should be broaden letting the investors wide opportunity to invest in various types of assets such as options, warrants, convertibles, futures and bonds. In Nepal short selling mechanism is lacking, investors cannot reap benefit using such practices. So, the brokerage

company should initiate such mechanism to allow opportunities to the investors in both upswing and downswings.

4. Government should timely take action to expand securities market in different regions. Foreign investment should be imported by allowing foreigner to investors in Nepalese stock market. Next, Nepalese investors should also be allowed to invest in stocks of foreign companies as it can bring more diversity.

5.4 Suggestion for Further Research

No comprehensive research has been so far conducted combining technical analysis and fundamental analysis. Therefore, this area opens an avenue of forthcoming researchers to conduct future study on this subject matter. Fundamental analysis helps to select the underpriced securities based on intrinsic value of such securities. Technical analysis assists to know the timing of buying and selling of such securities based on demand and supply for such securities. Research on securities analysis applying combination of both approaches can result an encouraging reward.

Next, there are many commodity future markets opened in Nepal. Research on such various commodities futures can be conducted applying several technical analysis tools.

REFERENCES

BOOKS

- Bhalla V. K. (1983). *Investment management: Security analysis and portfolio management*. New Delhi: S. Chand Publishing Co.
- Blake, D. (1990). *Financial market analysis*. New York: McGraw-Hill Companies, Inc.
- Boroson, W. (2001). *Pick stocks like Warrent Buffet*. Hoboken, New Jersey: John Wiley & Sons, Inc.
- Davis, N. (2004). *The triumph of contrarian investing; Crowds, manias, and beating the market by going against the Grain*. USA: McGraw-Hill Companies, Inc.
- Fischer, D. E. and Jordan, R. J. (2000). *Security analysis and portfolio management*. New Delhi: Prentice Hall of India.
- Francis, J.C. (1986). *Investment: Analysis and management*. New York: McGraw-Hill Companies, Inc.
- Hayden, V. C. et al. (2003). *Getting an investment game plan; Creating it, working it, winning it*. Hoboken, New Jersey: John Wiley & Sons, Inc.
- Lasser, J.K. (2001). *Pick stocks like Warrant Buffer*. New Jersey: John Wiley & Sons, Inc.
- Maiello, M. (2004). *Buy the rumor, sell the facts; 85 maxims of Wall Street and what they really mean*. USA: McGraw-Hill Companies, Inc.
- Muza, G. (2005). *The vital few versus the trivial many; Invest with the insiders, not the masses*, New Jersey: John Wiley & Sons, Inc.
- Palat R. (1991). *Shares for investment and wealth: A guide to investing wisely*. New Delhi: India Book Distributor

Person, J. W. (2004). *A complete guide to technical trading tactics; How to profit using pivot point points, candlesticks and other indicators*. Hoboken, New Jersey: John Wiley & Sons, Inc.

Rosenfeld, F. (1975). *The evaluation of ordinary share*. Paris: Dumod Publishers Inc.

Schwager, J.D. (2001). *Stock market wizards; Interviews with America's top stock traders*. New York: Harper Collins Publishers, Inc.

Sharpe W.F, Alexander G.J. & Bailey J.V. (2001). *Investment*. New Delhi: Prentice Hall of India

Yasaswy,N. J. (1992). *Equity investment strategy*. New Delhi: Tata McGraw-Hill Publishing Company Pvt. Ltd.

JOURNALS

Baral, K. J. & Shrestha, S. K.,(2006). Daily stock price behavior of commercial banks in Nepal. *The Journal of Nepalese Business Studies*, Vol. III No. 1

Brands, S. et al. (2006). Active investment manager portfolios and preferences for stock characteristics. *Journal of Accounting and Finance*, 46, pp. 169-190

Claessens, S., Dasgupta, S. and Glen, J. (1995). Return behavior in emerging stock markets. *The World Bank Economic Review*, 9, 153–74.

Fama, E.F. (1965) The behaviour of stock market prices, *Journal of Business*, 38, 34–105.

Fung, M. K. (2006). R&D, knowledge spillovers and stock volatility . *Journal of Accounting and Finance*, 46, pp. 107-142

Granger, C.W.J. (1992) Forecasting stock market prices: lessons for forecasters. *International Journal of Forecasting*, **8**, 3–13.

Kallunkia, J. et al. (2006). Should there exist secondary markets for executive stock option? *Journal of Accounting and Finance*, 46, pp. 265-283

Lewellen, W. G. et al. (1974). Active investment performance and investment behavior. *The Journal of Financial and Quantitative Analysis*, Vol. 14, Issue 1, pp. 29-57

Richards, A.J. (1996). Volatility and predictability in national stock markets: how do emerging and mature markets differ? *International Monetary Fund Staff Papers*, **43**, 461–501.

Roberts, H.V. (1959). Stock market patterns and financial analysis: Methodological suggestion. *Journal of Finance*. Vol. XIV, No.1, P.1

UNPUBLISHED THESIS

Aryal, M. (1995). The general behavior of the stock market prices. Unpublished Master's Degree Thesis, Central Department of Management, T.U., Kirtipur

Bhatta, B.P. (1999). Dynamic of stock market in Nepal. Unpublished Master's Degree Thesis, Central Department of Management, T.U., Kirtipur

Khatiwada, M.(1996). A study on securities investment in Nepal. Unpublished Master's Degree Thesis, Central Department of Management, T.U., Kirtipur

Mainalee, H.R.(2005). Technical analysis of common stock of joint venture bank. Unpublished Master's Degree Thesis, Central Department of Management, T.U.,

- Pant R. (2000). Current status and problems of stock market in Nepal. Unpublished MBA thesis, Central Department of Management, T.U., Kirtipur
- Poudel, N. (2007), Investment trends of securities of commercial banks in Nepal. Unpublished MBS thesis, Central Department of Management, T.U., Kirtipur
- Pradhanang, R. (2007). Technical analysis of common stock of Nepalese joint venture bank. Unpublished MBS thesis, Central Department of Management, T.U., Kirtipur
- Shah,S.(1996). Investment attitude and anticipation of earnings. Unpublished MBS thesis, Central Department of Management, T.U., Kirtipur
- Shrestha , S.C.(1996) A study on stock price behavior in Nepal. Unpublished Master's Degree Thesis, Central Department of Management, T.U., Kirtipur

WEB-SITES

- [http:// www.equis.com. /free/taaz/efficmarktheo.html](http://www.equis.com./free/taaz/efficmarktheo.html)
- [http:// www.nepalstock.com/stockwiseprice.php](http://www.nepalstock.com/stockwiseprice.php)
- [http:// www.nepalsharemarket.com](http://www.nepalsharemarket.com)

Annex-I

Questionnaire for

Technical Analysis on Common Stock of commercial banks in Nepal

Dear Respondent,

I am collecting the data concerned with investment behavior of investors in Nepalese stock market as a part of thesis writing for MBS degree at T.U. I would appreciate you for your kind help in this research work, if you fill following questionnaire as instructed below.

Ram Krishna Prajapati
(Researcher)
Khwopa College, T.U

About respondent	
Name.....	Office.....
Residential Address.....	Office Address
.....
Date	
Signature	Position

Please put thick mark " " on blank space [], option that you want to select and/or fill in the dotted blank space to write answer on your own. For your convenience select English or Nepali any one language to mark and write.

तपाईंलाई सहि लाग्ने उत्तरको खाली ठाउँ [] भित्र ठिक चहन्वा डट राखी छोडेको खाली ठाउँमा आफ्नै उत्तर भर्नुहोस् । तपाईंलाई सजिलोहुने अंगजीवा नेपालीमध्यकुनै एक भाषामाचिह्नलगाउनुहोस वा लेख्नुहोस् ।

1. In your opinion which market is attractive for Nepalese investors to buy shares ?

- a. Primary market / initial public offering (IPO s) []
b. Secondary market/ buying from security exchange(NEPSE) []

१. तपाईंको विचारमा नेपाली लगानीकर्ताहरूको लागि शेयर खरिद गर्न कुनबजार आकर्षक छ?

- क) प्रथमिक बजार / प्रारम्भिक सार्वजनिक निस्कासन []
ख) दोस्रो बजार / धितोपत्र विनिमय बजारबाट खरिद (नेप्से) []

2. Which market is attractive for you to buy shares?

- c. Primary market / initial public offering (IPO s) []
d. Secondary market/ buying from security exchange(NEPSE) []

२. तपाईंलाई शेयर खरिद गर्न कुनबजार आकर्षक छ?

- क) प्रथमिक बजार / प्रारम्भिक सार्वजनिक निस्कासन []
ख) दोस्रो बजार / धितोपत्र विनिमय बजारबाट खरिद (नेप्से) []

3. In your opinion how Nepalese investors make a decision to purchase a share of certain company in the secondary market?

a. By making fundamental analysis of company.[]

b. Consulting a broker []

c. Applying technical analysis of stocks.[]

d. Act on whim[]

e. Without any study []

f. If other any, please specify

३. तपाईंको विचारमा नेपाली लगानीकर्ताहरूले कसरी कुनै निश्चित कम्पनीको शेयर दोस्रो बजारमा खरिद गर्ने निर्णय लिन्छन्?

क) कम्पनीको आधारभूत विश्लेषण गरेर[]

ख) शेयर दलालसंग परामर्श लिएर[]

ग) बजारको हल्ला अनुसार[]

घ) अध्ययन नै नगरी[]

ड) अरु कुनै भए उल्लेख गर्नुहोला

4. How would you make a decision to purchase a share of certain company in the secondary market?

g. By making fundamental analysis of company.[]

h. Consult a broker[]

i. Apply technical analysis of stocks.[]

j. Act on whim []

k. Without any study []

l. If other any, please specify

४. तपाईं कसरी कुनै निश्चित कम्पनीको शेयर दोस्रो बजारमा खरिद गर्ने निर्णय लिनुहुन्छ ?

क) कम्पनीको आधारभूत विश्लेषण गरेर[]

ख) शेयर दलाल संग परामर्श लिएर[]

ग) बजारको हल्ला अनुसार[]

घ) बिनाकुनै अध्ययन गरी[]

ड) अरु कुनै भए उल्लेख गर्नुहोला

5. In your opinion how long should one hold share purchased to get appropriate benefit from it?

a. Below six months []

b. Six months to one year []

c. One year to three years []

d. Three to five years []

e. Above five years []

f. Situational []

५. तपाईंको विचारमा शेयरबाट उचित प्रतिफल प्राप्त गर्न कति समय सम्म राखिराख्नु पर्ला?

क) छ महिना भन्दा मुनि []

ख) छ महिना देखी एक बर्ष सम्म []

ग) एक बर्ष देखी तीन बर्ष सम्म []

घ) तीन बर्ष देखी पाँच बर्ष सम्म []

ङ) परिस्थिति अनुसार []

6. In your opinion when do people sell their securities?

a. When market price is rising sharply []

b. When market price declines sharply []

c. When company's earning declines []

d. When company fails to pay dividend []

e. When cash is needed urgently []

f. If other any, please specify

६. तपाईंको विचारमा नेपाली लगानी कर्ताहरूले कुन बेला शेयर बिक्री गर्छन् होला?

क) जब शेयरको मूल्य तिब्र गतिमा बढ्छ []

ख) जब शेयरको मूल्य तिब्र गतिमा घट्छ []

ग) जब कम्पनीको मुनाफा घट्छ []

घ) जब कम्पनीले लाभांश तिर्न सक्दैन []

ङ) जब पैसाको तत्काल खाँचो पर्छ []

च) अरु कुनै भए उल्लेख गर्नुहोला

7. When do you sell your securities?

a. When market price is rising sharply []

b. When market price is decline sharply []

c. When company's earning declines []

d. When company fails to pay dividend []

e. When cash is needed urgently []

f. If other any, please specify

७. तपाईंकुन बेला शेयर बिक्री गर्नु हुन्छ?

क) जब शेयरको मूल्य तिब्र गतिमा बढ्छ []

ख) जब शेयरको मूल्य तिब्र गतिमा घट्छ []

ग) जब कम्पनीको मुनाफा घट्छ []

घ) जब कम्पनीले लाभांश तिर्न सक्दैन []

ङ) जब पैसाको तत्काल खाँचो पर्छ []

च) अरु कुनै भए उल्लेख गर्नुहोला

१२. नेपालको शेयर बजार गलतदिशातर्फ लागि रहेको छ । त्यसैले यसले भविष्यमा ठूलो आर्थिक विचलन निम्त्याउने छ ।

क) धेरै हदसम्म सहमत छु []

ख) सहमत छु []

ग) सहमत छैन []

घ) धेरै हदसम्म सहमत छैन []

13. Which factor is mainly responsible for slow down in development of Nepalese sharemarket? [If you think multiple of following factors are responsible for slow down in development of Nepalese sharemarket rank them by giving "1" for the most responsible factor, "2" to next and so on.]

a) Defective government policy [] []

b) Unstable government [] []

c) Lack of security and peace [] []

d) Share Brokers' malpractices [] []

e) Big investors with vested interest [] []

f) Security Boards' negligence [] []

g) If other any, please specify []

१३. नेपालको शेयर बजार सुस्त गतिमा मात्र विकास हुनुमा कुन तत्व प्रमुख रूपमा जिम्मेवार छ ?

(यदी तपाईंलाई शेयर बजार सुस्त गतिमा मात्र विकास हुनुमा तलदिईएका मध्य धेरै तत्वहरूले एकै साथ असर पर्छ जस्तो लाग्छ भने ति तत्वहरू मध्ये सबैभन्दा बढी जिम्मेवार कारणलाई १, त्यसपछि अर्कोलाई २ र त्यस्तै गरी क्रमशः राख्नुहोस् ।)

क) प्रभावहीन सरकारी नीति []

ख) अस्थायी सरकार [] []

ग) शान्ति सुरक्षानहुनु [] []

घ) शेयर दलालहरूको दुराचार [] []

ङ) ठुला लगानीकर्ताहरूको निहित स्वार्थ [] []

च) धितोपत्रबोर्डको लापरवाहि [] []

छ) अरु कुनै भए उल्लेख गर्नुहोला []

14. Investors should be allowed to invest in foreign securities market to bring prosperity and diversity.

a. Strongly agree []

b. Agree []

c. Disagree []

d. Strongly disagree []

१४. समृद्धि तथा विविधताको लागि नेपाली लगानीकर्ताहरूलाई विदेशी धितोपत्रहरूमा पनि लगानी गराउन अनुमति दिनु पर्दछ ।

क) धेरै हदसम्म सहमत छु []

ख) सहमत छु []

ग) सहमत छैन []

घ) धेरै हदसम्म सहमत छैन []

