



A Descriptive Study On “Investor Sentiment Analysis- On Stock Market”

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Abstract

Investment analysis involves researching and evaluating a security or an industry to predict its future performance and determine its suitability to a specific investor. Investment analysis may also involve evaluating or creating an overall financial strategy. In the last decade it was observed that investors link between unique news and stock market prediction, which are usually researched, this also leads to high volatility, breaks in model behavior, and parameter uncertainty. Already existing reports do not provide the Unique textual information and novel data can be systemized, encoded, and bundled into categories and indices to provide meaningful information that can support our understanding of stock behavior.

Fundamental Analysis is bedrock to investing or we can also say that a basic knowledge of Fundamental analysis helps us in laying a better Foundation for our investment decisions by diversify the risk of portfolio in different sectors and this happen with the answer of some questions like Is Company experiencing a rising net profit, making actual profit or can it beats its competitors in the future or not & by comparing EPS ,PE, beta value of the stocks, book value per share ,shareholding pattern & Recent news related to that sector, industry etc.

Introduction

Investor sentiment is a rough measure of the stock market's attitude at any given time. It can be bullish, bearish or somewhere in between. When people talk about investor sentiment or market sentiment, they are referring to general attitudes in the investment community. This type of analysis is usually performed by short-term traders or technical analysts who want to profit from short-term stock price movements.

There are far more people than people trying. When looking at changes in market sentiment, investors try to determine whether market sentiment is overly optimistic, overly pessimistic, or relatively normal. If investors can read market sentiment accurately, they can use it to their advantage. Therefore, investors looking to go long in quality stocks should avoid buying stocks now, wait for market sentiment to shift to a bearish state, and hopefully undervalue stocks to set a strong uptrend. increase.

Sentiment indicators are intended to express how a group feels about the markets and the economy. Based on market psychology, these indicators quantify emotions numerically or graphically to attempt to predict how current beliefs and positions will affect future market behavior. Sentiment indicators measure market sentiment in the form of investor or consumer actions and beliefs that can affect the market. If the sentiment indicator is moving in the same direction as what you are analyzing, it is usually useful to see the trend.

The Sentiment Indicator can be used by investors to see how optimistic or pessimistic people are about current market and economic conditions. For example, indicators of consumer sentiment show that pessimism can make businesses less likely to stock up on concerns that consumers aren't spending on. Data is subject to interpretation. A high number indicates that consumers are optimistic. However, some assume that high values will decline over time. A low value indicates that the consumer is suppressed, but could improve from there. It helps to see current trends when the sentiment indicators are not extremely close. Likewise, a decline in the put/call ratio helps to see price gains. Positive and negative investor sentiment influences stock market returns and volatility.

Sentiment analysis is also one of the most successful ways to incorporate the influence of market psychology into your trading strategy. Empirical evidence suggests that investor sentiment is one of the most reliable indicators of future price developments. Calculating the sentiment score shows that customer sentiment tends to be positive. Extreme values in the Commitment of Traders report do not mean that the price of the asset will change anytime soon. Extremes can persist for a long time, or price can stay where it is while traders liquidate their positions, and extremes disappear without a significant price reversal.

Research objective:

1. Understanding the behavior of People while investing any Financial Instruments.

The Main purpose of understanding the behavior of people investing in any Financial Instruments is to know what people do would prefer while investing in financial instruments based on their knowledge, analysis, information and influential source of media.

Investor sentiment is an approximate measurement of the stock market's attitude at a given time it could be over bullish, bearish or somewhere in the middle. when people talk about investor sentiment, or market sentiment, they are referring to the aggregate attitude in the investment community.

Literature Review:

Jaya K R, Pralhad Rathod(2021), The research discusses **Investment behavior is dangerous since it's rested on a lack of certainty about the future.** News delivery and availability Information and rumors are pivotal factors of the fiscal requests. The three main ideas and interpretations of adventure action are peril pursuit, threat aversion, and station. Venture geste is parlous since it depends on query about the future. The focus of reports on global direct enterprise trends is on current turns of events. similar information is pivotal for policymakers and other individualities interested in the rate and compass of globalization. It failed to give any commentary on the notion of globalization. By their veritably nature, current developments are giving rotating rudiments in global investment flows further weight.

Liu & Gupta(2021) We found several literature reviews on investor sentiment as a significant factor in explaining conditional stock market volatility for investment purposes and stock returns. According to these researchers, it shows a negative relationship between investor uncertainty and asset value, and they also examined the impact of risk and uncertainty on stock returns and also found some evidence for the uncertainty–return trade-off compared to the traditional risk–return trade-off and also tested how uncertainty and risk are priced across a cross-section of stock returns, and to support this they also developed a general equilibrium model showing that political uncertainty requires a large-scale risk premium even during economic downturns.

Paule- Vianez etal.(2020) and Singh(2021), According to the examination Both studies have reached an agreement on the rise of investor sentiment as a significant field in behavioral finance after conducting a bibliometric review of the behavioral finance literature. The examinations also revealed that investor sentiment stands out in terms of productivity and impact, which calls for further exploration. This study seeks to offer a general overview of the exploration on current trends, and important themes, and give unborn directions in agreement with the recent advancement in the field of investor sentiments.

Seth(2020). Retail investors differ from institutional investors in terms of investment size, funding, access to research and professional advice. It also tells retail investors several rational and illogical factors, making their opinions on where and when to invest piecemeal, these investors also tend to have a different approach to managing their finances. To illustrate, some investors tend to save more than others or be more deliberate in their analyzes before making judgments about finances, while others are driven more instinctively when investing. Scholars have therefore appreciated that brain factors play a key role in shaping individuals' fiscal policies. gestures and strongly emphasized the importance of examining these factors.

Griffth, Najand & Shen(2019) We found few reviews of the literature on how Investor sentiment affects market liquidity, and according to researchers the observation that the stock market is more liquid when investor sentiment is higher is in line with the theoretical prediction that this phenomenon would occur. Theoretical research suggests that market liquidity may be impacted by investor attitude both directly and indirectly. Higher investor sentiment may have a direct impact on market liquidity through two channels: irrational market makers

and noise trading. Higher investor sentiment toward the first channel leads to noisier trading, which increases market liquidity. They represent his second channel model that more irrational market makers are present in the market when investor sentiment is strong. These market makers are expected to react too slowly to order flow information, resulting in increased liquidity. A high level of investor sentiment may indicate a high level of overconfidence in the market, and the higher the level of overconfidence, the more liquid the stock. This is the indirect effect of investor sentiment on market liquidity.

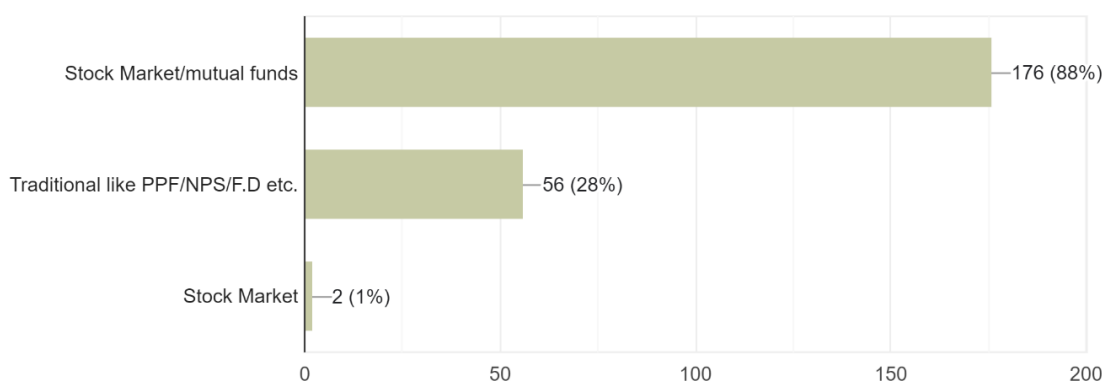
Paluri and Mehra, (2016). This research examines the certainty of tone when assessing investment avenues. Set that women tend to exhibit more concern about fiscal issues than their male counterparts. Because anxiety is associated with low sharpness of stock price trends, researchers have argued that anxiety thus causes individuals to form conservative investment views.

Conclusion and Recommendation from the responses received.

- **What is your Preference of Investment in?**

What is your Preference of Investment in?

200 responses

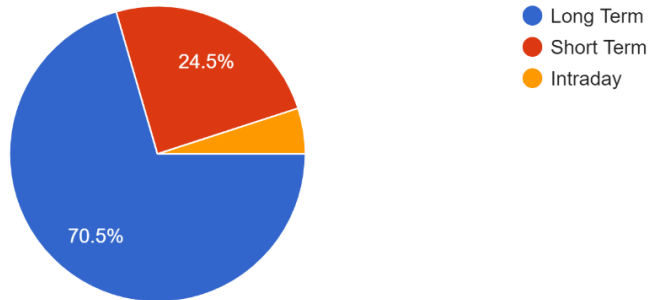


After Covid-19 it has seen that 88% of people have started investing in Stock market rather than PPF/F.D's. Because there was a huge awareness related to stock markets.

- **What is your investment horizen generally?**

What is your investment horizen generally?

200 responses

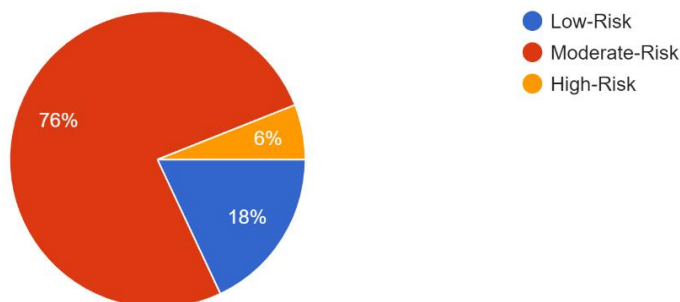


It has observed that people do prefer for long term investments in stock market rather than short term investments. And it stands for around 70.5% people.

- **How you rate risk taking ability in investment decisions?**

How you rate your risk taking ability in Investment decisions?

200 responses

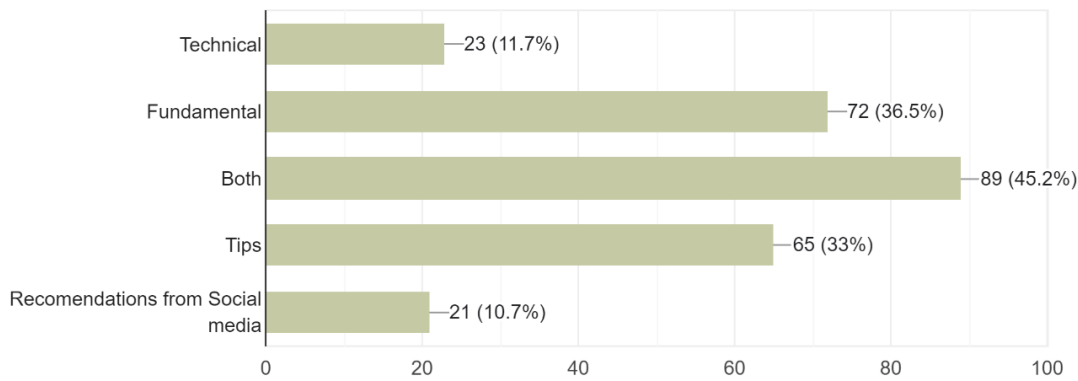


People do prefer to take moderate risk with respect to investment in stock market, and few investors who also wants to take high risk for profits i.e. 6% op people.

- Which of the following do you prefer for analysis to be used by an investor?

Which of the following do you prefer for analysis to be used by an Investor?

197 responses

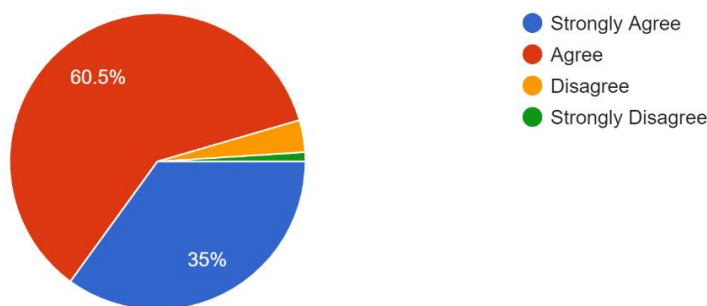


People prefer to go for both the analysis technical and fundamental analysis whereas technical analysis is more important analysis but investors are not aware of technical learnings like (example- Zerodha Varsity.)

- Do you think protecting your portfolio is important than higher return?

Do you think potecting your portfolio is important than higher returns?

200 responses

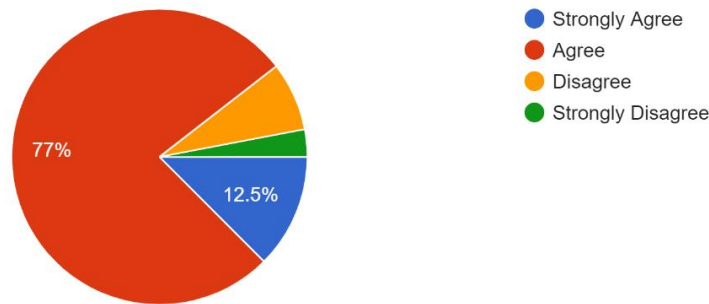


By looking at the higher fluctuation in stock market people decides to withstand with protecting their portfolio rather than going for higher returns.

- **Are you willing to bare the consequences of a loss to maximize your returns?**

Are you willing to bare the consequences of a loss to maximize your returns.

200 responses



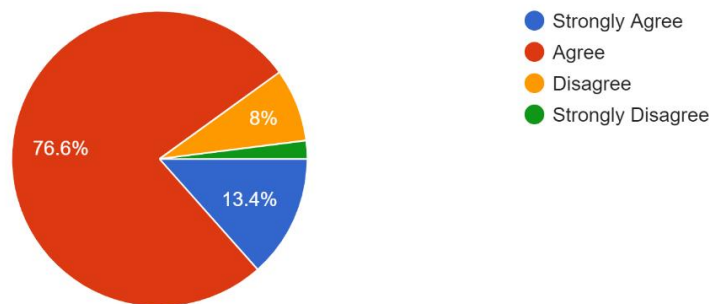
It has observed that people are willing to take risk for the maximum returns.



- **Are you willing to withstand some fluctuations in your investments.**

Are you willing to withstand some fluctuations in your investments

200 responses

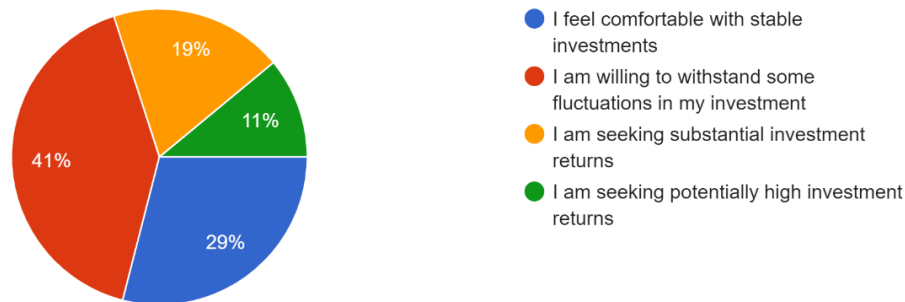


It is observed that People do like to investment in risky ventures for maximizing their profits.

• Which of the following statement best describes your investment philosophy?

Which of the following statements best describes your investment philosophy?

200 responses



About 41% of people states that they withstand with fluctuations with their investments.

Conclusion and recommendations for customer purchasing behaviour from above responses available.

One Famous Quote is there “Never put your all eggs in same basket” that’s very true that’s why we should diversify our investment in different financial instruments & well as sector and company so for investing we do Fundamental analysis Basically Fundamental Analysis is bedrock to investing or we can also say that a basic knowledge of Fundamental analysis helps us in laying a better Foundation for our investment decisions by diversify the risk of portfolio in different sectors and this happen with the answer of some questions like Is Company experiencing a rising net profit, making actual profit or can it beats its competitors in the future or not & by comparing EPS ,PE, beta value of the stocks, book value per share ,shareholding pattern & Recent news related to that sector, industry etc. and also by going through the annual report and other resources like money control and grow, to predict the future price movement, determining the fair value of stocks, management evolution, and company’s ability to beat competitors and analyzing company’s financial strength and how one particular company is better performing in the sector ,industry and also how an international matter affect the whole economy and now talking about the challenges in selecting the different sector and particular stocks because there are few stocks whose fundamental are good but still they are not performing up to the mark and some of the companies are there whose fundamentals are not good but still performing well here apart from fundamental analysis the stock performance is also depend on market recent trend and government scheme that are supportive to particular sector which is beneficial for upcoming future and sometime FII and big- bull also manipulate the market or some stocks but in current scenario all sectors are bearish almost due to some uncertain reason so it is little difficult to just go with the fundamentals only.

Apart from this there is manipulation done via intermediaries sometimes which leads for panic selling and panic buy sometimes & because of this new investors used to bear huge losses as well as sometimes huge profit but in recent time people are looking for investment in stocks, MFs and other financial instruments apart from their traditional one like PPF, FDs, NPS etc. which is a good sign but one thing came into picture during this survey most people are expecting a high return they are ready to take higher risk which is good thing but some times it's cause to losses, trading should be not done via emotional attachments instead of this, it should be a proper pre planned when you have to enter and when you have to exit. Various third-party platforms are there via which we can invest like Groww, Zerodha, Upstocks, 5Paisa Via banks, Post office etc. but still there are people who are afraid to invest in stocks, MFs and other financial instruments because they are afraid that stock market is kind of gambling and only makes losses and other reason came to know that most of the people are not having lack of knowledge and most of people invest on recommendation of their friends, family, and tips which also causes losses sometimes. There should be a financial literacy in India for the purpose of investment in India. The more the financial literacy will be there the more people will be aware of the various policies and financial attributes.

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