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A Market Survey Approach on Emotional Decisions by Investors in Stock Market

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ABSTRACT

Intraday trading is basically the purchasing and selling of stock on the same trading day. Many of the investors go for Position trading. Position trading is less risky compared to intraday trading since it's done on a long-term basis. Intraday trading requires the need to devote a person's time and patience. Despite the risk there are investors who go for Intraday trading. But this also comes with its disadvantages. Stock market is never stable and an unexpected turn of events can bring a fall in the market. Thus, these investors will have to continuously keep track of the behaviour of the market thus resort to spending their time at this. If the investors do not take the right decision on when to stop the trading for the day, they can end up having losses or may lose the chance to have got more profits. There are also times when they don't stop with one trade. Even if they had a loss, they would carry on with doing another trade rather than stopping for the day. Sometimes there are times they might be in loss continuously for days which may take days to recover. The investors may not have proper stop loss or might not have a plan on how to mitigate risks. People go for trading generally to make gains so greed could also be a reason to go for intraday trading to get quicker returns. This sort of trading requires a lot of research since if invested into a wrongstock there are chances of huge losses. This study is conducted in order to find out the emotional aspects or their reaction towards the different situations they face on a day-to-day basis.

Key words: Emotions, Intraday, Position Trading

1. INTRODUCTION

Intraday was introduced in India in 2001.The BSE used to have a system called the Badla (carry forward), which allowed trades to be squared within a week and then carried forward. SEBI adopted the rolling method in 2001, which requires all trades not reversed on the same day to be delivered on the T+2 day. Intraday trading was born as a result of rolling settlements.

Intraday trading refers to the purchase and sale of stocks on the same trading day. Day trading is another term for intraday trading. The price of a stock fluctuates throughout the day, and intraday traders try to profit from this fluctuation by purchasing and selling stocks on the same trading day. Intraday trading is when a stock is bought and sold on the same day, before the market closes. Day trading is a type of securities speculation in which a trader buys and sells a financial instrument on the same trading day in order to prevent unmanageable risks and negative price gaps between one day's close and the following day's price at the open. Traders who engage in this type of trading are known as speculators. Buy- and-hold and value investing methods are based on long-term trades, whereas day trading is based on short-term deals. Using day trading software makes it a lot easier. Swing trading, in which positions are held for a few days, is comparable to day trading. Financial firms and professional speculators used to be the only ones who engaged in day trading. Many day traders work as equities investing and investment management specialists for banks or investment firms. After the liberalization of fees in the United States in 1975, the introduction of electronic trading platforms in the 1990s, and the stock price volatility during the dot-com bubble, day trading became popular. Some day traders adopt an intra-day strategy known as scalping, in which they hold a position for only a few minutes or seconds.

2. REVIEW OF LITERATURE

(Said & Slim, 2022)It is widely considered that investors act rationally. A large body of literature shows that this assumption is unreasonable and that investor behaviour is, in fact, prone to psychological biases. Several studies suggest that taking into consideration several stock market abnormalities can be explained by psychological factors in financial research markets. They finally found that if investors learn from the impact of variable attention on asset values, they would be able to develop profitable strategies while controlling for the desired degree of risk. Finally, it would be interesting to untangle the effect of institutional investors' attention in order to better analyse the market environment, utilising different online search engines known to be popular among sophisticated traders such as Bloomberg and Thomson Reuters.

(Hussain, 2011)Says that return volatility, trading volume and bid-ask spreads depend on the seasons. They also show that contemporaneous and lagged trading volume and bid-ask spreads have numerically small but statistically significant effect on return volatility. (Lalwani, Sharma, & Chakraborty, 2019)Says how intraday investors react in the market in different countries like USA, UK, Japan, China, Hong Kong, Canada, Germany, India, Switzerland, and Australia due to the effective market hypothesis. It is believed that all stocks are traded at fair prices but there can be a chance of abnormalities which is called reverse efficient market hypothesis. This paper suggests that negative news or positive news inflicts the reactions of intraday traders and that it varies in different countries.

According to a review of the literature (Shi, Ausloos, & Zhu, 2020), the influence of investor sentiment on predicted stock return is an unexplored area of study. Several previous empirical studies demonstrate that swings in investor sentiment can have a major impact on future stock returns. However, we note that only a few research have looked at the varied effects of investment sentiment on the stock returns of different industrial sectors. Furthermore, most previous research has concentrated on the stock markets of industrialized countries as the research object, with little attention paid to the stock markets of emerging countries.2. Review of Literature

3. OBJECTIVES OF THE STUDY

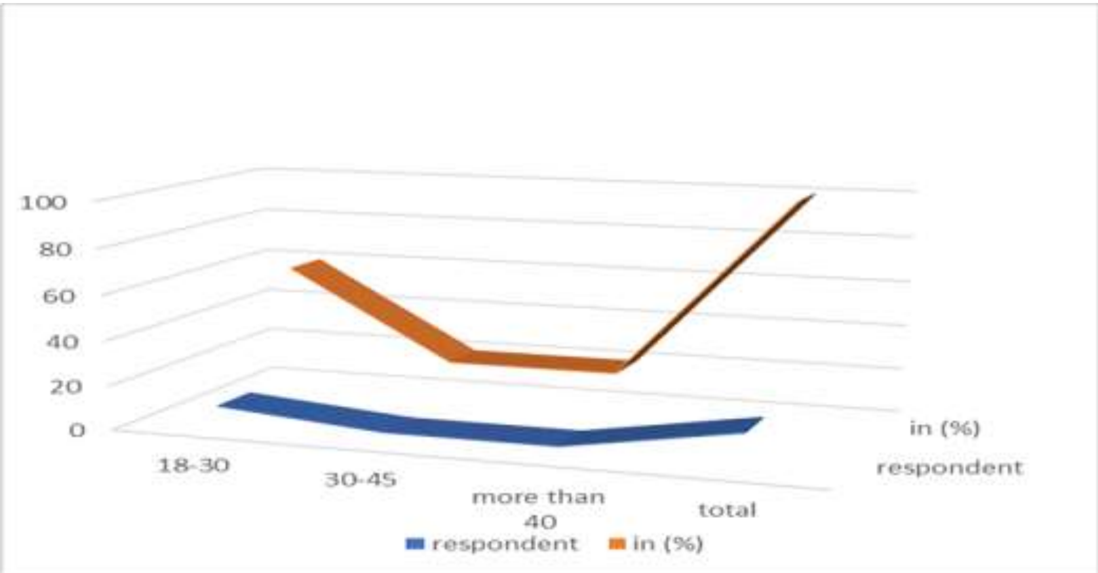
- To learn how traders feel about investing in the stock market.
- To investigate the psychological aspects that influence stock market investment decisions.
- To learn about the intraday trading system.

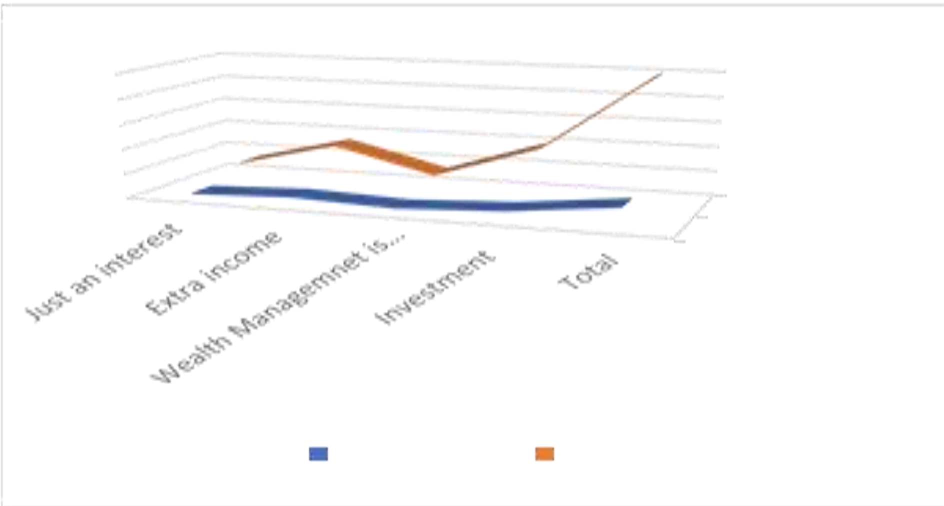
4. SOURCES OF DATA

. The study uses primary data. primary data has been collected through the Questionnaire Secondary data also collected from books, personal sources, journals, newspapers, websites, and government documents. Tables, figures, and information for reviewing the literature are among the data collected for the study. Additional resources like, working papers, research papers, and economic dailies are also referred for this purpose.

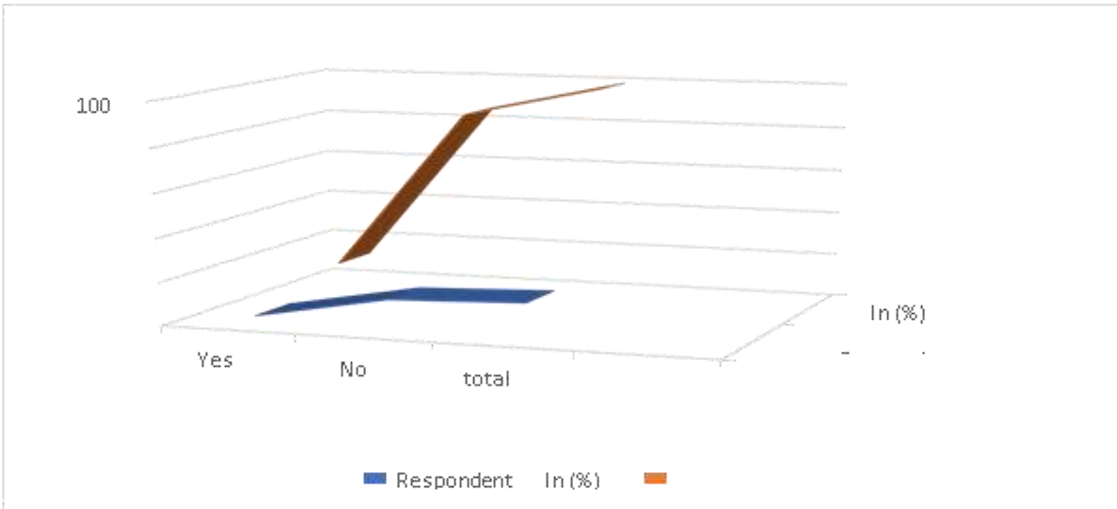
5. ANALYSIS

This analysis include 60 percent of responses between the ages of 18 and 30, 20 percent are between the ages of 30-45, and 20 percent are beyond 40. Males account for 93.3 percent of total responders, while females account for 6.7 percent. Most of the investors said that they prefer trading in order to make extra income. Very few had other reasons like investment purpose or just out of interest. Few persons had opinion that wealth management is more important than wealth creation





Analysis shows that people got profits while doing the day-trading and on the other hand, some individuals face losses. Most of the respondents go for multiple trading and don't stop with one trade. Four-fifths of people said that they don’t keep hoping for a favorable outcome until the end of the trading day. On the other hand, a majority stops for the day even if they have unfavorable outcomes**.** All respondents say that when it comes to trading decisions, greed plays a part.



It is obvious that more than a quarter of respondents believe day trading is appropriate for first-time investors. On the contrary, about one fifth of respondents believe it is bad for a first-time investment. There were many suggestions given by the investors on how do they overcome situations where the market starts to tumble down due to unexpected economic situations. One of them said they never trade on such days. Some have set up a stop loss and will set up strategies to tackle such situations. An investor we should always be calm during such situations. The main reason for the respondents to be interested in in intra-day trading is for making more money or is a means of extra income, the risk management strategy of many of respondents are to have a stop loss also.

6. CONCLUSION

The stock market is a method of risk mitigation that involves aggregating a number of small assets into a large bucket and spreading them among different businesses. The stock market is the best investment for the average person since it allows them to invest in a well-diversified, professionally managed portfolio at a reasonable cost. It is a struggle for intraday traders to raise awareness of the stock market in India and explain how best to maximize their gains, but many people in the country are investing and reaping the rewards. This study investigate the emotional aspect of the intra-day investors through a questionnaire and found a really shocking point, wherein all the respondents accepted the fact that greed really does play a major role in trading. Moreover, since the investors are into this field as a means of an extra income but it also comes with the risk of getting into loss. Thus, the respondents have also mentioned they keep a stop loss at which they stop for the day. The investors know it is riskier in intra-day but still they are ready to take risks. Furthermore, when asked about whether it will be a great kick start for beginners in investing, the major response is not to start with intraday trading but rather with long term trading. Thus, from study, it found that they can be greedy but at the same time they do keep a stop loss, they also are ready to take risks even if they are in loss and that they make sure to gain it back in the future.

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