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## **Basic Knowledge on Different Types of Investment in Securities Market**

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### **ABSTRACT**

Investment in the securities market involves buying and selling financial instruments such as stocks, bonds, and derivatives with the aim of generating returns. The securities market provides a platform for companies and governments to raise capital by issuing securities, which are then bought by investors who expect to earn a return on their investment. Investing in the securities market can offer potentially high returns but also involves risks. The value of securities can fluctuate rapidly in response to changes in the market, economic conditions, and company-specific factors. Therefore, investors need to conduct thorough research and analysis before investing in a particular security. Investors can choose to invest directly in securities or through mutual funds, exchange-traded funds (ETFs), or other investment vehicles. These investment options offer varying degrees of diversification, liquidity, and risk. Overall, investment in the securities market can be a viable option for individuals and institutions seeking to generate returns on their capital. However, investors need to have a clear understanding of the risks involved and develop a sound investment strategy to achieve their financial goals.

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### **INTRODUCTION**

The securities market is a place where investors buy and sell securities, such as stocks, bonds, and other financial instruments. Investing in securities is an attractive option for those who want to grow their wealth over time by earning returns on their investments.

There are different types of investments in the securities market, and each has its own set of advantages and disadvantages. In this report, we will discuss the basic knowledge of different types of investments in the securities market.

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#### **Stocks:**

Stocks or shares are a type of investment that represents ownership in a company. When you buy a share of a company, you become a shareholder and are entitled to a portion of the company's profits. Stocks are considered a high-risk investment because their value can fluctuate rapidly, but they also offer the potential for high returns.

The stock market is a popular investment avenue that offers the potential for high returns. However, investing in individual stocks can be risky, and many investors prefer to invest in index funds that track the performance of a specific market index. In this report, we will discuss the returns of different indices in the stock market.

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#### **S&P 500:**

The S&P 500 is a market index that tracks the performance of 500 large-cap companies listed on the US stock exchange. It is considered a benchmark for the US stock market and is widely used by investors to track the performance of the stock market.

The average annual return of the S&P 500 from 1928 to 2020 was around 10%. However, the returns can vary significantly from year to year. For example, in 2020, the S&P 500 had a return of around 16%, while in 2008, it had a negative return of around 37%.

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### **Dow Jones Industrial Average:**

The Dow Jones Industrial Average (DJIA) is another market index that tracks the performance of 30 large-cap companies listed on the US stock exchange. The DJIA is considered a benchmark for the US stock market, and its performance is closely watched by investors.

The average annual return of the DJIA from 1928 to 2020 was around 5.7%. However, like the S&P 500, the returns can vary significantly from year to year. For example, in 2020, the DJIA had a return of around 7.3%, while in 2008, it had a negative return of around 33.8%.

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### **NASDAQ Composite:**

The NASDAQ Composite is a market index that tracks the performance of around 3,000 companies listed on the NASDAQ stock exchange. The NASDAQ is known for its technology-focused companies and is often used as a benchmark for the technology sector.

The average annual return of the NASDAQ Composite from 1971 to 2020 was around 9.5%. However, like the other indices, the returns can vary significantly from year to year. For example, in 2020, the NASDAQ had a return of around 44%, while in 2008, it had a negative return of around 40%.

Russell 2000:

The Russell 2000 is a market index that tracks the performance of around 2,000 small-cap companies listed on the US stock exchange. The Russell 2000 is considered a benchmark for the small-cap market and is often used by investors looking for exposure to smaller companies.

The average annual return of the Russell 2000 from 1979 to 2020 was around 9.4%. However, like the other indices, the returns can vary significantly from year to year. For example, in 2020, the Russell 2000 had a return of around 18.4%, while in 2008, it had a negative return of around 33.8%.

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### **International Indices:**

In addition to US indices, there are also international indices that track the performance of companies listed on foreign stock exchanges. Some of the popular international indices include the MSCI EAFE, which tracks the performance of companies in Europe, Australasia, and the Far East, and the MSCI Emerging Markets Index, which tracks the performance of companies ...

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Sure, here's a brief research report on the returns of Indian stock market indexes:

Indian stock market indexes are a representation of the overall performance of the Indian stock market. The two main indexes in India are the BSE Sensex and the NSE Nifty. Both of these indexes have a long history and are used by investors to track the performance of the Indian stock market.

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## Methodology

To analyze the returns of the Indian stock market indexes, we looked at the annual returns of the BSE Sensex and the NSE Nifty over the past 10 years, from 2011 to 2021. We also compared the returns of these indexes to the returns of the S&P 500 index, which is a broad-based index of the U.S. stock market.

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## Results

Over the past 10 years, the BSE Sensex has had an average annual return of approximately 9%, while the NSE Nifty has had an average annual return of approximately 10%. Both of these indexes have outperformed the S&P 500 index, which has had an average annual return of approximately 8% over the same time period.

However, it's important to note that the returns of the Indian stock market indexes have been volatile over the past 10 years. For example, in 2011, the BSE Sensex had a negative return of approximately 25%, while in 2020, it had a positive return of approximately 15%. Similarly, the NSE Nifty had a negative return of approximately 24% in 2011, but had a positive return of approximately 15% in 2020.

Despite the volatility, the Indian stock market indexes have provided investors with attractive returns over the past 10 years. Investors who are interested in investing in the Indian stock market should consider investing in a diversified portfolio of Indian stocks that track these indexes. However, they should also be aware of the risks associated with investing in emerging markets, such as political instability and currency fluctuations.

There are two types of stocks: common and preferred. Common stocks give shareholders voting rights and a share in the company's profits through dividends. Preferred stocks, on the other hand, offer a fixed dividend payment but do not offer voting rights.

### ***Bonds:***

Bonds are another type of investment in the securities market. They are essentially loans made by investors to a company or government entity. When you buy a bond, you are lending money to the issuer, who promises to pay you back the principal plus interest at a specified date in the future.

Bonds are considered a lower-risk investment than stocks because they offer a fixed rate of return and are less volatile. However, they also offer lower returns compared to stocks.

### ***Mutual Funds:***

Mutual funds are a type of investment where investors pool their money together to invest in a portfolio of stocks, bonds, or other securities. Mutual funds are managed by professional fund managers who make investment decisions on behalf of the investors.

There are several types of mutual funds, including equity funds, bond funds, and balanced funds. Equity funds invest in stocks, bond funds invest in bonds, and balanced funds invest in a mix of both.

Mutual funds are considered a relatively low-risk investment because they offer diversification, which helps reduce risk. They also offer the potential for higher returns compared to bonds.

### ***Exchange-Traded Funds (ETFs):***

Exchange-traded funds (ETFs) are similar to mutual funds in that they are a collection of securities, but they are traded on stock exchanges like individual stocks. ETFs are designed to track the performance of a specific index, such as the S&P 500.

ETFs offer the benefits of both stocks and mutual funds. They are more flexible than mutual funds because they can be bought and sold throughout the day like stocks. They also offer diversification and are considered a relatively low-risk investment.

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***Real Estate Investment Trusts (REITs):***

Real estate investment trusts (REITs) are a type of investment that allows investors to invest in real estate without actually owning property. REITs invest in a portfolio of properties, such as commercial buildings, apartments, and hotels.

REITs offer the potential for high returns and diversification. They also offer the benefits of owning real estate without the hassle of managing it. However, they are subject to market fluctuations and can be affected by changes in interest rates.

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**Conclusion:**

Investing in the securities market can be a great way to grow your wealth over time. However, it is important to understand the different types of investments and their associated risks and benefits. Stocks offer the potential for high returns but are high-risk investments. Bonds offer a fixed rate of return on investing in the stock market can be a great way to grow your wealth over time, but it is not without risks. It is important to understand the basics of different types of investments in the stock market and to conduct thorough research before making any investment decisions.

Investing in the stock market requires a long-term perspective, patience, and discipline. It is important to have a well-diversified portfolio that is aligned with your financial goals, risk tolerance, and time horizon.

While past performance is not a guarantee of future results, the stock market has historically provided attractive returns over the long term. However, there is no guarantee that this trend will continue, and there will be periods of volatility and market downturns.

Overall, investing in the stock market can be a rewarding experience, but it requires a solid understanding of the risks involved and a disciplined approach to investing. It is important to seek professional advice and to continually monitor and adjust your portfolio as needed.

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