

# Designing a Decision Support Model for Portfolio Revision by Using Charting Method

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**Abstract:** *Since equity markets have a dynamic nature this paper sketches a clear cut strategy for portfolio revision for the stocks bought at same price from same industry. It provides an idea on portfolio revision by comparison of stock prices using charting techniques. It offers a new way of thinking through the incorporation of price intersection point of two or more shares provides a strategy to frame out a portfolio revision in between the elected shares used for comparison from same industry. From this technique you determine the point which shares to be sold for buying another share for holding profitable shares and earning more return. This revision not to focus the shares outside your portfolio but concentrates to modify the holdings from selling some shares for buying another shares inside your own portfolio. The originality of the idea consists on the application of constant rupee plan and charting technique to define the point of portfolio revision.*

**Keywords:** same industry shares, chart, comparison, portfolio revision, profit

## 1. Introduction

A portfolio is a mix of securities selected from a vast universe of securities. Two variables determine the composition of a portfolio; the first is the securities included in the portfolio and the second is the proportion of total funds invested in each security. **The art of changing the mix of securities in a portfolio is called as portfolio revision.** The process of addition of more assets in an existing portfolio or changing the ratio of funds invested is called as portfolio revision. The sale and purchase of assets in an existing portfolio over a certain period of time to maximize returns and minimize risk is called as Portfolio revision. Portfolio adjustment involving purchase and sale of securities by using some strategy. This paper focus to determine the portfolio adjustment by using price intersection point of various stocks from same industry in price movement comparison chart.

### Statement of the problem

This Portfolio revision evoked various questions in the researcher's mind there by considering it necessary that a study be undertaken by using price movement comparison chart of various companies from same industry and suggest the strategy for portfolio revision from price comparison chart of stocks from same industry.

### Objectives of the Study

- The intersection point of price of stocks from same industry reveals the point of selling and buying of shares for earning more return and holding more profitable shares at large in number.
- To know how an investor can take rational investment decision by study market trends.

- We shall also demonstrate how chart analysis can be of invaluable use for the investor in portfolio revision with constant investment for making more profit.

### Scope of the Study

- To help investor in making revision decisions based on report.
- Studying the intersection point of share price for portfolio revision.
- Helps to formulate the buying and selling strategy.

### The stocks so selected are as follows

Chart comparisons

**Table 1**

Industry	Company 1	Company 2	Time Interval
BANKING	IDBI	IDFC	2 Years

### Techniques of data Analysis

- Charting techniques
- Trend

### Research Design:

It is a plan of action to be carried out in connection with research project. The research design used in this study is explanatory and descriptive research. It involves the collection of data from secondary sources.

### Research Methodology:

- For the study two banks are taken following steps followed in methodology:
- Identification of patterns and trends in stock price movements.

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- Preparation of table showing the price and volume of the stocks over the period of time and interpret charts.
- Preparation of portfolio revision strategy within the banks compared.

**Source of Data:**

Secondary data used in this study are publically available in the website of NSE India. Text books and Business Journals and periodicals and Business Line news paper are also used to collect some information.

**Limitations of the study:**

- The Analysis is focused on Two banks.
- Analysis involves using of limited Technical tools.
- Study depends on secondary data alone.
- We can't predict the price of stocks for long term.
- This study can't be applicable to newly listed companies.

**2. Literature Review**

**Preethi Singh (1986)** disclosed the basic rules for selecting the company to invest in. She opined that understanding and measuring return and risk is fundamental to the investment process. According to her, most investors are 'risk averse'. To have a higher return the investor has to face greater risks.

**William O'Neil, How to Make Money in Stocks** "Investors who train themselves to decode price movements on charts have an enormous advantage over those who either refuse to learn, just don't know any better, or are a bit lazy."

**By Casey Murphy | September 15, 2014** The number of shares bought and sold each day in any given financial instrument, known as volume, is one of the most accurate ways of gauging money flow. For those who are new to the markets, money flow is used by traders to determine the overall supply and demand characteristics or a financial instrument in an attempt to predict its future direction.

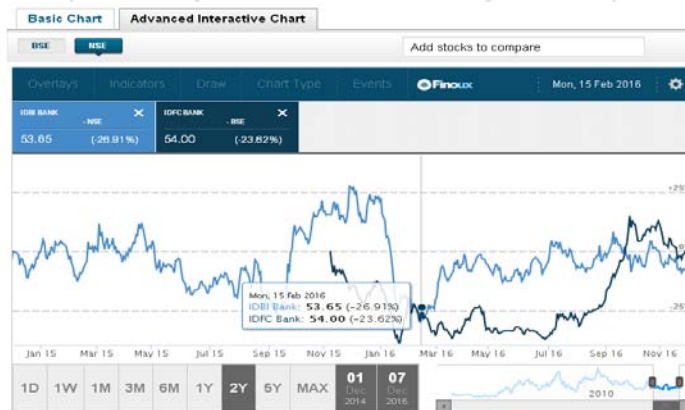
**Buigut, Soi, Koskei & Kibet (2013)** on their study on the relationship between capital structure and share prices in NSE assessed the effect of debt, equity and gearing ratio on share price.

**3. Data Analysis and Interpretation**

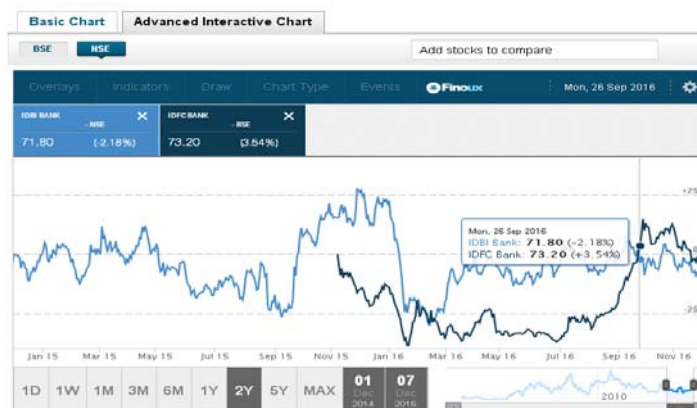
**Table 2**

Portfolio	Bank IDBI	Bank IDFC	TOTAL
Amount Allocated	Rs.10,000	Rs.10,000	Rs.20,000
Share price	Rs.53.65	Rs.54.00	
No of shares	186	186	372
Shares Worth/ Invested	Rs.9978.9	Rs.10044	Rs.20,022.9
Portfolio Revision on 26 <sup>th</sup> sep 2016-sell 49 shares of IDFC to buy 50 shares of IDBI			
Share price	Rs.71.80	Rs.73.20	Rs.26,970
No of shares	236.35	136.61	372.96
Shares worth	Rs.16,970	Rs.10,000	Rs.26,970
Portfolio Evaluation on 18 <sup>th</sup> NOV 2016			
Share price	Rs.71.65	Rs.71.85	
Shares worth	Rs.16,909.4	Rs.9843.45	Rs.26,752
Stay on line			

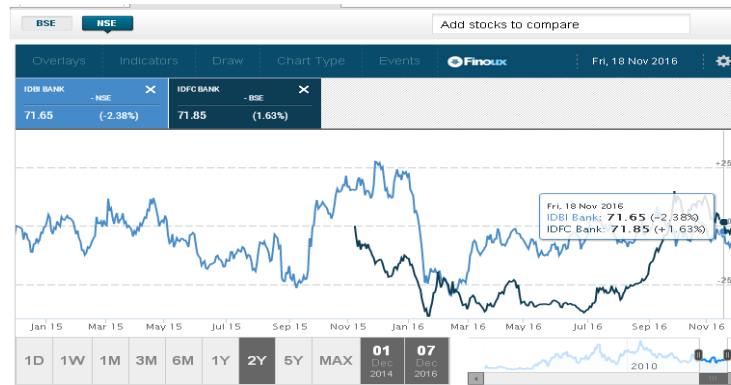
**CHART - I**



**CHART - II**



**CHART - III**



#### 4. Interpretation

On 15<sup>th</sup> February 2016 bought 186 shares of each IDBI and IDFC banks with the investment of Rs.20,023 you may revise the portfolio next intersection point on 26<sup>th</sup> sep 2016 to sell 49 shares of IDFC for buying 50 shares of IDBI. On 18<sup>th</sup> NOV 2016 we may buy IDBI shares on bear Market .but there is no huge price change in that so you may hold the shares as above proportionate value.

#### 5. Findings

- This study useful for revising a portfolio to eliminate higher deviation from expected return.
- Here we taken 2 years time interval for showing the chart intersection point.
- In this intersection point we not only see the nearest share price between the shares but also see the changes in growth to depict the market condition viz., bullish and bearish.
- Bearish market suitable for buying the shares. So only we adjust the portfolio on 26th Sep 2016 to sell 49 shares of IDFC for buying 50 shares of IDBI.
- But in next intersection point on November 2016 share price changes from our holdings not been in that much level. So we are not revising the portfolio.

#### 6. Suggestions

- We may use this strategy for same sector which are affected by fundamental analysis.
- Same amount of money invested at prior stage on intersection point to hold same number of shares.
- By using of this we may revise the portfolio effectively.
- To avail the benefit of bearish market we adjust the portfolio with a constant value nearer to Rs.10,000.
- By use of this strategy we avail the benefit of holding large number of shares in growing company.
- From that we adjust the portfolio not only for earning profit but also avoiding great losses.

#### 7. Conclusion

This strategy helpful for evaluate your portfolio on intersection of share price on same industry shares. From that we revise the portfolio not only in profitable manner but also avoid losses preferably. We can hold more profitable

shares through this revision process. The person who does not have an idea about technical analysis, they can simply adopt this strategy for make out his portfolio in a profitable one.

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