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Books

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
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- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

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A STUDY OF VARIOUS SECTORS IN BLACK MONDAY AND GOLDEN MONDAY OF INDIAN STOCK MARKETS

BLACK MONDAY: 21.01.2008

GOLDEN MONDAY: 18.05.2009

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ABSTRACT

This study deals with the volatility of Indian Stock markets. Volatility is the other name of stock market. Every day brings with a new challenge for all the participants in the stock market, primarily for the brokers and investors – the duo who occupies driving seat of the market. Higher reward investments tend to carry greater risk and this is the rule of the game. 21st January 2008 – Black Monday and 18th May 2009 – Golden Monday are the two days which represent the true evidence of the two extreme sides of the stock market. Where the stock market plunge whip lashed many investors and left them wondering what to do about their portfolios, on the other side the revival and upswing in the market brought back the investors in a better position. Forming the above as a basis for a study, this report provides an in depth sectoral analysis of the stock market i.e. analyzing stocks of major companies within different major industrial and services sector. The analysis in the report provides input for the investors that would help them make intelligent investing decisions.

KEYWORDS

Sectors, Sectoral Indices, Stock prices, Black Monday, Golden Monday.

INTRODUCTION

This report on Study of various sectors on Black Monday and Golden Monday clearly shows how the various sectors (index) performed on Black Monday (January 2008) and Golden Monday (May 2009). It was a highly dramatic and scary day for markets as markets saw their biggest ever fall. It was the worst day of trading in Indian Stock trading history as the pace of the fall was unnerving. Black Monday made Dalal Street crowded by lot of brokers and investors. Golden day was something that the Indian market has never ever witnessed before; it was frozen up circuit as it opened. The first up circuit was 10% in the history of market and better still, when it opened. Two hours later it hit another circuit and trade was suspended for the day. The stock market had a massive rise on the Golden Monday.

OBJECTIVES OF THE STUDY

- To find out the safest sector and its possibilities to be safe in any circumstances.
- Whether elections or any other controversies keep investors away from the market.
- To provide investor with profitable investing options during ups and downs in the market

SCOPE OF THE STUDY

- The task being undertaken is to study the prices of various sectors i.e. Banking, Power, Infra, IT, Capital Goods, Pharmacy, Consumer Durables etc. from Black Monday to Golden Monday.
- Black Monday is the day when Indian market was crashed on January 2008 and Golden Monday is the day when Market hit an upper circuit after announcement of elections results that UPA is back to power. This kind of circumstances has possible occurrence in future also since the election results come once in five year.

RESEARCH DESIGN

DESCRIPTIVE DESIGN: This study aimed at performed a detailed analysis of the indices of different industrial sectors. Hence the nature of the study is descriptive as it involves describing the nature of the capital market (secondary market to be more specific) and its ups and downs. Thus it describes the characteristics of the population (list of sectors in this case).

INFORMATION SOURCES: The study involved gathering data from secondary sources. The most important among the secondary data sources were:

- Internet and Miscellaneous reports and articles.

SAMPLING DESIGN:

SAMPLING TECHNIQUE: The sampling technique used for this particular study was Judgmental sampling. The researcher chooses the sample based on who they think would be appropriate for the study. This is used primarily when there are a limited number of people that have expertise in the area being researched. It should only be used to take a few samples (making it less expensive) and can be made cost-effective with expert knowledge. It involves personal judgment is used to interpret data relative to study objectives which makes it useful for emergency situations that need immediate sampling.

SAMPLE SIZE: A total of eleven sectors were analyzed. Three companies each within every sector were taken into consideration.

LIMITATIONS OF THE STUDY

The study however suffers from a limitation that not all the companies have been analyzed as it is limited to three companies per sector. Thus the study has a wide scope as it can be extended to analyze greater number of companies.

ANALYSIS AND INTERPRETATIONS

BLACK MONDAY

It was a highly dramatic and scary day for markets as markets saw their biggest ever fall. It was the worst day of trading in our trading history as the pace of the fall was unnerving. Markets started weak and with heavy bouts of selling were seen during the day with Sensex and Nifty down almost 12% at one point of time. Sensex went below 17,000 mark during the course of the day and Nifty sub 5000 mark. BSE was shut for a brief period of time however it resumed trading immediately. Later Sensex recovered 700 points from the day's low and finally Nifty closed down 8.5% and Sensex was down 7%.

It has not only been the pressure from global peers but on the domestic front also with increased unwinding pressure the fall has been accentuated. Even experts were a bit shaken and shocked with the nasty fall. According to Raamdeo Agarwal with global news not favorable there might be a further fall in the markets. He feels that Indian markets can't remain isolated when selling is seen in markets across globe including Asia.

Markets broke all the important technical and psychological levels. According to analyst the scenario was similar to the May 2006 fall. There is pressure due to triggering of margin call. Nifty Futures was trading at 100 points discount.

It was the biggest one-day fall in Indian share market and media reports termed the fall as bloodshed at Dalal Street never seen before. The Bombay Stock Exchange (BSE) Sensitive Index (Sensex) crashed by 2062 points on Monday and closed at 1408 points down from the opening points. According to estimates investors lost Rs 6, 69,375 crores on a single day, which was termed as **Black Monday** by market experts. Sensex saw the biggest fall in history by falling 2062 points in one day. It closed at 17,605.35, down 1408.35 points or 7.4 per cent. It fell down to 16,951.50 points. The Sensex has gone down 3200 points in next six trading days.

NTPC, down 15.07%, was the worst hit, followed by Reliance Energy (down 14.79%), ACC (14.53%), ACC (14.53%), Reliance Communications (13.84%), Grasim Industries (13.19%) and DLF (9.62%). Investors were panic state of mind for the whole day and confused about their next market move in share market. The experts were surprised after watching such downfall and speculating about the possible withdrawal of Foreign Institutional Investments (FII) from Indian stock market. The biggest question is that if the major share of FIIs goes out what would happen then. However, some other financial experts have said that from a retail perspective it was always good to buy in panic or rather than sell in panic. The overall index has gone down by 2-3% some stocks have gone down by 10-12%. There might be some value buying among the midcaps in different sectors. Retail investors can buy the shares of companies which were biggest gainers in the recent past. On Tuesday, equity shares tumbled at the opening session and pulled the benchmarks down over 10 per cent to break the lower circuit.

As a result, the trading was suspended for 1 hour to be opened at 10:55 am. According to norms, if the stock market witnesses a movement of 10 per cent on either side, the trading has to be suspended for an hour. However, after a sharp fall, market re-opened and the Sensex recovered 750 points from the day-low point. It happened for the fourth time in the history of Indian stock market that the trading was halted for one hour. The Sensex has lost 25 per cent since January 10, when it hit its peak of 21,206.77 points.

Analysts did mention earlier that the entire structure of the World Economy is changing and this change has brought about a high impact casualty. The US investment bank Lehman Brothers which survived many a downturn including the Great Depression Of 1929 has announced today that it had filed for bankruptcy. The going bust of Lehman is an indication of the US Sub Prime Crisis and the effect it has on the rest of the world including India. Our Sensex was hammered even before Lehman formally declared bankruptcy, simply anticipating the news of their bankruptcy.

The reason this particular event has led to such a reaction is because of the amount of panic selling it has managed to generate. In simple words it has been anticipated that the bankruptcy of Lehman is only the first in a long list of casualties which will at the end of the day prove the weakness of the American Banking and Financial System.

Some of the biggest firms in the world including AIG, Merrill Lynch and Washington Mutual face the prospect of significant financial losses, even more than what they have already incurred.

It is this reasoning that has managed to create the amount of hysteria we have seen in the world markets, Most of the Asian markets were closed. Those however which were open like the Sensex and the Nifty were beaten down almost mercilessly. Foreign firms were intent on selling their significant holdings in Indian companies.

Table Showing the SENSEX on Prev. Week Friday and Black Monday and Tuesday

Date	Open	High	Low	Close	Volume	Adj Close
1/22/2008	16884.09	17068.57	15332.42	16729.94	30600	16729.94
1/21/2008	18919.57	18919.57	16951.5	17605.35	35800	17605.35
1/18/2008	19579.61	19715.78	18930.42	19013.7	28000	19013.7

Table showing NIFTY on Prev Week Friday, Black Monday and on Next Day (Tuesday)

Date	Open	High	Low	Close	Volume	Adj Close
1/22/2008	5203.35	5203.35	4448.5	4899.3	0	4899.3
1/21/2008	5705	5705	4977.1	5208.8	0	5208.8
1/18/2008	5907.75	5908.75	5677	5705.3	0	5705.3

GOLDEN MONDAY (18-MAY-2009)

We have never seen anything like that before in our history and it's not very often that in the history of the stock market, we say such a thing that we have never seen it before. But that day was something that the Indian market has never ever witnessed before; it was frozen up circuit as it opened. The first up circuit was 10% in the history of our market and better still, when it opened. Two hours later it hit another circuit and trade was suspended for the day. So we traded for the sum-total of one minute today and that's about it and the rest is as they say is history. So this is a *Golden Monday*, the like of which we have never seen in our trading history.

On the Ferocious positive reaction on the election outcome:

It was mind-blowing; we haven't seen anything like this. The electoral outcome itself was a massive surprise and the market's reaction was surprising as well. People were debating over the weekend whether we will have one circuit or not, but within minutes of the SGX opening that was clear that we had it one circuit at least. But then to go 15% in the first burst and then to go 20% higher for the whole day is something, which might have taken people by surprise. The net result might have created some technical stresses in the system, which we can talk about, but this is absolutely fabulous. It just tells you how much people have been left out, how much people have been sitting on cash what the world thought of the verdict. In the near term, while there might be clearly euphoria, it has the danger of getting carried away. It's unequivocal that the market really has loved what it saw over the weekend.

Equities triggered final upper limit on Monday in response to Congress-led United Progressive Alliance's (UPA) unparalleled victory at the general elections. When the market halted for the day, the Sensex was at 14,272.63, up 2099.21 points or 17.24%. Similarly, the Nifty gained 636.4 points or 17.33% to 4308.05 at that time. The base for calculating the percentage rise was SENSEX and NIFTY closing figures of March-31st.

According to the new rules, if there is 10% movement of either Sensex or the Nifty, trading is halted for an hour market, if this happens before 1 pm. Post 1 pm but before 2.30 pm, there is halt for half-an-hour, while after 2.30 pm, trading does not halt at the 10% movement. If there is 15% movement in Sensex or the Nifty, trading will be halted for two hours if the movement happens before 1 pm. After 1 pm but before 2 pm, trading will be halted for one hour. Similarly, if there movement on or after 2 pm, there will be no trading for the rest of the day. Trading will be halted for the entire day, if there is a 20% movement of the indices.

The 30-share Sensex closed 2099.21 points higher at 14272.63 and the Nifty surged 636.40 points, to settle at 4,308.05.

Reliance Industries was up 20%. Sun Pharma, HDFC, ICICI Bank, L&T and DLF gained 19-20%. Tata Communication, Hero Honda, Unitech, Grasim, ABB, Reliance Petroleum, Suzlon Energy and Axis Bank surged 17-18.8%.

Reliance Capital, Ambuja Cements, Sterlite, Reliance Power, Bharti Airtel, SBI, HDFC Bank, Reliance Infrastructure, Reliance Communication, TCS, SAIL, Infosys and Power Grid Corp were up 15-16.8%.

BHEL, Siemens, ONGC, Tata Motors, Idea Cellular, Tata Steel, M&M, Ranbaxy Labs, NTPC and ACC shot up 10-14%.

Table Showing the SENSEX on Prev. Week Friday and Golden Monday and Tuesday

Date	Open	High	Low	Close	Volume	Adj Close
5/18/2009	13479.39	14284.21	13479.39	14284.21	800	14284.21
5/15/2009	11948.7	12218.98	11948.7	12173.42	35000	12173.42
5/14/2009	11774.04	11935.86	11695.52	11872.91	39000	11872.91

Table showing NIFTY on Prev Week Friday, Golden Monday and on Next Day (Tuesday)

Date	Open	High	Low	Close	Volume	Adj Close
5/19/2009	4324.95	4509.4	4167.65	4318.45	0	4318.45
5/18/2009	3673.15	4384.3	3673.15	4323.15	0	4323.15
5/15/2009	3597.85	3686.25	3597.85	3671.65	0	3671.65

SCRIPS: The companies entered in the following table are the listed high performing companies in respective sector. The sectors performance is majorly moved by these players in the market and thus the analysis considered these scripts.

INDEX	Stock 1	Stock 2	Stock 3
Auto Index	MARUTHI	HERO HONDA	M&M
BANKEX	SBI	HDFC	ICICI
Capital Goods Index	L&T	BHEL	SUZLON ENERGY
Consumer Durables	TITAN	BLUE STAR	VIDEOCON IND
FMCG Index	ITC	HIND UNI LT	NESTLE LTD
Healthcare Index	CIPLA	SUN PARMA	DR.REDDY LAB
IT Index	INFOSYS	TCS	WIPRO
Metal Index	TATA STEEL	STERLITE IN	JINDAL STEEL
Oil & Gas Index	RIL	ONGC	INDIAN OIL
Power Index	NTPC	TATA POWER	POWER GRID
Realty Index	DLF	UNITECH	INDBUL REAL

PERFORMANCE OF COMPANIES ON BLACK AND GOLDEN MONDAY

- The First column of the Table shows the various scrips taken for analysis according to their volumes, fundamentals and Market Capitalization.
- Second Column indicates the price of the stock on 18th January 2008 i.e. previous day before Black Monday.
- Third Column indicates the price of the stock on Black Monday i.e. 21st January 2008
- Fourth Column indicates the percentage between the previous day of trade and Black Monday

- Fifth Column indicates the price of the stock on 15th May 2009 i.e. previous day before Golden Monday
- Sixth Column indicates the price of the stock on Golden Monday i.e. 18th May 2009
- Seventh Column indicates the percentage between the previous day of trade and Golden Monday.
- Eighth Column indicates the percentage difference in the price of the scrip on Black Monday to Golden Monday.

PERFORMANCE OF COMPANIES ON BLACK AND GOLDEN MONDAY

	Prev Day	Black Monday		Prev Day	Golden Monday				
Name of the Scrip	18-Jan 2008	21-Jan 2008	% change Prev to BM	15-May 2009	18-May 2009	% change Prev to GM	% Change - B2G	+VE stocks	ALL TIME HIGH
AUTO									
MARUTI	842	803	-4.63	848	938	10.61	16.81	yes	
HERO HONDA	690	643	-6.81	1221	1487	21.79	131.26	yes	HIGH
M&M	727	667	-8.25	513	635	23.78	-4.80	NO	
BANKE X									
SBI	2362	2196	-7.03	1313	1576	20.03	-28.23	NO	
HDFC	1571	1507	-4.07	1184	1378	16.39	-8.56	NO	
ICICI	1248	1178	-5.61	574	707	23.17	-39.98	NO	
Capital Goods Index									
L&T	2039	1989	-2.45	989	1232	24.57	-38.06	NO	
BHEL	2304	2103	-8.72	1706	2014	18.05	-4.23	NO	
SUZLON	379	366	-3.43	76	93	22.37	-74.59	NO	

PERFORMANCE OF COMPANIES ON BLACK AND GOLDEN MONDAY

	Prev Day	Black Monday		Prev Day	Golden Monday				
Name of the Scrip	18-Jan 2008	21-Jan 2008	% change Prev to BM	15-May 2009	18-May 2009	% change Prev to GM	% Change - B2G	+VE stocks	ALL TIME HIGH
Consumer Durables									
TITAN	1394	1246	-10.62	884	945	6.90	-24.16	NO	
BLUE STAR	485	457	-5.77	207	249	20.29	-45.51	NO	
VIDEOCON IND	597	568	-4.86	113	132	16.81	-76.76	NO	
FMCG Index									
ITC	212	207	-2.36	186	209	12.37	0.97	yes	HIGH
HINDUNIL	213	199	-6.57	224	239	6.70	20.10	yes	HIGH

Healthcare Index									
CIPLA	202	190	-5.94	230	251	9.13	32.11	yes	HIGH
SUN PARMA	1088	1059	-2.67	1302	1592	22.27	50.33	yes	HIGH
DR.REDDY LAB	670	622	-7.16	573	612	6.81	-1.61	yes	HIGH

PERFORMANCE OF COMPANIES ON BLACK AND GOLDEN MONDAY

	Prev Day	Black Monday		Prev Day	Golden Monday				
Name of the Scrip	18-Jan 2008	21-Jan 2008	% change Prev to BM	15-May 2009	18-May 2009	% change Prev to GM	% Change - B2G	+VE stocks	ALL TIME HIGH
IT Index									
INFOSYS	1468	1391	-5.25	1592	1800	13.07	29.40	yes	
TCS	903	831	-7.97	644	743	15.37	-10.59	NO	
WIPRO	454	439	-3.30	377	416	10.34	-5.24	NO	
Metal Index									
TATA STEEL	782	721	-7.80	272	318	16.91	-55.89	NO	
STERLITE IN	880	786	-10.68	460	551	19.78	-29.90	NO	
JINDAL STEEL	2873	2104	-26.77	1604	1945	21.26	-7.56	NO	
Oil & Gas Index									
RIL	2799	2540	-9.25	1950	2367	21.38	-6.81	NO	
ONGC	1211	1116	-7.84	813	947	16.48	-15.14	NO	
INDIAN OIL	607	494	-18.62	428	501	17.06	1.42	yes	

PERFORMANCE OF COMPANIES ON BLACK AND GOLDEN MONDAY

	Prev Day	Black Monday		Prev Day	Golden Monday				
Name of the Scrip	18-Jan 2008	21-Jan 2008	% change Prev to BM	15-May 2009	18-May 2009	% change Prev to GM	% Change - B2G	+VE stocks	ALL TIME HIGH
Power Index									
NTPC	239	205	-14.23	187	206	10.16	0.49	yes	
TATA POWER	1457	1239	-14.96	907	1044	15.10	-15.74	NO	
POWER GRID	133	110	-17.29	100	107	7.00	-2.73	NO	
Realty Index									
DLF	1005	901	-10.35	258	322	24.81	-64.26	NO	

UNITEC H	475	413	-13.05	50	64	28.00	-84.50	NO	
INDBUL REAL	657	616	-6.24	148	189	27.70	-69.32	NO	

SECTORAL INDICES PERFORMANCE

Indices	Prev. Day	Black Monday	% change Prev to BM	Prev. Day	Golden Monday	% change Prev to GM	% Change - B2G
	(18-Jan-08)	(21-Jan-08)		(15-May-09)	(18-May-09)		
Auto	5147	4664	-9.38	3742	4162	11.22	-10.76
Bankex	11372	10582	-6.95	6375	7598	19.18	-28.20
Capital Goods	18333	17087	-6.80	8676	10576	21.90	-38.10
Consumer Durables	5844	5351	-8.44	2007	2273	13.25	-57.52
FMCG	2302	2173	-5.60	2054	2203	7.25	1.38
Health Care	4024	3701	-8.03	3161	3415	8.04	-7.73
IT	3790	3573	-5.73	2850	3175	11.40	-11.14
Metal	17258	14963	-13.30	7872	9140	16.11	-38.92
Oil & Gas	12594	11089	-11.95	8509	10135	19.11	-8.60
Power	4299	3828	-10.96	2216	2622	18.32	-31.50

EXTERNAL FACTORS AFFECTING INDICES

Political Instability: This is the single most major reason for stock market crash. Investors especially FIIs never like political instability and they will book profits and go to another country. Even though political turmoil will have no significant impact on the growth of companies, stock markets always negatively respond to political instability.

RBI decision: Don't expect positive news from RBI. Don't be fooled by inflation data which is released on every Friday. You will know real inflation in the routine life. No government will allow raising inflation by cutting interest rate cut just before elections. RBI will definitely raise CRR and is major negative news for markets.

Negative news: When markets rose too high within a short span, single negative news will create havoc in stock markets. Markets discounted negative news like Crude rise, rupee appreciation, and inflation concerns in U.S after fed rate cut and slowdown in economic growth etc.

Government policies: If mid-term polls are inevitable, Government prefers people over companies. Popular policies will slow down momentum which will negatively impact investor's sentiment towards India.

Foreign Investors (FIIs): FIIs are major culprits for crash. They just do a basket selling in the Indices and sit quietly for the market to come down as they are aware of the Global scenario.

Economic growth: There is a slowdown in economic growth if you see the data but markets already discounted 2008-09 earnings especially for high growth sectors like power and capital goods.

Profit booking: Shrewd investor always book profits just before every crash whether it is in 2000 or 2008. Greedy investors always lose money in every crash.

US markets: US fed rate cut created euphoria among investors but this will actually show negative impact on the long term on credit crisis. It treated chronic disease in acute manner. Instead of curing root causes of credit concerns, it went in superficial manner which caused inflation pressure in America and severely impact economy.

Inflation: The overall general upward price movement of goods and services in an economy, usually as measured by the Wholesale Price Index in India. Over time, as the cost of goods and services increase, the value of a dollar is going to fall because a person won't be able to purchase as much with that dollar as he/she previously could.

FINDINGS

The analysis over the various sectors has proved the performance and nature of those sectors and the following are the findings derived from the analysis. Findings are explained in sector wise,

AUTO SECTOR:

One of the best sectors which has outperformed is the auto sector. In spite of market crash and a small recovery, certain scrip's have touched all time highs. One of the scrip from auto sector is Hero Honda. Markets went up to 21000 pts and now trading at 15000 pts. But auto stocks are outperforming yet. Tata motors have not performed so well because of JLR deal but they are still competing with global economy. New Customers and Cost management to improve the growth of this sector.

BANKING SECTOR:

No doubt, one of the worst hit sectors is the banking sector. Banking stocks were available at 20% of the 52week high when the market touched the lows. Private sector banks were badly hit when compared with public sector. The market capital of ICICI bank was only RS 27,000 crs which was equal to last two FPO. With a good market capital in Bankex, HDFC Bank had also lost its charm due to Mr. Deepak Parekh's involvement in Satyam Board. It is still trading 40% below the all time highs.

CAPITAL GOODS SECTOR:

Capital goods sector is that sector where the stocks have also out performed and underperformed. Suzlon is still down about 70%. Whereas BHEL is only 5% down. And L&T was tumbled because of Satyam's scam. This is one of the good sector to invest because they having lot of pending orders in their portfolio. BHEL has the track record of paying dividends uninterruptedly for the last 33 years.

FMCG SECTOR:

One of the safest sectors to invest in stocks is the FMCG sector. Even though market went down, ITC was down only by 1%. The trend is visible on the bourses where leading FMCG counters have outperformed the overall market during the last few sessions. Take the case of MNC giant Hindustan Unilever (HUL). The company's stock has made its 52-week high at Rs.267 when Sensex, was trading under the 10,000-mark. Investors feel that items in this category include all consumables which people buy at regular intervals even though depression comes to people. The most common in the list are toilet soaps, detergents, shampoos, toothpaste, shaving products, shoe polish, packaged foodstuff, household accessories and extends to certain electronic goods. These items are meant for daily or frequent consumption and have a high return. A major portion of the monthly budget of each household is reserved for FMCG products. The volume of money circulated in the economy against FMCG products is very high.

HEALTH CARE SECTOR:

As like as FMCG sector PHARMA sector is also a safe hands to investors. Mostly all the stocks in HEALTH CARE went more than 10% during this period. SUN PHARMA having highest market capital in this sector went up by 50%. Followed by CIPLA went up by 32% during BLACK Monday to GOLDEN Monday.

IT SECTOR:

It was next to Banking sector in case of worstly hit. But it has recovered very well. Infosys has crossed about 29% from the price of Black Monday. But TCS and WIPRO are yet to march towards north. Infosys is also a zero debt company and has its own advantages. Earnings are also good when compared to another other IT companies. IT sector has also lost its charm due to the global impact on the economy. Majority of FORTUNE 500 companies belonged to US. Operations were outsourced, so Indian Companies benefitted. But more companies were shut down, so this was a disadvantage. Satyam's scam also had a sentimental effect on the IT industry as a whole.

CONSUMER DURABLE SECTOR:

This is one of the interesting sectors because if the salaries were doubled or any increments were given then consumer spending increased. But the slowdown in the economy reduced the consumer spending which has affected these companies in terms of sales. Durables have extra growth if housing infra develops. But realty sectors were the worst hit. Videocon industries were the worst hit scrip among the consumer durables.

METAL SECTOR:

On Black Monday, Metal sector had a huge blow as most of the stocks came down more than 10%. Tata Steel is volatile right from the day it has bought Corus. At one side if the earnings of the Corus were good then on the other side it had more debt. From the price of 700's it is now trading at 300's. But other companies have recovered when compared to Tata Steel. Jindal Steel is only down 8% down from the price of Black Monday but Tata Steel is down about 56%.

OIL&GAS SECTOR:

Most of the companies which have good Market Capitalizations belong to this sector. For example Reliance, ONGC etc. Movement of this sector has a good impact on the index i.e. Sensex and Nifty. These companies have higher weightage on Index. These companies had good time when the crude oil touched the high of \$144 per barrel. Because the rates of Petrol and Diesel were increased. But government gave them Subsidy only in Bonds with the maturity date of year 2016. So this was not profitable for them. Reliance which was trading at 2367 on Golden Monday is currently trading at 1800 because it has lost a case with RNRL a company of Anil Ambani. Indian Oil is 2% above the price of Black Monday and has showed a good growth.

POWER SECTOR:

Power sector had its own power to boost again and join the hands of upward growth. This sector was badly hit during the crash of market but recovered very slowly and gently without any hindrances. NTPC was a percent ahead on Golden Monday from the price of Black Monday. Power grid is only two percent below the price of Black Monday. From the graph it is clearly seen how the index has recovered.

REALTY SECTOR:

Realty sector saw the deepest dive in its stock price. Graph of this sector clearly shows how it dropped and not yet recovering. After a few months of market crash Infra stocks were available to Investors at only 10% of their all time high prices. It was a very good sector for investors at that time to invest or make an average for their portfolio. Still the stocks are available at 60-70 percent discount rate in the market. HDIL was the scrip which traded at about Rs.1000 came to a low of Rs.80 which was unimaginable by the investors.

RECOMMENDATIONS

After analysing 11 sectors it is found that PHARMA and FMCG are the most defensive sector to the investors to invest. In a recession sectors like Real Estate, Retail, Metal etc. take the most hit. They are very risky sectors when you know the outlook for the economy is not good. As opposed to this there are two main sectors which do fairly well even in ups and downs in economy. These two sectors are

- **Pharma:** Pharmaceutical companies - medicine making companies - are relatively insulated from sharp downturns, simply because of the logic that even if you don't get salary increments or are short of cash, they wouldn't stop buying medicine.
- **FMCG (Fast Moving Consumer Goods):** These are consumer goods which are required on a daily basis - for e.g. toothpaste, soap, oil, etc. These goods being daily necessities are relatively less affected in a recession when consumer sentiment is at very low.

SUPPORTIVE REASONS

- Between 2007-08 and 2011-12, the Indian domestic pharmaceutical market is expected to grow at a CAGR of nearly 16%.c
- The size of the domestic pharmaceutical market is larger than export market. However, owing to the growth of global generics market, stringent price controls in the domestic market, and better margins, the export market is growing much faster than the domestic market.
- Traditional branded generics presently dominate the Indian pharmaceutical market but the future will see strong growth in the specialty branded generics and patented drug segments.
- Drugs for diabetes and cardiovascular diseases are expected to see the fastest growth among all therapy areas during 2007-2011.
- The retail pharmaceutical market in India is presently highly unorganized; however, a vast opportunity exists for the organized market.
- Over the last few years, Cipla, Ranbaxy and GlaxoSmithKline are controlling the top three positions in the Indian pharmaceutical market.
- FMCG Stocks are now catching eye of investors for investing as best option in stock market. Analysts and market experts are now putting a 'buy stock' recommendation on select FMCG stocks.
- The trend is visible on the bourses where leading FMCG counters have outperformed the overall market during the last few sessions. Take the case of MNC giant Hindustan Unilever (HUL). The company's stock has made its 52-week high at Rs.267 on December 19, at a time when BSE's benchmark index, Sensex, was trading under the 10,000-mark.

Investor should not panic in the market. Instead remember the **three D's**:

- **First D: Shouldn't employ a defensive strategy**
- **Second D: Diversify**
- **Third D: Have Discipline.**

So the investor employing a defensive strategy could lead to make a mistake. Therefore

- Diversification is a tool designed to reduce risk. In the financial markets risk and reward go together. Higher reward investments tend to carry greater risk. Although all investors would like nothing better than a high reward investment that carries low risk, it is important to remember how rare that is. When one diversifies one's portfolio, it is to reduce risk. We do not diversify in order to maximize reward; rather we diversify in order to reduce risk and portfolio volatility.
- If one's portfolio is properly diversified, then one need not carry around a great deal of anxiety about the daily ups and downs of the market. With reduced volatility that proper diversification brings, one need not become either exultant in an up market or dejected in a down market. Instead one maintains a centered, approach to long term investing - not overreacting to market volatility.
- Asset allocation and diversification is best done by calendar rather than by reactivity to market conditions. One of the biggest traps for investors is to get excited and buy when markets are rising (thereby buying high) and to get scared and sell when markets are falling (thereby selling low). The best way to avoid this is to review one's asset allocation at a regularly scheduled account review.
- One of the best ways to build wealth is to take a longer time horizon to your investments. Sound investments, held over a long time horizon is the approach that we find works best. As Warren Buffet has said "in the short term the stock market is a voting machine, in the long term it is a weighing machine." In a short time horizon, emotions and group psychology rule the ups and downs of the markets. In the long term, the fundamental value of sound investments will rule the day.

CONCLUSION

Volatility is never ending in part of stock exchange and also the predictability of the trend of market is not possible. Stock markets change does not depend only on the listed company's performances, external factors which are explained are also capable of changing capital markets upside down. So towards the end of being safe every investor must know the safest possibility of investment in any scrip. Though many risk takers are investing in stock markets, number of risk defenders is high in Indian Markets thus making them know the safest sector is always meaningful and that is what all investors are asking to the Brokers.

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