A STUDY ON THE INVESTORS' ATTITUDE AND REACTIONS TOWARDS SENSEX FLUCTUATIONS IN BOMBAY STOCK EXCHANGE (WITH SPECIAL REFERENCE TO MADURAI CITY)

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Introduction

For the premier Stock Exchange that pioneered the stock broking activity in India, 128 years of experience seems to be a proud milestone. A lot has changed since 1875 when the Bombay Stock Exchange was established. Since then, the country's capital markets have passed through both good and bad periods. The journey in the 20th century has not been an easy one. Till the decade of eighties, there was no scale to measure the ups and downs in the Indian stock market. The Bombay Stock Exchange (BSE), in 1986 came out with a stock index that subsequently became the barometer of the Indian stock market. SENSEX is not only scientifically designed but also based on globally accepted construction and review methodology. The index is widely reported in both domestic and international markets through print as well as electronic media. Due to its wide acceptance amongst the Indian investors; SENSEX is regarded to be the pulse of the Indian stock market. As the oldest index in the country, it provides the time series data over a fairly long period of time. The growth of equity markets in India has been phenomenal in the decade gone by. Right from early nineties the stock market witnessed heightened activity in terms of various bull and bear runs. The SENSEX captured all these events in the most judicial manner. One can identify the booms and busts of the Indian stock market through SENSEX.

Group A, Group B and Group C shares

The BSE trades with the shares which are listed in one or more stock exchanges. The listed shares are generally divided into two categories namely:

- Group A Shares (specified shares or cleared securities)
- Group B shares (Non-Specified shares or non-cleared securities)

Group A Shares represent large and well established companies having broad investor base. These shares are actively traded. Naturally these shares attract a lot of speculative multiples. These facilities are not available to the Group B shares. However, shares can be moved from group A to Group B and vice versa depending upon the criteria for switching. The BSE has laid down several criteria for shifting the shares from Group b to Group A, such as, an equity base of Rs. 10 crores, a market capitalization of Rs.25-30 crores, a public holding of 35 to 40 per cent, a shareholding population of 15000 to 20000, good dividend paying status etc.

There is another group of shares called **Group C**. under this, only **odd lots** and **permitted securities** are included. A number of shares less than the market lot is known as the odd lots. A market lot refers to the minimum number of shares of a particular security that must be transacted on a stock exchange. Odd lots have settlement once in a fortnight or once on Saturdays. Permitted securities are those that are not listed on other stock exchanges in India. So they are permitted to be sold in BSE.

Statement of the Problem

"If I have noticed anything over these 60 years on the Dalal Street, it is that people do not succeed in forecasting what's going to happen to the stock market"

-Benjamin graham Legendary

Investor

The volatility in the market has been one of the unpredictable issues in BSE. The erratic market behaviour has the effect of discouraging or even driving away the genuine investors from the market. The Indian secondary market has been notorious for speculative excesses. Rampant price manipulation and high volatility are rooted in excessive speculative tendencies. Stockbrokers and market operators in India have considerable political influence and lobbying power. Perhaps for this reason, the governmental attitude has been rather lenient towards speculation. Short-term speculators relish volatility as it provides them opportunities for highly leveraged and, therefore, potentially highly profitable, trading.

A distinguished foreign observer, who visited India a few years ago, commented that: "stock markets are just speculative places. . . . rather than very formal, capital raising, efficient mechanism."

These fluctuations in the market have actually disturbed the genuine investors. They are sure that it is not for the new investors to swim. When there are price fluctuations all around, if there is one thing that looks permanent now, is its volatility.

Objectives of the Study

- To find out how to trade safely in a highly volatile Sensex.
- To analyze what kind of investment is preferred during fluctuations.
- To conclude the actual reasons for the SENSEX fluctuations.
- To suggest measures for safer investment in a volatile market.

Scope of the Study

The aim of the study is to analyze the various theoretical and practical aspects of the investors' attitude towards SENSEX Fluctuations. The study is done from the view point of the investors and stock brokers in Madurai city.

Review of Literature

The Survey Team consisting of Dr. L. C. Gupta,Naveen Jain, M.Com, M.Phil, Utpal K. Choudhury, MBA, Sachit Gupta, MIB, Raksha Sharma, LL.B., PGDBM, Poornima Kaushik, M.A. (Eco.), Monika Chopra, Manoj Kumar Tyagi,Sambhav Jain, members of the Society for Capital Market Research & Developmentdid a study on "INDIAN HOUSEHOLD INVESTORS SURVEY – 2004" which concluded that price volatility is the cause of worry for as many as 50% of respondents. For the Genuine long term investors, too much volatility is a nightmare which disheartens them.

Methodology

The present study is an empirical study based on survey method. It makes use of both **primary and secondary** data. Primary data is collected from the investors and stock brokers and secondary data from the magazines, published journals and the internet sources.

Sample Size

The Sample size representing the investors was 50 and stock brokers were 15 in Madurai. Convenient sampling was adopted while selecting the sample. Most accessible population members were selected to obtain the required information. A structured questionnaire was used for collecting data from the investors and stock brokers.

Tools for Analysis

The tools used for analysis are pie charts, tables and bar diagrams.

Limitations of the Study

There are certain limitations for this study:

- This study is confined to the investors specifically in Madurai city alone.
- The result of the study is to change drastically as there are fluctuations in the market.
- The data cannot be a representative for a longer period of time or for the entire Indian market.

Stock Exchange

A stock exchange, share market or bourse is a corporation or mutual organization which provides facilities for stock brokers and traders, to trade company stocks and other securities. Stock exchanges also provide facilities for the issue and redemption of securities, as well as, other financial instruments and capital events including the payment of income and dividends. The securities traded on a stock exchange include: shares issued by companies, unit trusts and other pooled investment products and bonds. To be able to trade a security on a certain stock exchange, it has to be *listed*. Usually there is a central location at least for recordkeeping, but trade is less and less linked to such a physical place, as modern markets are electronic networks, which gives them advantages of speed and cost of transactions. Trade on an exchange is by members only. The initial offering of stocks and bonds to investors is by definition done in the primary market and subsequent trading is done in the secondary market. A stock exchange is often the most important component of a stock market. Supply and demand in stock markets is driven by various factors which, as in all free markets, affect the price of stocks.

Types of Stock

There are many different types of stocks. Here is a list a few of the most popular types.

Blue Chip Stocks

It consists of the oldest most continuously profitable companies, which usually pay a dividend. Some companies are more than 100 years old.

Growth Stocks

These stocks have or are expected to have superior earnings. They usually don't pay dividends because they reinvest their earnings for growth. Their share price can increase dramatically while in their growth stage. When they have a setback on bad news or some other problem, their share price can also go down dramatically. The investor must be prepared for these possible price fluctuations. Examples of growth stocks from the decade of the 90's include Microsoft, Gateway, Intel, Qwest, and Yahoo.

No Load Stocks

No Load Stocks can be purchased for reduced or no cost directly from companies.

Speculative Stocks

When a new investor thinks of stock as "risky", then they are usually speculative. The chances of losing a lot of money are great, and the chances of making a lot of money are small. Examples of speculative stocks are stocks priced under $5 per share.

Sensex, the Barometer of the Economy

Bombay Stock Exchange

For the premier Stock Exchange that pioneered the stock broking activity in India, 128 years of experience seems to be a proud milestone. A lot has changed since 1875 when 318 persons became members of what today is called "The Stock Exchange, Mumbai" by paying a princely amount of Re.1. Since then, the country's capital markets have passed through both good and bad periods. The journey in the 20th century has not been an easy one. Till the decade of eighties, there was no scale to measure the ups and downs in the Indian stock market. The Stock Exchange, Mumbai (BSE) in 1986 came out with a stock index that subsequently became the barometer of the Indian stock market.

SENSEX (Sensitive Index)

SENSEX is not only scientifically designed but also based on globally accepted construction and review methodology. First compiled in 1986, SENSEX is a basket of 30 constituent stocks representing a sample of large, liquid and representative companies. The base year of SENSEX is 1978-79 and the base value is 100. The index is widely reported in both domestic and international markets through print as well as electronic media. The Index was initially calculated based on the "**Full Market Capitalization**" methodology but was shifted to the free-float methodology with effect from September 1, 2003. The "**Free-float Market Capitalization**" methodology of index construction is regarded as an industry best practice globally. All major index providers like MSCI, FTSE, STOXX, S&P and Dow Jones use the Free-float methodology.

Due to is wide acceptance amongst the Indian investors; SENSEX is regarded to be the pulse of the Indian stock market. As the **oldest index** in the country, it provides the time series data over a fairly long period of time (From 1979 onwards). The SENSEX has over the years become one of the most prominent brands in the country. The growth of equity markets in India has been phenomenal in the decade gone by. Right from early nineties the stock market witnessed heightened activity in terms of various bull and bear runs. The SENSEX captured all these events in the most judicial manner. One can identify the booms and busts of the Indian stock market through SENSEX.

SENSEX Calculation Methodology

SENSEX is calculated using the "Free-float Market Capitalization" methodology. As per this methodology, the level of index at any point of time reflects the Free-float market value of 30 component stocks relative to a base period. The market capitalization of a company is determined by multiplying the price of its stock by the number of shares issued by the company. This market capitalization is further multiplied by the free-float factor to determine the free-float market capitalization.

The base period of SENSEX is 1978-79 and the base value is 100 index points. This is often indicated by the notation 1978-79=100. The calculation of SENSEX involves dividing the Free-float market capitalization of 30 companies in the Index by a number called the Index Divisor. The Divisor is the only link to the original base period value of the SENSEX. It keeps the Index comparable over time and is the adjustment point for all Index adjustments arising out of corporate actions, replacement of scrips etc. During market hours, prices of the index scrips, at which latest trades are executed, are used by the trading system to calculate SENSEX every 15 seconds and disseminated in real time.

Analysis and Interpretation on the Views of Investors

The Sensex by its nature is fluctuating. It is affected by the market demand and supply as well as other reasons like rumours, political issues or fluctuations in the global market. A structured questionnaire was used to collect primary data from the investors.

The sample size was 50- 10 from investors under India Infoline, 10 from investors of Motilal Oswal Securities Ltd., 10 from investors of Kotak Securities Ltd., 10 from investors of Coimbatore Capital Ltd. and 10 from investors of JRG Securities Ltd.

Table 1: Age of the Respondents

S. No	Age	No. of Respondents	Percentage (%)
1	20-30	23	46
2	31-45	15	30
3	Above 45	12	24
	Total	50	100

Source: Primary Data

Out of the 50 respondents, 46% are between the age group of 20-30, 30% are between the age group of 31-45, and 24 % are above the age of 45. From this table, we find that most of the investors are in the age group of 20-30. It is the youth who have the idea of trading in a stock exchange.

Diagram 1: Age of the Respondents

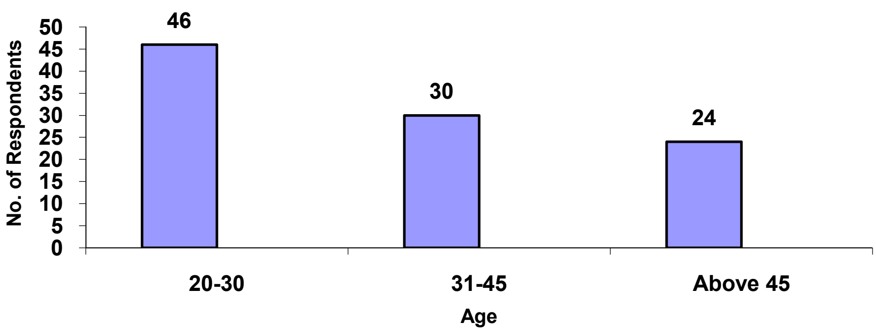


Table 2: Sex of the Respondents

S. No	Sex	No. of Respondents	Percentage (%)
1	Male	40	80
2	Female	10	20
	Total	50	100

Source: Primary Data

Out of the 50 respondents, 80% are male and 20% are female. This shows that women invest comparatively lower than that of men.

Diagram 2: Sex of the Respondents

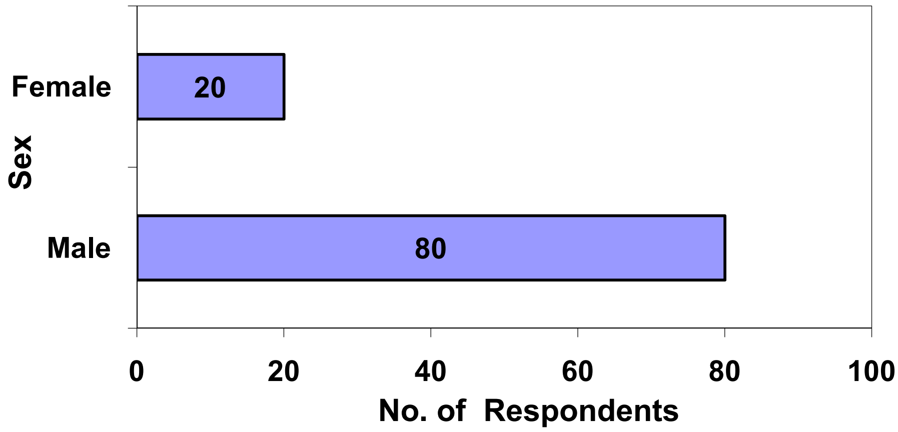


Table 3: Education Level of the Respondents

S. No	Education	No. of Respondents	Percentage (%)
1	High School or below	8	16
2	Graduate	27	54
3	Post Graduate	15	30
	Total	50	100

Source: Primary Data

From the above table, we find that 16% of the respondents have completed their High School or still below, 54% of the respondents have completed their graduation and the remaining 30% have completed post graduation. We are able to conclude that graduates are more comfortable in making investments.

Diagram 3: Education of the Respondents

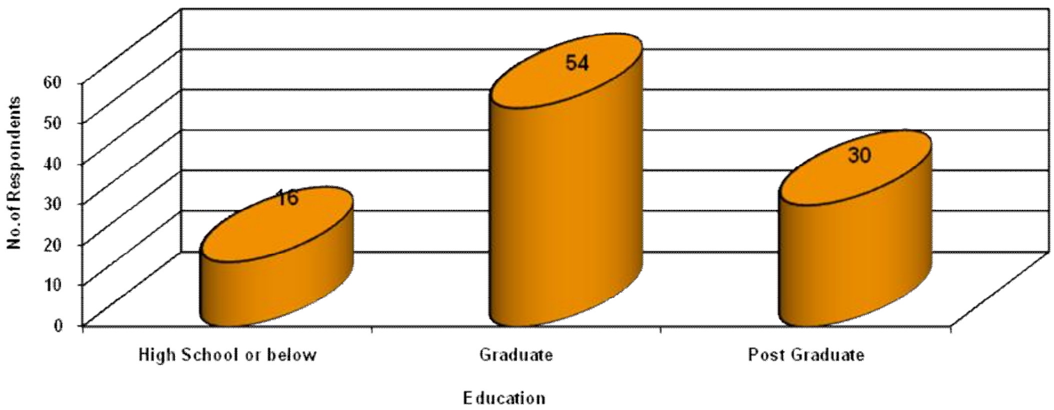


Table 4: Occupation of the Respondents

S. No	Occupation	No. of Respondents	Percentage (%)
1	Businessman / Industrialist	20	40
2	Professional	13	26
3	Service	9	18
4	Housewife	5	10
5	Retired	3	6
	Total	50	100

Source: Primary Data

From the table, we find that 40% are businessmen/ industrialist, 26% are professionals, 18% are in service, 10% are housewives and 6% are retired. Therefore, when we come to investment in fluctuating Sensex, it is the business class people who opt more.

Diagram 4: Occupation of the Respondents

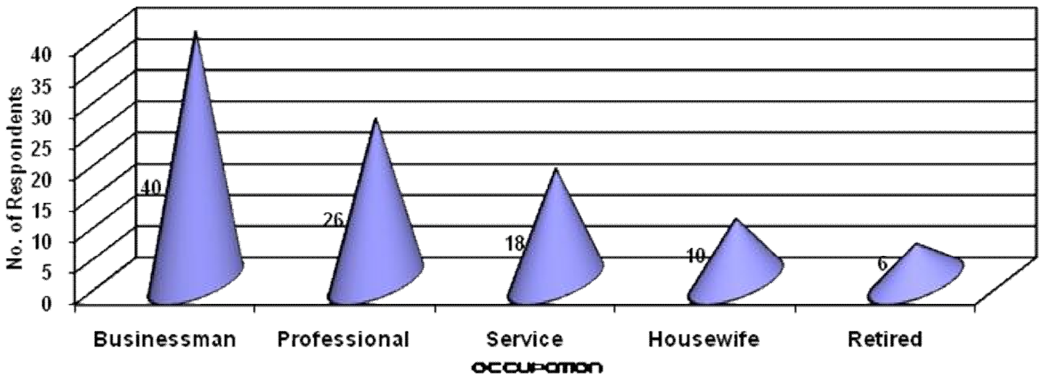


Table 5: Monthly Family Income

S. No	Monthly Family Income	No of Respondents	Percentage (%)
1	Upto Rs.20,000	27	54
2	Rs.20,001 –Rs.40,000	13	26
3	Rs.40,001 –Rs.60,000	4	8
4	Above Rs.60,000	6	12
	Total	50	100

Source: Primary Data

Out of the 50 respondents, 54% earn upto Rs.20,000/-, 26% earn in the income range of Rs.20,001/- to Rs.40,000/-, 8% earn in the income range of Rs.40,001/- to Rs.60,000/- and 12% earn above Rs. 60,000/-. Here, there are 27 respondents earning less than Rs.20,000/- . In this way, the income has an influence over the investment levels.

Diagram 5: Monthly Family Income

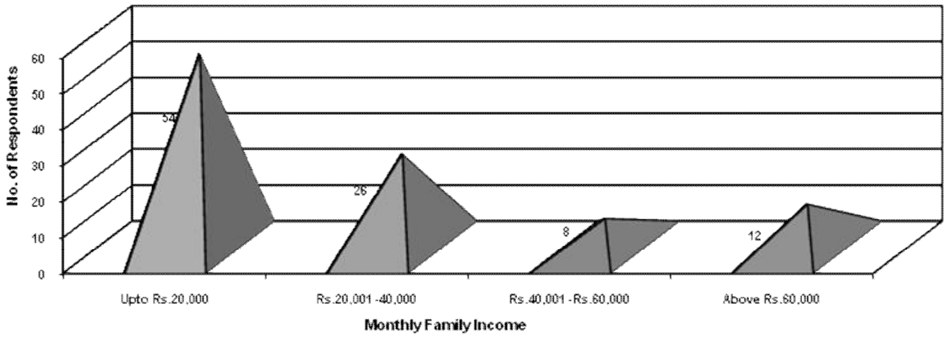


Table 6: Average Investment of the Respondents

S. No	Average Investment in a year	No.of Respondents	Percentage (%)
1	Upto Rs.10,000	21	42
2	Rs.10,001 –Rs.25,000	9	18
3	Rs.25,001 –Rs.50,000	11	22
4	Above Rs.50,000	9	18
	Total	50	100

Source: Primary Data

From the above table, we find that 42% save their income upto Rs.10,000/-, 18% invest from Rs.10,001/- to Rs.25,000/- out of their income, 22% make an investment of their income from Rs.25,001/- to Rs.50,000/- and 18% invest above Rs.50,000/-. Therefore we can conclude that most of the respondents are able to invest only upto Rs. 10,000/- of their savings.

Diagram 6: Average Investments of the Respondents

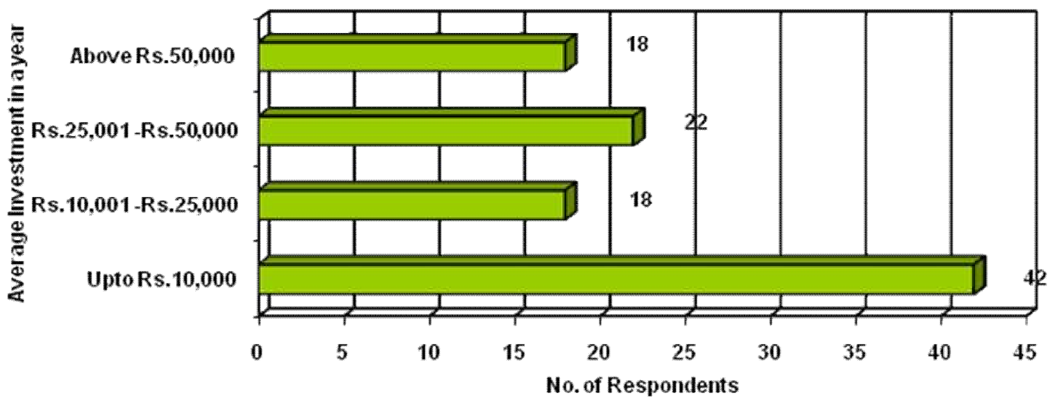


Table 7: Years of Experience in Investing in Shares

S. No	Years of Experience	No of Respondents	Percentage (%)
1	Upto 1 year	16	32
2	1-3 years	23	46
3	3-5 years	4	8
4	5-8 years	2	4
5	Above 8 years	5	10
	Total	50	100

Source: Primary Data

Out of the 50 respondents, 32% have experience less than one year, 46% have experience of 1-3 years, 8% have experience of 3-5 years, 4% have experience of 5-8 years and 10% have experience more than 8 years. The majority of the investors who responded have an experience of 1-3 years which is actually sufficient enough to face a fluctuating market.

Diagram 7: Experience of the Respondents in investing in Shares

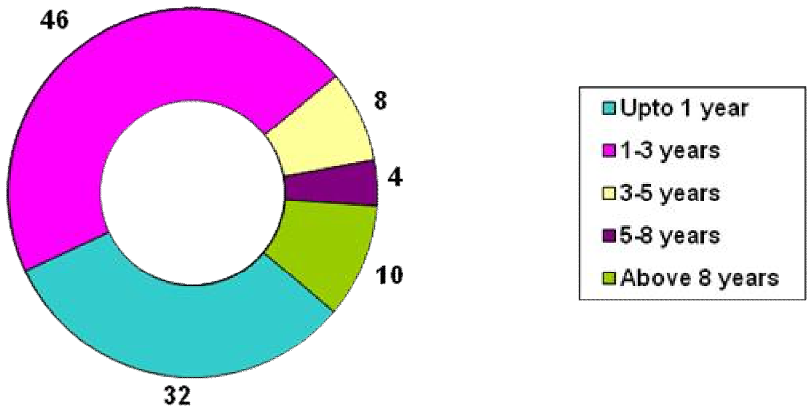


Table 8: Different Sources of the Advisory Services

S. No	Sources of advisory services	No of Choices	Percentage (%)
1	Stock brokers	28	52.83
2	Banks	4	7.55
3	Friends & Associations	10	18.87
4	Financial Institutions	3	5.66
5	Experienced investors	8	15.09
	Total	53	100.00

Source: Primary Data

Out of the 34 respondents who get advisory services, 56% get advice from the stock brokers, 8% from bankers, 20% from friends and associations, 6 % from other financial institutions and the remaining 16% from the experienced investors.

Thus it is concluded that 56% of the respondents get advice from stock brokers who are closely related to their investment plans. They have confidence in stock brokers as they are fully experienced with the volatile Sensex.

Diagram 8: Different Sources of the Advisory Services

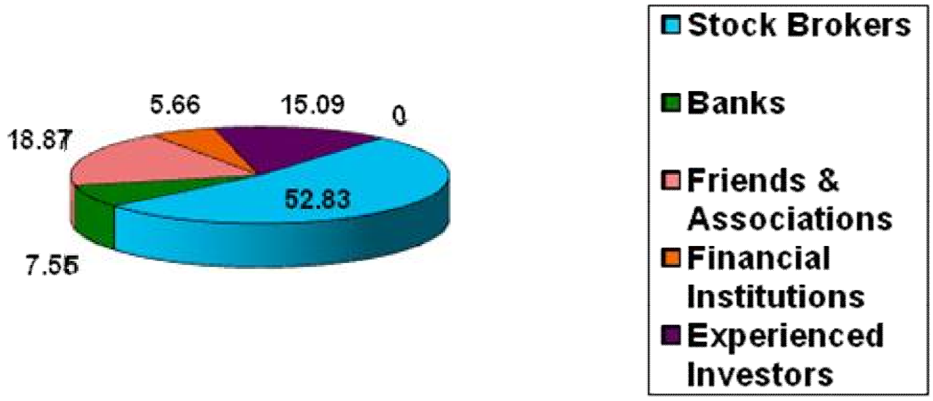


Table 9: Preference of the Respondents towards Safe Investment

S. No	Types of Companies	No of Choices	Rank
1	IT Companies	210	3
2	Banks	280	2
3	Infrastructure	289	1
4	Engineering	200	5
5	Cement	122	6
6	Pharma	91	7
7	Telecommunication	206	4

Source: Primary Data

From the table we find that the respondents feel that Infrastructure companies are safest even during a fluctuating Sensex. The next safer companies are banks, followed by IT companies, Telecommunication, Engineering and Cement. The Pharma companies are the least safe companies because of the Sensex fluctuations.

Diagram 9: Preferences of the Respondents towards Safe Investment.

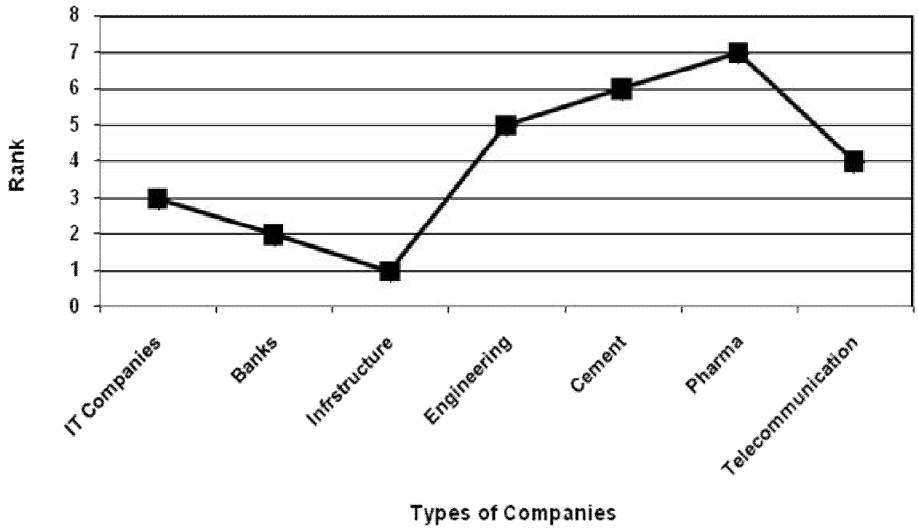


Table 10: Showing the Best Avenues for Diversification

S. No	Avenues for Diversification	No of Choices	Percentage (%)
1	Gold	14	24.56
2	metals like Aluminum, Zinc	1	1.75
3	Real Estate	11	19.30
4	Mutual Funds	17	29.82
5	Government bonds	5	8.77
6	ULIPS	4	7.02
7	Fixed Deposits	5	8.77
	Total	57	100

Source: Primary Data

Out of the 35 respondents who get advisory services, 24.56% diversify in gold, 1.75% in metals like Aluminum and Zinc, 19.30% in Real Estate, 29.82% in Mutual Funds, 8.77% in Government bonds, 7.02% in ULIPS (United Linked Insurance Plan Scheme), and 8.77% diversify in Fixed deposits.

Therefore, Mutual funds stand first with majority of the respondents opting for it, as there is professional advice. Next, stands Gold as its value is in the increasing trend these days.

Diagram 10: Different Avenues of Diversification

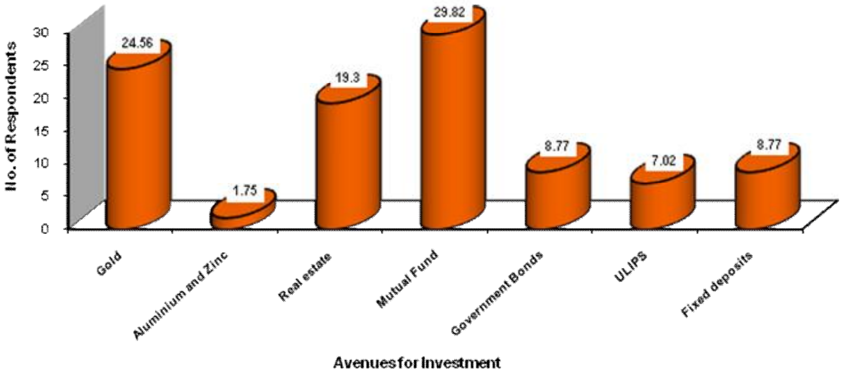


Table 11: Reactions of the Respondents to a Volatile Sensex

S. No	Particulars	No of Respondents	Percentage (%)
1	Sell the shares which are speculating	12	24
2	Remain silent without buying or selling	12	24
3	Gradually invest in a few stocks	26	52
	Total	50	100

Source: Primary Data

From the above table, we find that 24% of the respondents sell the speculating shares, 24% remain silent without trading, while the remaining 52% gradually invest in a few stocks. So, during Sensex fluctuations the best solution is to invest gradually in a few selected stocks which will suit the investors' needs.

Diagram 11: Reactions of the Respondents to a Volatile Sensex

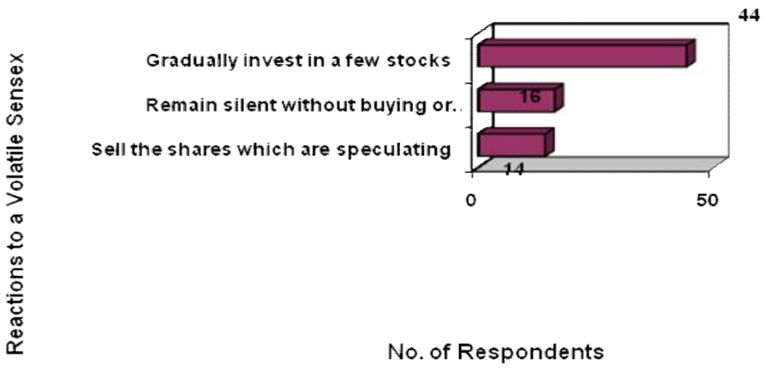


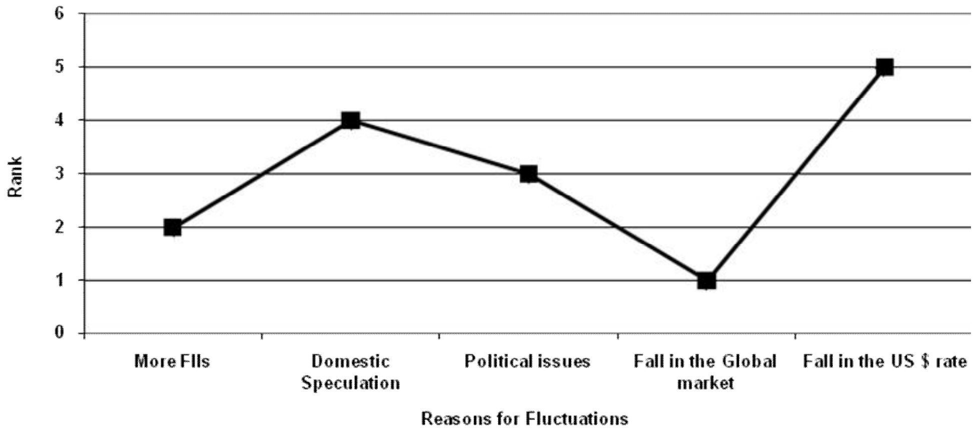
Table 12: Reasons for SENSEX Fluctuations

S. No	Reasons for Fluctuations	No of Choices	Rank
1	More FIIs	174	2
2	Domestic Speculation	119	4
3	Political Issues	157	3
4	Fall in the Global market	183	1
5	Fall in the US $ rate	117	5

Source: Primary Data

From the table we find that the respondents feel that Fall in the Global market is the actual reason for the fluctuations. It is followed by the other reasons such as high inflow of foreign capital, political issues and Domestic Speculation. The respondents feel that the fall in the US $ rate does not have much influence over the fluctuations.

Diagram 12: Reasons for SENSEX Fluctuations



Analysis and Interpretation on the Views of Stock Brokers

The volatility in the market has been one of the unpredictable issues in BSE. The erratic market behaviour has the effect of discouraging or even driving away the genuine investors from the market. The Indian secondary market has been notorious for speculative excesses. Rampant price manipulation and high volatility are rooted in excessive speculative tendencies. Stockbrokers and market operators in India have considerable political influence and lobbying power.

As a part of our data collection from stock brokers, we chose a structured questionnaire. The primary data was collected from 15 respondents- 5 working under India Infoline Ltd., 5 under Motilal Oswal Securities Ltd. and 5 under Kotak Securities Ltd.

Table 13: Age of the Respondents

S. No	Age	No of Respondents	Percentage (%)
1	21-30	10	66.67
2	31-45	3	20
3	Above 45	2	13.33
	Total	15	100

Source: Primary Data

Out of the 15 respondents, 66.67% are between the age group of 21-30, 20% are between the age group of 31-45, and 13.33 % are above the age of 45. From this table, we find that most of the stock brokers are in the age group of 20-30. It is the youth who are in the business of stock broking.

Table 14: Number of Years of Experience as Stock Broker

S. No	Years of Experience	No of Respondents	Percentage (%)
1	Less than 1 year	3	20
2	1-3 years	4	26.67
3	3-5 years	6	40
4	Above 5 years	2	13.33
	Total	15	100.00

Source: Primary Data

Out of the 15 respondents, 20% have experience less than one year, 26.67% have experience of 1-3 years, 40% have experience of 3-5 years, 13.33% have experience of more than 5 years. The majority of the investors who responded have an experience of 3-5 years which is actually sufficient enough to advice their clients in facing a fluctuating market.

Diagram 13: Experience of the Respondents as Stock Broker

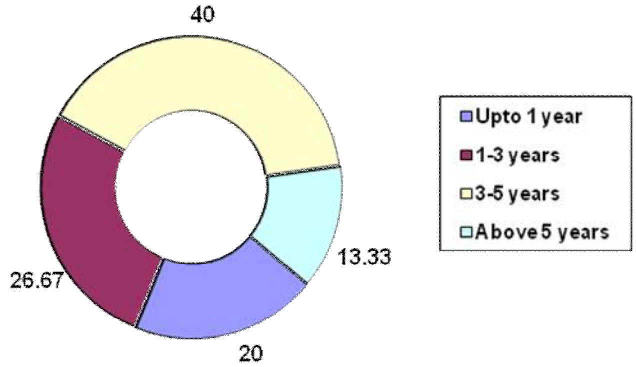


Table 15: Number of Clients for each Stock Broker

S. No	Number of Clients	No of Respondents	Percentage (%)
1	Less than 40	3	20
2	40-70	4	26.67
3	71-100	6	40
4	Above 100	2	13.33
	Total	15	100.00

Source: Primary Data

Out of the 15 respondents, 20% have less than 40 clients, 26.67% have 40 to 70 clients, 40% have 71-100 clients and 13.33% have more than 100 clients. This shows that most of the respondents have 71 to 100 clients which enable them to concentrate more on each client.

Table 16: Reasons for SENSEX Fluctuations

S. No	Reasons for Fluctuations	No of choices	Rank
1	More FIIs	42	3
2	Domestic Speculation	39	4
3	Political Issues	58	1
4	Fall in the Global market	52	2
5	Fall in the US $ rate	34	5

Source: Primary Data

From the table we find that the respondents feel that political issues are the actual reason for the fluctuations. It is followed by the other reasons such as fall in the Global market, high inflow of foreign capital, Domestic Speculation. The respondents feel that the fall in the US $ rate does not have much influence over the fluctuations.

Table 17: Advice for reacting to a Volatile Sensex

S. No	Particulars	No of Respondents	Percentage (%)
1	Sell the shares which are speculating	3	20
2	Remain silent without buying or selling	6	40
3	Gradually invest in a few stocks	6	40
	Total	15	100

Source: Primary Data

From the above table, we find that 20% of the respondents advice their clients to sell the speculating shares, 40% ask their clients to remain silent without trading, while the remaining 40% advice their clients to gradually invest in a few stocks.

So, during Sensex fluctuations the best solution given by the stock brokers is to invest gradually in a few selected stocks which will suit the investors' needs or to remain silent without trading.

Table 18: Equity is the Best Investment Option or not

S. No	Particulars	No of Respondents	Percentage (%)
1	Yes	12	80
2	No	3	20
	Total	15	100

Source: Primary Data

From the table, we note that 80% of the respondents say that equity is the best option for investment while 20% still argue that equity investment is risky because of the fluctuations. Therefore equity is best suited for the existing investors but it may not suit the new comers.

Findings

Findings from the Analysis of the View of the Investors

- Most of the investors are in the age group of 20-30. It is the youth who have the idea of trading in stock exchange.
- . 80% of the respondents are male. This shows that women invest comparatively lower than that of men.
- 54% of the respondents have completed their graduation. We are able to conclude that graduates are more comfortable in making investments.When we come to investment in fluctuating Sensex, it is the business class people who opt more.
- There are 27 respondents earning less than Rs.20,000/-. In this way, the income has an influence over the investment levels.
- .42% of the respondents are able to invest only upto Rs. 10,000/- of their savings.
- The majority of the investors who responded have an experience of 1-3 years which is actually sufficient enough to face a fluctuating market.. The fluctuating Sensex is well balanced in giving both profits and losses to the investors.
- . 68% of the respondents get advisory services for further investments in a fluctuating market. Therefore most of the investors get expert advice to invest as Sensex is not always stable.
- 56% of the respondents get advice from stock brokers who are closely related to their investment plans. They have confidence in stock brokers as they are fully experienced with the volatile Sensex.
- Infrastructure companies are safest even during a fluctuating Sensex. The next safer companies are banks, followed by IT companies, Telecommunication, Engineering and Cement. The Pharma companies are the least safe companies because of the Sensex fluctuations.
- Though the majority respondents face no difficulty, we may conclude that they still face difficulties of confusion and fear of capital erosion as there are slight variations only.

- . When the market rises, 36% liquidate the existing stocks, 36% liquidate their stocks partially. They are ready to liquidate their stocks entirely or partially to earn quick profits rather than buying more to make future profits.
- In a falling market, the investors opt not to sell their stocks, but instead buy more to avoid the risks. Some of them feel that remaining silent in a falling market, waiting for a rise is one of the best solutions.
- . 70% of the investors go in for diversification to compensate their losses in a roller-coast Sensex.
- When it comes to diversification to minimize risks, Mutual funds stand first with majority of the respondents opting for it, as there is professional advice. Next, stands Gold as its value is in the increasing trend these days.
- 48% trade less than 20 times in a month. This shows that the respondents avoid frequent trading while the Sensex is volatile.
- In a volatile Sensex, 52% gradually invest in a few stocks. So, during Sensex fluctuations the best solution is to invest gradually in a few selected stocks which will suit the investors' needs.
- The respondents feel that Fall in the Global market is the actual reason for the fluctuations. The fall in the US $ rate does not have much influence over the fluctuations.
- 24.59% decide their investment avenue on the basis of price of the shares. Thus it can be concluded that however good or bad the company may perform the investors look out for the share price before investing.
- 66% of the respondents know how Sensex is being calculated, while the remaining 34% are unaware of the calculation. This awareness among majority of the investors will help them in understanding the market conditions still better.

Findings from the Analysis of the View of the Stock Brokers

- 67% of the stock brokers are in the age group of 20-30. It is the youth who are in the business of stock broking.
- 73.33% of the stock brokers who responded are male and 26.67% are female. This shows that women stock brokers are comparatively lower than that of men.
- 40% of the investors who responded have an experience of 3-5 years which is actually sufficient enough to advice their clients in facing a fluctuating market.
- . 40% of the respondents have 71 to 100 clients which enable them to concentrate more on each client.The stock brokers feel that political issues are the actual reason for the fluctuations. It is followed by the other reasons such as fall in the Global market, high inflow of foreign capital, Domestic Speculation. The respondents feel that the fall in the US $ rate does not have much influence over the fluctuations.

- During Sensex fluctuations the best solution given by the stock brokers is to invest gradually in a few selected stocks which will suit the investors' needs or to remain silent without trading.
- . 40% of the stock brokers say that Sensex is undervalued. The respondents feel that Banking companies are safest even during a fluctuating Sensex. The next safer companies are Infrastructure companies, followed by Engineering, IT companies, Telecommunication, and Pharma. The Cement companies are the least safe companies because of the Sensex fluctuations.
- 66.67% of the respondents feel that the present bull run will change to a bearish trend in the long run.
- 73.33% of the respondents feel that hot money is fuelling the market fluctuations. Therefore it can be concluded that short term funds influence the market fluctuations.
- 73.33% feel that Sensex will steadily rise beyond 20,000. But the Sensex is actually ranging between 15K and 20K these days.
- . 80% of the respondents say that equity is the best option for investment while 20% still argue that equity investment is risky because of the fluctuations. Therefore equity is best suited for the existing investors but it may not suit the new comers.

Suggestions

With the stock market moving to dizzying heights before succumbing to gravity, it's easy to get nervous or over-excited. Here's what we suggest the investors to do when the bulls and bears kick up a lot of dust to fuel the Sensex volatility.

What One Must NOT do

Don't Panic

The market is volatile. Accept that. It will keep fluctuating. Don't panic. If the prices of your shares have plummeted, there is no reason to want to get rid of them in a hurry. Stay invested if nothing fundamental about the company has changed.

Don't Make Huge Investments

When the market dips, go ahead and buy some stocks. But don't invest huge amounts. Pick up the shares in stages. Keep buying the shares periodically.

Don't Chase Performance

A stock does not become a good buy simply because its price has been rising phenomenally. Once investors start selling, the price will drop drastically.

Don't Ignore Expenses

When you buy and sell shares, you will have to pay a brokerage fee and a Securities Transaction Tax. This could nip into your profits specially if you are selling for small gains.

What you MUST do

Get Rid of the Junk

If the shares you feel to dispose off are showing a profit, you could consider selling them. Even if they are not going to give you a substantial profit, it is time to dump them and utilise the money elsewhere if you no longer believe in them.

Diversify

Don't just buy stocks in one sector. Make sure you are invested in stocks of various sectors. To balance your equity investments, put a portion of your investments in Mutual Fund and Gold, and other fixed income instruments like the Public Provident Fund, post office deposits, bonds and National Savings Certificates.

Believe in Your Investment

Trade cautiously. Invest in stocks you truly believe in. Look at the fundamentals. Analyse the company and ask yourself if you want to be part of it. You can also get advisory services from stock brokers, friends and associations.

Conclusion

.The study has revealed the investors' attitude and reactions towards Sensex fluctuations. The investors in Madurai city are generally conservative. They are not willing to take more risks to earn higher profits. They are ready to trade safely without being trapped by the volatile Sensex. The stock brokers also are in a dilemma in predicting the future of this Sensitive Index. To conclude with, Sensex, by nature, is meant to fluctuate. After all, trading is affected by several factors like politics and economic policies. We can't expect it to stabilise till these factors have stabilized, which is impossible. So it is up to the investors to manage and make themselves a part of the volatile Sensex.

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