CHAPTER 9

CONCLUSIONS AND SCOPE FOR FUTURE RESEARCH

In-The- Sample Data analysis of the Empirical Financial Econometric Time series, revealed a few interesting facts, on the acceptance of " Non-Normality in the " Normal (Gaussian) Distributional Assumptions, theoretically found appropriate. Besides Skewness being observed, there were Evidences on the Leptokurtic Daily Log Returns data / (Excess Fat Tails)/ Mean Reversion/ Volatility Clustering, of the entire population NSE (NIFTY), Equity stocks, including NSE. The (Studentized) Residual Diagnostics on the error term revealed startling facts on the issues of Serial/Auto Correlation verified by "Correlogram Analysis plots" using a maximum and (optimum) lag of 8 periods, and General Auto regressive Conditional Heteroscedasticity ( GARCH Model), extensively engaged as the most optimal model befitting the time series considered in this study, helping us arrive at one year ahead, long run Conditional Volatility Forecast estimates, which could be validated by 31st March 2015.NSE Market proxy index forecast stands at 59% for the year ending 31st March 2015.

Exploratory Research data plots, revealed the answer to the Question “Is Volatility Constant?" Japanese Candle stick plots for the entire span also revealed interesting patterns and trends in the stock price movements, over the five year period ( daily frequency basis data study), and to top it we can further delve upon Gann Charts interspersed on these Candle stick plots, to forecast accurately trend reversal and stock price pattern predictability and using Astrology on Individual charts, we can correctly arrive at the stock price and to enable investors take a decision which enhances their success rate in the Investment Game. This needs further probity. Linear Regression Analysis revealed few aggressive stocks, as represented by their beta values, yet another measure of risk being adequately used in markets, instrumental in giving returns to the Investor. Multinomial Logistic Regression Model applied to Primary data collected on 425 respondents revealed, majority of the sample as Risk Moderate Investors, in terms of Risk Aversion Matrix, which the Researcher believes could be further researched by increasing the sample size to at least 1000 respondents, which could have further turned "more significant" explanatory demography factors in predicting the type of Investor.
The ultimate objective of the study being to construct a well-balanced diversified portfolio of equity stocks from the population NSE (NIFTY), based on the least risk perspective, and applying Sharpe's Portfolio Optimization Model, we constructed the top twenty equity stocks portfolio, which revealed significant role played by the Residual Variance, being important in giving returns to the investor's chosen portfolio. Thus settling the issue in favour of the role played by Idiosyncratic Volatility, and obtaining evidence that indeed, Idiosyncratic Volatility is priced in the Indian Stock Markets. Lastly, the revelations during the period of study, brought the Researcher closer to the chosen topic of study, that we humans inhibit the Mother Earth, and have been attracted to the sky, since Ages, Between the Heaven and the Earth, we have the ethereal medium, sinusoidal circles of energy cycling, from God to Humans, there is nothing in the Universe which is random, the changes are Periodic or Rhythmic, and it will not be difficult to accurately predict stock prices even in the short run.